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Chair

Mr. James Rajotte

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● (1735)

[*English*]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): I call this meeting to order. This is the 26th meeting of the Standing Committee on Finance.

I want to welcome our guests here tonight and thank them so much for coming in on fairly short notice, and especially for attending the night session of the standing committee.

We are televised, ladies and gentlemen, and pursuant to the order of reference of Monday, October 17, 2011, this is our study of Bill C-13, an act to implement certain provisions of the 2011 budget as updated on June 6, 2011, and other measures.

We have five organizations represented at this panel: the Calvert Home Mortgage Investment Corporation, the Canadian Association of Retired Persons, the Conference for Advanced Life Underwriting, the Canadian Association of Fire Chiefs, and the Canadian Centre for Policy Alternatives.

You will each have a maximum of five minutes for an opening statement, and then we'll have questions from members. We'll begin with Mr. Koeller, please.

Mr. Dale Koeller (Vice-President, Calvert Home Mortgage Investment Corporation): Thank you very much.

Monsieur le président, ladies and gentlemen of the finance committee, good evening.

[*Translation*]

It's a great pleasure for me to speak to you today.

[*English*]

I consider it a great opportunity to speak about a matter that affects many honest Canadians, not just business people but also the thousands of people who rely on the specialized services of mortgage investment corporations.

A mortgage investment corporation, known as a MIC, is a business structure created by an act of Parliament in 1975 to increase investment in the mortgage sector and to make home ownership more accessible to Canadians. MIC shares have been eligible for registered accounts, RRSPs, and RRIFs since their creation. The Income Tax Act outlines stringent criteria to maintain eligibility as a MIC. Among the rules are an ownership limit of 25% as a shareholder, and related parties counted together in this 25% include a spouse and minor children.

The current ownership rules were legislated into the Income Tax Act in the late 1990s as a result of a comprehensive review of MICs by the Department of Finance. The rules were implemented with a ten-year penalty-free window for MICs to fall into compliance. MICs represent a legitimate form of lending that was conceived of by people like you. MICs were an excellent idea, and they continue to fulfill the purpose for which they were designed. However, changes to the rules governing registered accounts represented by Bill C-13 will have the effect of moving MIC shareholders into illegitimate and prohibited territory.

We understand the intent behind many of the changes, which is to address inappropriate tax planning schemes. These kinds of schemes do no favours for legitimate lending businesses like ours, and we applaud the government for the priority it places on tightening up the rules.

Bill C-13 accomplishes this in many ways. However, in our view it goes far beyond its therapeutic intent. What should be a surgical instrument aimed at a troublesome issue appears to be more like a sledgehammer that threatens healthy tissue over a much wider area.

Bill C-13 will in effect change the way the government has regarded MICs for more than 35 years. It will effectively limit ownership to 10% for the owner to maintain registered account eligibility of the shares. In addition to the ownership limit being reduced by 15%, those counted together in this maximum will be expanded from spouse and minor children to include any blood, marital, or adoptive relative.

All of this may sound benign or harmless, but from the point of view of those who operate a MIC, the short-term effect will be harsh, punitive taxes. The long-term effect may be the collapse of many businesses across the country and possibly financial ruin. Those who exceed the 10% ownership cap, together with their relatives, people who were all along in compliance with the Income Tax Act previously, will have their RRSP and RRIF taxed in the current year and every year until 2022. At that point, if the shares are still in their registered account, they will have their entire income confiscated with a 100% tax rate.

As you can see, law-abiding business people will be hurt; but more importantly, so will the many thousands of Canadians who hold shares in these companies. Who are these shareholders? A teacher, a farmer, a shopkeeper, a retiree. Together with the managers of the company, we the affected shareholders will have to deregister our retirement savings. The remaining shareholders may also suffer a penalty in the value of a company that must restructure to comply with this change in policy.

My company's a small business. We have only one office with eight employees. We've operated as a lender since 1982 and currently have $26 million invested in mortgages. Most other MICs are equally small. Yet together as an industry, we represent over a billion dollars and hundreds of MICs across Ontario, B.C., and Alberta alone. The contribution to the economy is significant across the entire country. We grant mortgages to builders and renovators, who employ carpet layers and plumbers, and many of these borrowers would be hard-pressed to find the financing they need through institutional lenders. We work with borrowers in small or rural communities, where institutions may not be able to help them.

What we finance directly fuels jobs, fuels economic opportunity, builds communities, and helps to support entrepreneurs and small industry in Canada. We ask for the opportunity to keep these dollars working in an economy that desperately needs our nurturing, and we commit to continue to work hard to invest wisely to support that growth.

In conclusion, I ask that you please remove the sections of Bill C-13 that apply to MICs. I understand your need to close inappropriate tax planning schemes. We have suggestions to help you prevent schemes without negative effects on the MIC industry. We can help you make this work more fairly. I would be at your disposal if I can help in any way.

Again, thank you for the opportunity to share this information with you, and thank you for the leadership and service in your work as members of our federal Parliament. Merci.

The Chair: Thank you very much for your presentation.

We'll now hear from Ms. Eng.

Ms. Susan Eng (Vice-President, Advocacy, Canadian Association of Retired Persons): Thank you very much.

I represent CARP, a national non-profit non-partisan organization with 350,000 members and 50 chapters across the country. We advocate for public policy change that improves the quality of life for all Canadians as we age.

Health care remains a top priority for our members, as it is for all Canadians, but it matters more as we age. Despite the fact that today's generation of older Canadians are living longer, healthier lives, the Canadian health care system serves Canadians very well for acute care, but it's not mandated to provide continuing care for those with chronic diseases for which medicine has no cure. That responsibility falls to informal caregivers and the home-care sector, which is at best a patchwork across the country.

CARP's particular focus today is on clause 23 of BIll C-13, which provides for a non-refundable caregiver tax credit. CARP is recommending that the tax credit be made refundable, that it be increased, that it be targeted at those who provide the heaviest care, and that all of this funding be within the same funding envelope.

The vast majority of Canadians want to stay in their own homes as long as possible, even if they have medical challenges. Being able to do so not only improves their health outcomes but keeps them among their friends and family, all of which adds to their quality of life.

This good social and health policy is also good fiscal policy. A well-integrated and successful home-care strategy has the potential of diverting massive amounts of demand from the formal health care system. It's estimated that home care is 40% to 75% less expensive than institutional care is.

Finally, not only is the comprehensive home-care and caregiver support strategy good public policy, it also makes good political sense. CARP polls its members regularly on our advocacy proposals, and they consistently rank caregiver support as a top priority. They appreciated the attention given to the role of family caregivers in the recent federal and provincial elections. They appreciated the acknowledgment of family caregivers with the specific non-refundable tax credit proposed and now passed in the recent budget, but they would prefer the refundable tax credit or allowance proposed in other platforms. Fifty percent of those polled by CARP last week thought the best way to support caregivers was through an allowance or a refundable tax credit.

The amount set forth in the budget, if it were refundable, would be welcomed by the 2.7 million Canadians now providing care to older loved ones. However, there should be a focus on those providing heavy care: those who are most likely to be reducing their hours of work or quitting their jobs altogether to look after a loved one, either permanently or during an acute period. Such people would not benefit from a non-refundable tax credit unless they had other sources of taxable income. Not only should they receive a refundable tax credit, but the amount should be increased beyond the $300 resulting from the budget changes. We believe it's possible to limit the budget expenditures with such a measure.

One in five Canadians over the age of 45 is providing care to an older person. That's about 2.7 million Canadians, according to Statistics Canada. Of that 2.7 million caregivers, 25% provide heavy care, defined as 30 hours or more of care each week. That brings us down to about 675,000 Canadians. Of the 2.7 million caregivers, some 25% are themselves seniors, and 30%, or some 200,000 people, are themselves over 75 years of age. A modest $1,500 per year for 675,000 caregivers would cost about $1 billion a year.

There are existing models of caregiver support and allowances here in Canada. Nova Scotia targets low-income families. It looks at the 20-hour threshold of care per week, and it provides up to $4,800 per year. It has budgeted a small amount and would look after only about 375 families. Manitoba has an option as well. Germany has something interesting, which is long-term-care insurance that provides a significant amount of care to caregivers.

I will be able to give you some more specific facts and figures, but suffice it to say that if there were an opportunity to divert a massive amount of care, and if you looked at the differential between home-care costs and institutional costs, there is the potential for anywhere from $4 billion to $10 billion a year in diverted costs.

Thank you very much.

● (1740)

The Chair: Thank you very much.

We'll now hear from CALU, please.

Ms. Susan St. Amand (Chair, Conference for Advanced Life Underwriting): Mr. Chair and committee members, thank you very much for allowing us to appear before you this evening.

My name is Susan St. Amand and I am chair for the Conference for Advanced Life Underwriting. I have run my own small financial services business in Ottawa for the past 22 years now, and prior to that I spent seven years in management with one of the largest Canadian chartered banks. Our brief provides more information on CALU and our sister organization, Advocis, but I want to remind you that more than 10,000 of our members are largely self-employed, independent small-business owners spread out across Canada. Each one of us advises approximately 300 families, many of whom are owners of small to medium-sized businesses.

Like you, we are very concerned about the ability of our business clients to fund their own retirement and the retirement of their employees, while preparing for the succession of their businesses. Although I have not implemented many individual pension plans myself for our clients, I do know they have a very valuable place in our system. When the new IPP rules were first introduced last March, I understood the proposed changes were directed at a small group of business owners who were obtaining unintended tax benefits from their individual pension plans. It appeared that the Department of Finance was now quite properly dealing with this problem. But then I started getting calls from our members, expressing concerns about the general impact of the proposals on the ability of their business clients to participate in defined-benefit-style pension plans.

Based on this feedback, CALU formed a working group of members who had expertise in this area. In mid-September, the working group completed its submission to the Department of Finance, noting a number of issues and requesting more time for consultation. It appears that the finance department was operating under a tight deadline, and Bill C-13 was tabled a mere two weeks after the close of the consultation period. Thanks to previous dialogue and input, the final IPP regulations did contain a change designed to mitigate the impact of one of the proposals.

However, CALU continues to have a fundamental concern with these proposals. We believe the IPP legislation challenges the ability of business owners and key employees to participate in retirement benefit programs with similar terms and conditions available to employees in larger private and even public companies. We see this as a dangerous trend that seems to assume that business owners will abuse employee benefit plans. We don't believe most of our business clients or their professional advisors design plans with the intention of taking advantage of the rules, and we are concerned about this perception and the role it may play as a basis for the development of tax policy.

I would now like to invite Kevin to make some specific comments on the legislation that will hopefully illustrate my points.

● (1745)

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

Mr. Kevin Wark (President, Conference for Advanced Life Underwriting): Thanks, Susan.

Mr. Chair and committee, thank you for inviting us tonight.

I have to admit that as I reviewed the IPP proposals I was reminded of a point of discussion with my tax professor at law school. As I struggled to understand the application of a certain tax provision he told me, "Remember, there is no equity in tax law; each word and provision stands by itself and will not bend to the specific facts of a particular situation." In other words, he was telling me that the tax laws will be applied as they are written, even if the result is not fair.

Because of this fundamental rule of tax interpretation, I believe it's incumbent on the drafters of such legislation to make sure the rules are not crafted in such a broad manner as to create unfair results. It is incumbent on organizations such as CALU to alert the government of those circumstances where unfairness can arise. I would like to spend the remaining time highlighting some of the unfair impacts of the IPP rules as they relate to the RRIF minimum withdrawal requirement.

As you may be aware, typically some members of large defined benefit pension plans have formed corporations as transfer vehicles for the commuted value of their pension benefits. In doing so, they create a pension surplus that is not subject to any withdrawal requirements, creating a tax deferral opportunity. The RRIF minimum payout requirement is being imposed on all IPPs in order to minimize this tax deferral opportunity.

It bears noting that this specific planning is not being done by small-business owners, but by employees who create a fictional employment relationship with a newly incorporated company that has been established for this sole purpose. Yet the RRIF minimum rule will apply to any defined benefit plan with less than four members, irrespective of how the surplus was created in the plan. We believe the proposals need to be better targeted to prevent the abuse while not impacting other IPPs.

It must also be appreciated that these rules apply retroactively to any plan meeting the definition of an IPP. So whether the plan has been created to facilitate the transfer of pension benefits or whether it's one that's had the good fortune of being in a surplus position due to strong investment performance, it will be governed by these rules. And not only do these rules operate retroactively, but they can apply to plans that were not previously treated as IPPs, simply because one or more of the members have terminated their participation.

The Chair: Thank you, Mr. Wark. We are overtime. I want to get all of the witnesses in and I want to ensure that every member has a chance to ask questions.

We'll now go to Mr. deHooge, please.

Mr. John deHooge (Fire Chief, Ottawa Fire Services, Canadian Association of Fire Chiefs): Thank you, Mr. Chair and members of the committee.

My name is John deHooge. I sit on the executive of the Canadian Association of Fire Chiefs and have the pleasure of being the fire chief for your city, the city of Ottawa.

The Canadian Association of Fire Chiefs is a non-partisan, national association formed in 1908. Our 1,000 members include fire chiefs and other fire chief officers from every Canadian province and territory. We include fire chiefs from Canada's first nations, industry, airports, seaports, major health care facilities, and Canadian Forces. Our national board of directors includes the presidents of each provincial and territorial association of fire chiefs. The CAFC is in the best position to speak on behalf of all elements of the Canadian fire service.

As part of budget 2011, the Government of Canada introduced a $3,000 income tax credit for volunteer firefighters who perform more than 200 hours of service in a year. Canada's fire chiefs have been advocating for tax relief for the volunteer fire service since 2003. The proposal adopted by the Government of Canada in budget 2011 was the proposal that the CAFC had presented to the federal government as our budget priority during last year's pre-budget consultations. In our view, tax relief for Canada's volunteer firefighters is a key part of the solution to addressing the recruitment and retention challenges facing Canada's volunteer fire services.

We would like to recognize the government for its commitment to pass this initiative into law. The CAFC appreciated yesterday's exchange between Shelly Glover, member of Parliament for Saint Boniface, Manitoba, and the Honourable Jim Flaherty, Minister of Finance, in support of the volunteer firefighter tax credit. We are also grateful for the work of MPs from all parties who have supported us in our campaign for tax relief for volunteer firefighters. This measure will help with the recruitment and retention of volunteer firefighters across the country, which will in turn protect Canadians and our communities.

Volunteer firefighters are unique, even among other volunteer emergency first responders. The vast majority of Canadian communities are protected by volunteer firefighters. Of Canada's 3,492 fire departments, more than 91% are volunteer departments, and four out of every five firefighters are volunteers. In many of Canada's rural and remote communities, volunteer firefighters are the only emergency first responders. In no other emergency responder service do volunteers play such a significant role.

As the fire chief for the city of Ottawa—a composite department that includes both career and volunteer firefighters—I can assure you that while they are volunteers in name, their training and the service they provide are highly professional. Volunteer firefighters are trained in the same way as career firefighters. Once recruited, it takes approximately three years to properly train a volunteer firefighter, and, sadly, many do not stay on past five years. The lack of reimbursement for out-of-pocket expenses, inadequate equipment and resources, and the time spent away from families and paid employment make it difficult to attract new volunteer firefighters and to keep those already trained.

It is worth noting that other volunteer emergency responders plan or choose when they want to volunteer, whereas volunteer firefighters are often on call all the time. These brave men and women leave their full-time jobs to attend emergencies, losing wages and incurring personal costs in the process.

Thank you.

● (1750)

The Chair: Thank you very much for your presentation.

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

Mr. David Macdonald (Economist, Canadian Centre for Policy Alternatives): Thank you.

First of all, let me thank the finance committee for their invitation to speak today.

My name is David Macdonald. I'm an economist with the Canadian Centre for Policy Alternatives, a non-partisan economic think tank here in Ottawa.

Although the stimulus package has now wound down and the global economic picture appears no more certain as the great recession drags on, depression-level unemployment in the U.S. and the European sovereign debt crisis continue. To be sure, the situation looks better here on this side of the Atlantic and north of the 49th parallel. Neither our banks nor our sovereign debt are facing anything similar. In fact, while Euro members like Greece are considering default, the Canadian debt-to-GDP ratio remains the lowest in the G-8, equivalent to $500 billion lower than second place Germany.

However, Canadians have not been immune to the global debt crisis. In Canada it has taken the form of much lower economic growth, higher unemployment, and underemployment. And while middle-class Canadians have not seen the price of their homes collapse, as has been the norm in other countries, they are buried under mountains of debt that will serve as a weight around the economy's neck when interest rates rise.

Stagnant real wages for most Canadians over the past several decades has meant that rising prices for houses and everything else were only affordable by piling on more debt. But this Faustian bargain is not likely to continue as household debt to disposable income tops 150%.

As private sector forecasters and the Parliamentary Budget Office revise their economic growth projections downward, Canada may well be in year four of its own lost decade of high unemployment, widening inequality, and slow growth. One and a half million Canadians remain unemployed or have simply given up looking for work. To add insult to injury, CIBC has just today released the fact that the full-time jobs that are being created are primarily low-paying jobs.

At the same time as additional demand is needed in the national economy, corporations are cutting back on investment because of uncertainty. They have instead chosen to keep their tax cuts in a bank account, not investing them in new equipment and not creating new jobs.

Consumer demand is significantly constrained by high debt loads. And the third actor, the federal government, has chosen not only to withdraw from job creation with the end of the stimulus effort, but to throw likely tens of thousands of public sector workers into unemployment lines through austerity measures.

This budget bill contains measures that are much more effective at encouraging capital investment than broad-based corporate tax cuts. Accelerated capital cost allowances for manufacturers and clean energy producers in part 1 of this bill are examples of tied tax cuts: corporations only get them if they take specific actions.

Similar incentives should be adopted for job creation. Tied tax cuts that are linked to actually creating jobs or investing in machinery are dramatically cheaper and can be much more effective than broad-based tax cuts at getting the desired results. This budget bill should look at expanding tied tax cuts not just in accelerated capital cost allowances, but also in job creation. While these measures would cost the treasury, they would cost significantly less than comparably expensive declines in the general corporate tax rate.

Given that Canada has the lowest corporate tax rate in the G-8, according to PricewaterhouseCoopers, we have room to increase that rate by several percentage points while maintaining first place. The additional revenue could provide long-term infrastructure funding for part 9 of this bill by augmenting the gas tax transfer. Not only would this whittle down the significant infrastructure deficit, but it would drive aggregate demand. Job creation would certainly be a result, but so too would stronger economic growth.

If the committee accepts that the federal government was successful in blunting job loss in the crisis of 2008, there is little reason why it couldn't employ similar tactics today—that is, job creation through infrastructure spending. However, employment itself is only part of the problem. This budget bill fails to address rising inequality in Canada. If anything, the children's arts tax credit from part 1 of this bill would go largely to higher-income families and only exacerbate the problem.

I encourage the committee to consider measures that might help to reduce instead of increase the after-tax income gap through the introduction of a new income tax bracket above $250,000 in income. The funds raised through this could support stronger social programs that ease the burden of stagnant wages for middle-class Canadians.

To conclude, dark clouds remain on the economic horizon, and the changes I've suggested above to this bill will take steps to better protect Canadians against the possibility of another lost decade.

I'd like to thank the committee for their time.

● (1755)

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

We'll begin questions from members with Mr. Julian for five minutes.

Mr. Peter Julian (Burnaby—New Westminster, NDP): My thanks to our witnesses for coming on short notice.

Mr. deHooge, the volunteer firefighter tax credit is important. You said that since 2003 this has been one of the requests that has come forward. Another one not in Bill C-13 is the public safety officers compensation fund. That's been on the agenda for firefighter lobbies since 1997. In 2006, NDP legislation was adopted by Parliament to create a public safety officers compensation fund that would include volunteer firefighters who pass away.

Could you speak to the issue of firefighters, particularly volunteer firefighters, who pass away in the line of duty? I've spoken with some of their families and many been left destitute, without the public safety officers compensation fund. Could you comment on that? We have a first step, but what about the government providing support for volunteer and professional firefighters across the country?

Mr. John deHooge: The proposal was brought forward initially by the Firefighters Association of Ontario. It is certainly something that the Canadian Association of Fire Chiefs would support. It certainly would help, recalling what happened last year with two Listowel firefighters who tragically were taken in the line of duty. That type of financial impact on the families is significant, and we would support a change to that legislation.

Mr. Peter Julian: Would you have an idea of how many volunteer and professional firefighters have passed away since 1977, since firefighters started coming on the Hill to get the benefit that exists in the United States?

Mr. John deHooge: Unfortunately, I don't have statistics for the last number of years. Certainly with the presumptive legislation that number has increased over the last few years. Annually, here on the Hill, we honour 1,000 firefighters who have passed away in the past 100 years.

● (1800)

Mr. Peter Julian: With the 200-hour-a-year threshold, do you have any idea how many volunteer firefighters go below that threshold and might not be included?

Mr. John deHooge: You want to know who would qualify for the tax credit. As part of our pre-budget submission to help the federal government understand the issue, the CFC conducted a survey of Canadian fire departments to determine how many volunteer firefighters would qualify under the proposal. The research shows that 45% to 65% of Canada's volunteer firefighters would meet the 200-hour threshold to qualify for the tax credit.

Mr. Peter Julian: Mr. Macdonald, you referenced important low-paying jobs. Just before you arrived, we heard from the Parliamentary Budget Officer, who is projecting that another 100,000 Canadian families will lose a breadwinner over the course of the next few months. Certainly our numbers are still far below what they were in May 2008. When we go back to May 2008, there's been stagnation, even though the labour force has increased significantly.

Could you tell us to what extent the jobs are lower-paying that have replaced the jobs that were higher-paying prior to the last three budgets?

Mr. David Macdonald: What's interesting is that we can go back to, say, July or August 2008, prior to the 2008 recession. The key factor is the percentage of working-age adults with a full-time job. That percentage has dropped from about 52% to around 50%. This shows that while the unemployment rate has come down, what's made up the difference is not full-time jobs but part-time jobs. The unemployment rate is definitely lower. The problem is that people are working in part-time environments.

There is another challenge that StatsCan doesn't collect the data for. They may well be working in part-time jobs, but they would like full-time jobs. That data isn't collected. It's clear that the number of Canadians eligible to work in a full-time job is much less today than it was in 2008.

Mr. Peter Julian: Do I have time for a last question? No?

The Chair: Unfortunately, you are out of time, but there will be other rounds, obviously. Thank you, Mr. Julian.

We'll go to Mr. Jean, please.

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

Thank you, witnesses, for coming today.

I'm going to centre most of my questions in relation to CARP and Ms. Eng. We have had the opportunity to meet before in these same circumstances.

I've been a member of Parliament for just over seven years, and I've heard many times what seniors need and what they want. And of course we're concerned with the demographic and what's taking place just generally with the trend in Canada especially.

Now, you obviously are aware of the legislation today that eliminates the mandatory retirement age for federally regulated employees. You're aware, of course, of the pension splitting of the GIS top-up, which took somewhere in the neighbourhood of 680,000 seniors to be eligible for that $300 million in 2011 budget, the family caregiver tax credit, the personal exemption for income tax, which of course moved up to $10,382.... It's a big, worrisome problem, and I think we've responded well in the last five years. I see you nodding your head; that must mean we have.

Ms. Susan Eng: Yes, of course, but I think I've said before that despite the fact that these proposals are there, there still remains a problem for a lot of people.

Mr. Brian Jean: And that was going to be my next question, because our population is doubling. I think somebody told me—it might have been our chair—that a thousand Canadians turn 65 every day. Is that right?

Ms. Susan Eng: Yes.

Mr. Brian Jean: So, that's 365,000 seniors. We're going to have a doubling of our seniors in 15 or 20 years. It's fairly amazing, and obviously the cost base for that is tremendous, because everything we pay out for senior citizens is going to be doubling in 20 years, in essence.

What innovative proposals has your organization come up with that might help us in Canada deal with the growing demographic as well as the problem with the recession, etc.?

Ms. Susan Eng: Thank you for the question.

I guess the first thing to say is that age 65, although the determinate of the definition of senior, does not mean that that person becomes non-productive and automatically a burden. I think that's an important one. Even with the Parliamentary Budget Office, they still continue to use something called an age-dependency ratio, which is dividing the number of 65-year-olds by those who are under 65, which suggests that anybody who is 65 is by definition dependent. That's the wrong way to look at it. We believe you have to look at actual dependency and actual disability in order to make broad public policy look a little bit more sensible. We don't need to be quite calling for a disaster because there is a larger population over 60 to 65.

● (1805)

Mr. Brian Jean: And I agree with you. I think your organization is correct on that. That's why, of course, we've moved in this legislation to eliminate the mandatory retirement. Now, what are your members saying about that? Are they pleased with that?

Ms. Susan Eng: Yes, absolutely.

First of all, we would like to see that legislation ASAP, because there are people still pushing back in this day and age against such legislation. The issue there is an issue of rights. Not everybody who has the occasion to keep working past 65 will take up the opportunity, but those who want to should be given that opportunity.

Mr. Brian Jean: Are they saying that they are pleased with this legislation? Are they pleased with our Conservative government?

Ms. Susan Eng: We do poll our members. We have a bi-monthly newsletter that goes out to our membership. We get from 3,000 to 5,000 responses in a number of days, and we have asked them the question about mandatory retirement. There is strong support for getting rid of mandatory retirement. We see it as legislated age discrimination and unnecessary. Certainly when people hit the age of 65 there are some who prefer to keep working, but there are workplaces that ask people to leave at age 60. We think that is certainly wrong, because they are more than willing to keep working if they choose.

Mr. Brian Jean: My mother is 79, will be 80 in February, and she still works full-time, probably about 50 hours a week.

Ms. Susan Eng: More power to her.

Mr. Brian Jean: She's much more productive than I am and probably all my colleagues together, I have to tell you that as well—which is an insult to me; I don't know what happened to me.

Notwithstanding that, I did ask for some innovative ideas that your organization has. Could you give us some ideas what you would like to see in the next budget?

Ms. Susan Eng: Well, first of all, I think there should be incentives to help people keep working if they want to. That means that workplaces need to start introducing creative policies to keep older workers employed.

It means that they have to look at caregiver leave. They need to provide accessible working situations.

They need to apply some training to make sure that where you have a situation of a younger supervisor to an older worker, you actually train people around that sensitivity, which is important, and make sure they are using whatever technology they need in order to create that flexible work environment. That's something that could be introduced as a tax credit for employers. For example, job fairs is another one to keep people working, looking after their own retirement, and so on.

The Chair: Thank you, Mr. Jean.

We'll go to Ms. Sgro, please, for a five-minute round.

Hon. Judy Sgro (York West, Lib.): Thank you very much.

I have many questions for everybody, but I'd like to hear from Mr. Wark a little bit further on this issue of the pension challenges you were talking about. It's an area I'm the critic for, and of course our party was supportive of a new initiative, which was the supplementary Canada Pension Plan. I'd like to hear more about some of the challenges you were referring to when you didn't have time to finish.

Mr. Kevin Wark: Thank you very much.

The people who are being impacted by these rules are typically small-business owners. That's the inclusion of the rule. They work very hard to build their business. They're often reinvesting in the business, and at some point in time they're in a position to build their own retirement income for themselves and for their other employees.

The issue is whether they have the same entitlement to participate in defined benefit pension plans like other employees in larger private and public companies. These rules create restrictions and costs associated with implementing these kinds of plans that often make it difficult to justify on a cost basis. The big question we have is why is the focus on the size of the plan, versus what type of planning is being done and trying to get at the planning that's considered to be abusive, as opposed to the nature of the business itself?

Hon. Judy Sgro: Given the fact that you're talking about small business, do you have any comments or thoughts on the government's proposal for the PPRP plan—that is, pooled pension plans?

Mr. Kevin Wark: We are supportive of a program that will expand the number of people who are participating in retirement programs. We made another submission on the retirement income sufficiency issue. It is clearly individuals employed by small businesses who don't have pension plans of any sort in place, or self-employed individuals. In the current rules, there's a gap in their being able to participate in pension plans or retirement programs on an appropriate basis.

● (1810)

Hon. Judy Sgro: Ms. Eng, we talk about not forcing people to retire at 65, but I would suggest that there are many people who have very limited opportunity to save for pension plans, whether they are in small business, farmers, homemakers, or whatever. When we talk about them choosing whether they want to work beyond 65, for many people it's going to be a fact of life that they'll be working beyond that. I just mention it because we discussed that earlier.

You also talked about Germany, and the kinds of choices when it came to caregivers and all of the other issues. Can you elaborate a little bit more on that, please?

Ms. Susan Eng: Yes. It's interesting.

First of all, I agree that some people want to work, and other people have to keep working to look after their own retirement in the absence of a savings vehicle like a workplace pension.

In Germany—and we're starting to study this a little bit more thoroughly—they actually have a long-term-care insurance plan. Again, it's a CPP-type instrument with mandatory contributions. Once you are eligible to start receiving the payments, they're quite substantial. They are paid to the care recipient. And depending on whether you need moderate or heavy care, it can range in Canadian dollars from $4,000 a year to $11,000 a year. You receive that money in cash in order to pay for caregiving, home care, and even long-term care. It's quite an extraordinary amount of money, but of course they are looking at funding it properly and having adequate contributions. When we look at the cost of care for a person, we have to look at 360 degrees. Is it just financial? Are there expenses, are there forgone salaries, are there professional services? All of these things are necessary.

Hon. Judy Sgro: Some of the biggest issues you're referring to that are facing seniors are refundable tax credits and other areas. What else do you think we need to be doing, as parliamentarians and as messengers to the government? What else we can be doing to help not just the thousands of seniors who are retiring today, but the thousands of people who are going to be retiring in the future, so that they aren't retiring in poverty? We're looking into the future and trying to prepare.

Ms. Susan Eng: The bottom line is financial security in retirement. Whatever that means, it includes reducing expenses, and increasing income if they are at a marginal level. Certainly the GIS top-up was most welcome, but of course there are 1.7 million Canadians receiving GIS, which by definition means that they're in some financial insecurity. So we're recommending improving on that. Other people whose savings were devastated in the recent downturn need some relief from rules that exist, like the mandated RIF rules. They should be gotten rid of, or there should be at least a moratorium. There are clawback rules for OAS that should be reduced. Test-of-income rules.... All of these things need to be adjusted so that people can keep more of their own money, and help them to help themselves.

The Chair: Okay. Thank you, Ms. Sgro.

We'll go to Ms. McLeod, please.

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

I'd like to start my questions with Mr. Koeller. Certainly you're talking about what is probably a very complex tax procedure. I do know that in budget 2010, identical changes were made to ensure that MICs could not be used in tax-free savings accounts, which was really to close an identical loophole.

Did your members object to this measure contained in budget 2010? And with respect to MICs, why should RSPs be treated differently than TFSAs, as they are similar savings vehicles?

Mr. Dale Koeller: I'm not aware of the TFSA rules that came in in budget 2010, but what I do know from my research is that when TFSAs were introduced, they were eligible for shareholders to invest in MICs through their TFSA—not for everybody. For instance, I'm connected to an owner who has over a prescribed amount, so I could not. And that was fine for me, because it was a known rule that was introduced with a new vehicle, whereas this rule is difficult for me to digest because it's retroactively imposed upon us. It reduces our total ability to invest in our company from 25% maximum to 10% maximum, and it includes a broader definition of “related parties”.

The big penalty is that we've structured ourselves to be within the rules, and we now find ourselves reduced retroactively and currently penalized as well.

Mrs. Cathy McLeod: I'll now go to CARP.

We're here to talk about the Budget Implementation Act, Bill C-13, and I know sometimes it's nice in these environments to do a little "blue-skying". I think that blue-skying certainly needs to be done in partnership with the province. When you talk about one province is doing something and one isn't, really, many of the responsibilities.... Those conversations need to be had.

I certainly want to follow up on Mr. Jean's comments in terms of the huge host of measures that have already been taken, and then in the first part of the Budget Implementation Act the increase to the GIS and this measure here. To be quite frank, we're heading into very uncertain economic times. I have three children, and most of the people you represent have children. I would think that there comes a time when we have to also be thinking of the generations down the road. We've made significant measures.

To be quite frank, at this time I certainly support conversations, but I certainly couldn't support the changes you're asking for in this particular bill.

● (1815)

Ms. Susan Eng: Thank you for that question.

I know there's a concern that when we help seniors, somehow we are not helping the younger generation, and that is not our purpose. Our purpose is to focus on those vulnerable communities that are not in a position to improve their own situation themselves.

One example is single women. They will not benefit from the pension-splitting changes that this government has brought in, which were mostly extremely welcomed by—

Mrs. Cathy McLeod: But they will benefit from GIS, if they're low-income.

Ms. Susan Eng: Yes, they would, and—

Mrs. Cathy McLeod: I guess my point is we're talking about an increasing debt. We already know that this budget is going to result in a deficit. I think if you have a good balance is my—

Ms. Susan Eng: I think there is an opportunity to improve their lot. The dollar amount for those people on an individual basis.... As you saw very well with the top-up of the GIS, there's a limited number of actual dollars in the grander scheme of things, but it means a great deal to that targeted group of people.

We would say the same thing in relation to, for example, single women. There are those who have a bit of money, who cannot split their pension income. Then there are single women who are under the age of 65 who do not have access to their own OAS, and would not benefit from the spouse allowance that their sisters who are married would get.

Those are the kinds of targeted groups that we worry about, because at this point there's no way for them to change their circumstances.

Mrs. Cathy McLeod: I want to make a quick comment to the Canadian Association of Fire Chiefs.

I represent a community that has many volunteer fire departments. I know that without reservation they were cheering this measure. They've been wanting it for a long time. I want to express my thanks for the great work they do.

The Chair: Thank you, Ms. McLeod.

We'll go to Mr. Marston, please.

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

I want to say from the outset that I've seen you as a champion for seniors and pensions for a number of years. Mr. Layton introduced me to you, I think it was in 2009. Since that time, you've made a number of presentations I've taken part in, in various places.

You will know the NDP's call for a phased-in increase to the core assets of the Canada Pension Plan, with the concept of doubling it over 30 years. You'll also be very aware of the government response from the testimony you gave just the other day. I want to offer to the government that I do agree, it was a beginning, the PRPP. But one of the concerns I have is that PRPP still leaves Canadians exposed to market fluctuations in a way that I don't think is acceptable.

A point you made in your last presentation to us was that you were concerned that there should be a capping of the fees for the PRPPs, so I was wondering if you'd like to comment further on that.

Ms. Susan Eng: Yes, thank you for the question.

Indeed, the focus for us is to make sure that future generations of retirees have access to a savings vehicle that will help them provide for their own retirement and obviously not have to fall on the public purse. The focus there is to make sure that whatever new vehicle we come up with is a net improvement on the status quo. The fact that it's going to be a pooled fund is already by itself a massive improvement, and the acknowledgement that there is a retirement gap, a savings gap, is also a major improvement.

That said, in our written submission we made reference to an Australian report based on their 12 years of experience with a similar plan. The bottom-line consideration there was the fact that the fees wiped out most of their savings, so they were no better off than if they'd just left their money in the bank. They had the net positive of saving that money instead of spending it, but beyond that there was no measurable value. So we want to learn from that. We want to take a lesson from that to make sure that when we introduce the project here, we don't fall into that trap.

This is supposed to be handled by the private sector, so we need to look at those fees. The CPP, OMERS, teachers, all of those kinds of plans are in fact non-profit, if you will. Even though their own management fees are quite enough, the added profit feature is not part of their statement. It is important to look at that as a way of controlling costs and not eroding savings.

● (1820)

Mr. Wayne Marston: Thank you.

Mr. Wark, I'd like to take this over to you now, because you're talking about the PRPPs and small business, and that it at least gives them a vehicle. From our standpoint—and you were talking about defined benefit plans—the Canada Pension Plan is owned by Canadians and it's a defined benefit plan. If all Canadians had access to that and paid into it, would you not see that as a solid vehicle for those people going forward?

Mr. Kevin Wark: When we did our review of the various programs that were being proposed, the target group that we thought needed to be benefited were employees of small businesses and the self-employed. Although the CPP proposal, or supplementary pension plan proposal—

Mr. Wayne Marston: No, we're not talking supplementary. That's a Liberal position. We're talking about increasing the core assets of the CPP to grow it to double. We're talking about $1,800 a month in 30 years, is what it would accrue to.

Mr. Kevin Wark: The specific concern we had with that was the time it would take to integrate that to provide a benefit and the fact that it would put an additional cost on small-business owners and others at a time when it's a very difficult financial environment. We don't say not to do it, but we think other things should be done.

Mr. Wayne Marston: Thank you.

Do I have more time, Mr. Chair?

The Chair: You have 30 seconds.

Mr. Wayne Marston: Ms. Eng, you talked about the increase in cancer rates from 2000 to 2009. Last night the CBC reported that cancer has passed heart disease as the number one killer. I've lost nine friends and family in 15 months. They all wanted to stay at home. You mentioned in your presentation about a balance between an insurance model paying part of that cost. Could you expand on that? I hope there's a little time left.

Ms. Susan Eng: I think the point is, when people are looking after this care at home, it will still cost, but it does not cost as much as in institutions. We're talking about chronic diseases or even severe diseases like cancer. When we talk about chronic diseases, for example dementia, it doesn't necessarily require the same levels of nursing care or costs that you would find in an institution. If there's an opportunity to deal with those kinds of costs at home, the system would save.

The Chair: Thank you.

Thank you, Mr. Marston.

We'll go to Mr. Adler, please.

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

And welcome, witnesses.

I want to ask Ms. Eng my first question. I'm going to go down a little bit of a different road here, if everyone could just bear with me for a second.

I want to talk about the national securities regulator. I know that this is something that is important, as far as our seniors go. During the campaign, the Prime Minster made a promise to seniors in the country that he would increase the penalties for elder abuse and all that. But there is another kind of elder abuse, and it's financial elder abuse.

The legislation for the new national securities regulator, which is currently before the Supreme Court, calls for an enforcement agency. I'd like you to talk about that enforcement agency and what that would mean in terms of preventing financial elder abuse and how it would be beneficial for everyone.

Ms. Susan Eng: Thank you for that.

In fact, the proposal to add a strong enforcement arm to the national securities regulator is extremely important to our members, many of whom have investments. There is a strong belief that many of the investments they were put into were inappropriate. In other cases, their families have invested their money for them. All of these kinds of issues would be part and parcel of the focus of such an enforcement agency.

It is important, because despite the fact that all of the other regulators purport to have a complaints agency or some kind of consumer protection, in fact, they don't. They might be mediators. They can't focus on restitution. It's hard for the average retail investor to access that.

This specialist body being proposed excites us, because there will be, first of all, specialists who will help with the prosecutions. They will have the authority to provide restitution and even to charge criminally. That provides a major sanction against the financial fraud that is often perpetrated against seniors.

● (1825)

Mr. Mark Adler: Thank you.

I'd like to direct my next line of questioning to Mr. Macdonald.

As you know, Canada has received rave reviews from economic organizations around the world—the World Economic Forum, Economist Intelligence Unit, the OECD, the IMF, *Forbes* magazine, and on and on—which say that Canada has the strongest economy in the G-8 and is well positioned to weather an economic maelstrom and economic repercussions that could reach our borders. For all intents and purposes, Canada has managed its economy really well, and we're recognized for that.

I'm just curious about where you came up with your economic figures in terms of the numbers. You're saying that unemployment is increasing. Where are these figures from? I'm just curious.

Mr. David Macdonald: In answer to the previous question, unemployment has certainly increased since the crisis in 2008, which has left 1.5 million Canadians either unemployed or underemployed.

Mr. Mark Adler: Sir, with all due respect, that's not really true. Canada has gained 650,000 jobs since July 2009 and actually has more people employed today than before the recession.

Mr. David Macdonald: Right, but the number of people in the labour market now is larger than before the recession, as well, so—

Mr. Mark Adler: Well, that's a natural result of a good economy. More people jump into the labour market, because there are a lot more jobs available.

Mr. David Macdonald: The unemployment rate is still—

Mr. Mark Adler: To say that there is higher unemployment is really a little deceiving, don't you think?

Mr. David Macdonald: Clearly the unemployment rate is higher today than it was in July 2008, for instance.

Mr. Mark Adler: That's not true.

Mr. David Macdonald: It is true.

Mr. Mark Adler: Well, if you could provide that for the committee, I'd be really happy to see that.

Mr. David Macdonald: Okay.

Mr. Mark Adler: Also, I was just looking at your website. Where do you receive your funding?

Mr. David Macdonald: It is from individual Canadians, primarily. We are member-funded.

Mr. Mark Adler: Where would you place yourself on the political spectrum?

Mr. David Macdonald: We would be progressive.

Mr. Mark Adler: You are progressive, okay.

I notice on your website that you have an event coming up with Stephen Lewis and Michele Landsberg. You refer to the oil sands and tar sands.

Mr. David Macdonald: It is in Toronto, I believe, yes.

Mr. Mark Adler: Okay, thank you.

The Chair: Thank you, Mr. Adler.

We'll go to Mr. Giguère, please.

[*Translation*]

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

I am going to ask rather technical questions, and I apologize for that. I will address the first one to Mr. Koeller.

When Bill C-13 was tabled, I did not pay too much attention to this tax avoidance measure proposed by the Revenue Department, and I apologize for that.

After reading your document, I realize that, because of the complexity of the bill, we might have missed something important. It might be interesting to have an official from the Revenue Department to explain to this committee all the complexities of this measure. At first, it is a measure to prevent tax avoidance, because the department realized—as I did—there was some abuse with fiscal planning. There might be some unexpected collateral damage, because as we can see, up to half of the bill itself is worded in a way to reflect the need to close this loophole. In any event, I am examining your document.

My second question is addressed to the CALU representatives and deals with individual pension plans. The department cannot simply look at the question of a small business owner's right to an individual pension plan, they have to look at the whole spectrum, and I quite understand that. They have to ensure tax fairness.

Already, private business owners under Canadian ownership—what is called a CCPC—are eligible to a sizable capital tax exemption. They are allowed to charge a rent to their company for their headquarters. They are eligible to income-splitting. So, very frankly, I think that the department is right to impose some kind of limits, if only for tax fairness purposes.

If you look at the whole spectrum of CCPC owners, don't you agree they already have quite a lot of tax benefits?

● (1830)

[*English*]

Mr. Kevin Wark: I would agree with the member that there are a number of tax benefits applicable to small-business owners that were put in place to encourage their growth, encourage employment in Canada through that growth, and assist them in transitioning their businesses into larger operations. That is certainly true.

The IPP legislation operates on several different levels. First, we believe that the small-business owner should be entitled to the same benefits as employees of larger operations, as defined by the rules. On the way the rules work, if you have a three-person plan, for example, they're fully impacted by these rules, but by adding one more member to the plan they are excluded from the rules. If you have a four-member plan that becomes a three-member plan, you fall back into the rules.

There just seems to be an arbitrariness to the rules that adversely impacts these individuals. The RRIF minimum rules are retroactive, in effect. They apply to plans that currently exist, as well as new plans. We don't understand that, given the power of the CRA to deal with this issue already. There are already Federal Court of Appeal decisions that support the CRA challenging the specific concerns they have about accumulation of surplus.

There are also a number of technical issues with the rules that make them very difficult for a small-business owner to comply with and administer. So we see a number of elements of tax fairness in the proposals that we feel need to be addressed.

[*Translation*]

The Chair: Okay.

You have 30 seconds left.

Mr. Alain Giguère: You talk about tax fairness. There is already a $22,000 limit for deposits into an RRSP, each year. Since 85% of Canadians earn less than $55,000, there must be very few people who can afford to save $22,000 in an RRSP.

Physicians who incorporated...

The Chair: Okay. Can you ask your question, please?

Mr. Alain Giguère: Talking about tax fairness, I think RRSPs go too far. Don't you think that there comes a time when the department has to prevent tax avoidance?

[*English*]

The Chair: Mr. Wark, make a brief response, please.

Mr. Kevin Wark: If you consider it to be avoidance, why are you only applying it to groups of three or less that include owner-managers? If there is a concern, it should be extended to all taxpayers who are in similar circumstances.

The Chair: Thank you.

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

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

Mr. Koeller, you have my time. This is a complicated issue. Understand that the government is closing a loophole. Can you just dumb this down a little? The way I understand it, a MIC doesn't pay taxes at a regular corporate tax rate. In a sense, the taxes flow through and become part of the mortgage again.

Have I got that right?

Mr. Dale Koeller: Yes. The income is in dividends to the shareholders without being taxed corporately. It's taxed in the hands of the shareholders.

Mr. Dave Van Kesteren: That's the issue the government has with this. Explain to this committee why that isn't fair—why the government, in your estimation, has this wrong.

● (1835)

Mr. Dale Koeller: I think that MICs are a very good thing in the economy, and there's a lot of money already invested in them.

Mr. Dave Van Kesteren: I agree with that. I've had consultations with those who are involved with them. You do good stuff with them; we don't doubt that. But are those holding MICs or generating MICs doing something differently than the average taxpayers?

Mr. Dale Koeller: I'm not really sure I understand the question.

Mr. Dave Van Kesteren: Are you getting a tax benefit that the rest of us aren't? I'm allowed to put $22,000 into a RRIF, and that's my maximum. Are you exceeding that maximum?

Mr. Dale Koeller: We're not exceeding that maximum, if I understand your question correctly. Any Canadian can invest in a MIC. It's not a closed system. It's very much like a REIT, a real estate investment trust. It's a pass-through corporate.... It's not taxed corporately.

Mr. Dave Van Kesteren: Do your members act as corporations?

Mr. Dale Koeller: Yes.

Mr. Dave Van Kesteren: That's the problem.

Mr. Dale Koeller: The corporation is the MIC. It was instituted in the Income Tax Act in 1972, so it has a longstanding history in the country.

It's very difficult to understand the issue tax-wise. The real issue is that what I understand to be abuses in the MIC structure are being attacked by way of lots of other loopholes as well. This legislation includes people who are following the current legislation, although the current legislation is working.

MICs are widely held. MICs are investing in the economy really well. Technically, I think the problem is that some people are using them abusively, and there are ways to close the loophole without affecting healthy, legitimate enterprises.

Mr. Dave Van Kesteren: I don't know if you even have member organizations, but are they administered by someone who doesn't charge a fee but allots that fee into the MIC? Is that correct?

Mr. Dale Koeller: A MIC can operate in a few different ways. Some are operated by a manager outside the MIC, and some are operated by the MIC itself. Management fees can be made inside the MIC or charged to the MIC, or the income can just be left in the MIC, and employees paid by the MIC.

Either way, there's no tax leaving the system. An outside manager could pay corporate taxes, but it's solidly within the current legislation for a MIC to be its own manager as well.

Mr. Dave Van Kesteren: You've laid out a solution to this. In a nutshell, what's that solution?

Mr. Dale Koeller: The solution is to not allow MICs to hold shares of an entity that is arm's length to the other shareholders. That would prevent people from stuffing their RRSPs with tax-free money, and I think that's what the Department of Finance is concerned about. We're suggesting a one-line amendment that could fix that problem.

Mr. Dave Van Kesteren: To Ms. McLeod's question, you're not being blindsided by this, you did have indication of this in budget 2010?

Mr. Dale Koeller: No, we didn't have any indication in 2010; we had an indication in 2011. I personally learned about the rules after the election in June.

The Chair: You have 20 seconds.

Mr. Dave Van Kesteren: The legislation as it's being advanced is going to give you a period of ten years to move out of these, but what you're saying is that it will take away this whole industry?

Mr. Dale Koeller: It won't take away the whole industry, but it will take away a significant portion of it. For instance, my RRSP will get taxed this year and I'll have to get it liquidated completely before that ten years is gone. Otherwise, it will be decimated, really; my retirement savings is decimated by this rule.

The Chair: Thank you, Mr. Van Kesteren.

We'll go to Mr. Mai, *s'il vous plaît*.

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

Thank you very much for being here on such short notice.

Mr. Koeller, could you submit the one-liner change? We're actually voting on it tomorrow, and it's really important for us to have that and then we can actually move forward. Also, I'd ask the same thing of CALU: if you have one thing that's specific, can we have a look at it? Maybe you could submit it and then we can maybe propose it or at least ask questions about it. We'll see if the other sides agree.

I also have a question for Ms. Eng, and Mr. deHooge too, a very large question regarding making the tax credit refundable. How would it benefit your members, and how many people will it affect?

Maybe we'll start with Ms. Eng,

● (1840)

Ms. Susan Eng: The key point there is that a person who has no taxes to pay will not benefit at all from the non-refundable tax credit in the amount of $300. The people we're concerned with of course are the lower-income people who are providing care, and more importantly the people who have to quit their jobs in order to provide around-the-clock care, for those individuals will not get any support out of the current proposal. Since the category has been opened and there is a value for this category, we should make sure there is a substantive support.

Mr. Hoang Mai: Thank you very much.

Mr. deHooge.

Mr. John deHooge: Thank you.

I think the CAFC has been advocating for tax relief for volunteer fire service for the past decade. The proposal that we put forward during the pre-budget submissions was developed so as to positively impact Canadian volunteer firefighters while remaining realistic within the government's fiscal situation. So this is a cost-effective solution to the recruitment and retention challenges facing the volunteer fire service, and we're pleased with how the situation has come out with this budget. In short, we based our submission on the past and certainly leave it at that.

Mr. Hoang Mai: Thank you very much.

Mr. Macdonald, you spoke about part 9 infrastructure. We've been telling the government we need to invest in infrastructure. Can you tell us why part 9 is not sufficient? We've also been proposing having the gas tax fund indexed. Can you tell us the advantages of having more investment in infrastructure?

Mr. David Macdonald: Definitely. Certainly one of the proposals is to index the gas tax. I think I was proposing something much bigger, which is that particularly in the uncertain times in which we find ourselves, the Canadian government is uniquely placed because of its low debt load to be much more proactive than other governments can be in terms of buffering the effects of the great recession that continues to drag on.

One of the major benefits of infrastructure investment today through the gas tax or through other mechanisms is not only reduced unemployment but also a longer-term economic growth. The Canadian government today can borrow at unprecedentedly low interest rates while at the same time employing people who are in fact unemployed, and at the same time, because of the slack in the economy, will likely not see an increase in inflation. It's actually an ideal time for us to start to whittle down the infrastructure debts that we built up over the last 10 to 20 years by under-investing in infrastructure.

Mr. Hoang Mai: We've also been telling the government not to just go ahead with corporate tax cuts that are not specific and then we have the companies not reinvesting the amount. Could you maybe expand on this? If we were to help those companies invest in greener technology, for instance, or greener energy, how would that benefit the economy?

Mr. David Macdonald: I think one of my concerns with the decline in the general corporate tax rate is that it doesn't target tax cuts to actions. It doesn't matter whether a company invests in the economy or creates jobs, they get the corporate tax cut; it doesn't make any difference. If we target those to manufacturers, just generally towards more capital spending—whether it's green or not, frankly, but more capital spending at all, or job creation for that matter—you get a much bigger bang for your buck and it would be much more accountable, I think.

The Chair: Thank you, Mr. Mai.

I'll go to Mr. Adler.

Mr. Mark Adler: Thank you, Chair.

In reflecting, I think I understand now where Mr. Macdonald may have misunderstood. We were comparing apples and oranges. What I was saying was that since the end of the recession Canada has had the largest employment growth in the G-7 countries. That's what I was referring to, so I think I understand where the confusion may have arisen.

I simply wanted to get that on the record.

The Chair: Okay, thank you.

We go to Ms. Glover now, please.

Mrs. Shelly Glover (Saint Boniface, CPC): I want to take a moment to thank you as well for coming. I'm learning as I'm listening, as well, so I appreciate that you've come, and we're here with open minds.

I will be asking you a question, Mr. Koeller. I will be asking you to repeat the line that you mentioned before, so this will give you a second to group your thoughts.

Before I ask my questions, and I'm speaking from the heart, Chief, I want to take a moment to thank you very much for your service. I have worked very closely with firemen over the 20 years I was a police officer. We lost two very special firemen in February of 2007, who I knew very well. Tom Nichols and Harold Lessard died in a house fire in my riding, a home that is owned by a good friend of mine. I do want to pay homage to them while you're here and acknowledge that you all put your lives at risk for us and we cannot thank you enough.

This is a small measure, but I do want to assure you that the government does take what you do to heart and we take it very seriously. Minister Flaherty, for one, is committed to making sure, if he can, that he does everything in his power to help you.

Having said that, Mr. Koeller, help me understand how you think the line you were referring to would change the act.

● (1845)

Mr. Dale Koeller: The proposal I would make is simply to target what I understand the abuses to be. I think there's some concern that companies, MICs, were investing in companies that weren't at arm's length to the managers or the major owners, so they were perhaps benefiting by finding a way to get heavy profits into their RRSPs as a loophole.

Mrs. Shelly Glover: So the line is to...?

Mr. Dale Koeller: The amendment I'm suggesting?

Mrs. Shelly Glover: Yes.

Mr. Dale Koeller: The suggestion I would make is to exempt MICs under the current anti-avoidance rules, but add that MICs should not be able to invest in a company that is not at arm's length from one of the major owners of the company. By doing that we would get away from people stuffing their RRSPs, people getting money into their RRSPs that the government did not intend they should get there.

Mrs. Shelly Glover: Right.

I understand what you're saying there, but we have another problem. Some are not doing that. Some are actually abusing it. And I'm so glad that you acknowledge that our attempts in this are genuinely to close the tax loopholes, which are harmful and abusive.

There are some who are not doing it that way. There are some who are actually trying to change the way they do business by not declaring salaries, for example, and being able to roll that into their RRSPs. By doing that, they get a tax break and a tax advantage, which was never what this was for. A registered retirement savings plan is for exactly that. It was never designed to be a corporate tax shelter in any way, shape, or form, or a salary tax shelter.

How would you fix that?

Mr. Dale Koeller: It could be a tough problem. It would be very hard to manufacture that, although people are creative, I'll give them that. I don't know of any circumstances, but I'd love to look at it and understand if we could close it.

MICs have to have a minimum of 20 shareholders, so for somebody to put their salary into the MIC, the rest of the shareholders are going to share that salary, that income, that benefit. That person isn't directly benefiting alone. Maybe—

Mrs. Shelly Glover: Sorry to interrupt, but I have 30 seconds. I wish I could spend more time with you.

If you had another suggestion on how we might ease it so that it captures what we need to capture to eliminate the abuse and yet provide you and people in your situation with the amount of time to adjust, what would you say?

Mr. Dale Koeller: I really believe that MICs should be exempt from this rule. The change of the related parties, though, is also a big burden. Changing it from being counted as simply a wife, husband, and their minor children, and to include all extended family is quite difficult on MIC owners, I believe. That's part of the hardest problem we have, and taxing—

Mrs. Shelly Glover: I get that, but it doesn't fix the other problem we have with the abuse.

The Chair: Ms. Glover, there is the next Conservative round if you wanted to start it. Do you need more time? I am going to follow up on this as well.

Mrs. Shelly Glover: Okay. Very good, thank you.

The Chair: Mr. Koeller, I want to make sure I understand this rule. I obviously have sympathy for any small business organizations that are providing mortgages and providing income to individuals.

Corporations typically pay tax, and then there is a tax on the dividends that are paid out to shareholders. MICs operate differently. They don't pay any corporate-level tax. The profits are flowed through to the shareholders, and they pay taxes as described.

MICs are subject to only one level of tax, but the problem here that the Department of Finance has identified is that some individuals were exploiting the rules by putting the whole MIC in their RRSP or their RRIF. One of the things you said in your response to Ms. McLeod was “invest in our company”. That's the issue. People are using the very generous tax deduction for Canadians with respect to their RRSP, but it's not to invest in companies; it's to save for retirement. That is what the problem is here. I'm still unclear as to how your proposal actually addresses that problem.

● (1850)

Mr. Dale Koeller: MICs have a 35-year history of doing this. We are a creation of government. That part is operating the way it should. It is RRSP-eligible.

The Chair: MICs are, yes.

Do you agree with me that RRSPs were not created for this purpose? They were created for people to build up a retirement, but not to flow through to use to invest in companies as a way of avoiding tax.

Mr. Dale Koeller: I don't see any mischief going on, though. The profits, just like any other company, are being flowed through to the investors, as originally intended by the act. If the government is worried about the tax leakage on that, we should sit down with the department.

The Chair: I don't think it's the leakage. It's that people are using RRSPs for a purpose for which they are not intended, and they are getting a benefit that other Canadians are not getting. The issue is not with the MIC as a structure. The issue is with the MIC as it relates to those who are using their RRSPs. That is the problem. How does your amendment fix that problem, whereas the current legislative suggestions are not as good, in your view? How is your suggestion a better way of addressing that problem?

Mr. Dale Koeller: I apologize. I'm not sure I understand how people are using their RRSPs as they are not intended. To me, the way our MIC operates, we're very much using it within the confines of the Income Tax Act. We're not investing anything we should not be. We'd be happy to open up that question: are MICs investing in something they shouldn't be? I believe we could fix that and close that loophole. That could be a legitimate loophole.

The Chair: Describe how you do it in your business. Do you mind doing that?

Mr. Dale Koeller: Not at all. Do you mean how we invest?

The Chair: Yes, and how you combine your RRSP with the MIC.

Mr. Dale Koeller: I buy shares in my corporation. I either buy them directly, outside of my RRSP, or I invest the money in my RRSP, and the RRSP then buys the MIC shares. I can invest in my own MIC either way. Typically, I would say maybe half of our share certificates are in RRSPs versus non-RRSPs.

The Chair: Just repeat the first part again as to what you do, so I make sure I have that correct.

Mr. Dale Koeller: Sorry, which part?

The Chair: The first part of what you said. Just repeat that.

Mr. Dale Koeller: I can either own shares of the MIC directly, or they are owned through my RRSP. I could buy Suncor shares in my RRSP or outside my RRSP. It happens either way.

The Chair: Suncor pays corporate tax. The MIC does not.

Mr. Dale Koeller: Yes, that's absolutely correct. MICs were intended to be a flow-though from their creation.

The Chair: I understand that. The problem the Department of Finance has identified.... And I have to say that the more reading I do, the more I'm sympathetic to what the finance department is saying, in the sense that the RRSP is being used for an unfair advantage here. It is not fair, because MICs do not pay corporate tax. Therefore, if the RRSP is being used in this purpose, it's not appropriate. RRSPs are supposed to be used for retirement, and not for, as you've said, investing in your own company.

I'm engaging in a dialogue. That's just where I'm coming from right now.

Mr. Dale Koeller: I think I understand, but it was absolutely the intention of the legislation. We're defined under section 130.1 of the Income Tax Act, and when we were legislated in—in 1972, I believe—we were RRSP-eligible at that very point. It was a way to encourage investment into this sector. It was an enticement. Since it was always registered-account-eligible, I believe we're just doing what we were always able to do.

● (1855)

The Chair: Okay. My time is up. I'd love to continue. Maybe I will continue later.

We'll go to Mr. Julian, please.

[*Translation*]

Mr. Peter Julian: Mr. Chair, you ask interesting questions.

I will give all my time to Mr. Giguère, as he wants to speak to this matter.

[*English*]

The Chair: Okay.

Monsieur Giguère.

[*Translation*]

Mr. Alain Giguère: The committee has to understand that what these people were doing was legal. But suddenly, there was a lot of abuse, and I can easily imagine the kind of abuse that may have happened. The 20 shareholders were all members of the same family. When salaries were transferred to the RRSP, all 20 members derived a benefit from it. So, that really was a major tax avoidance issue, and on top of that, these companies did not pay corporate taxes. That was a double advantage, and it was time to put an end to it.

The problem is that some people have always acted within the law and suddenly, they are told that what they were doing legally is now, and even retroactively, illegal, and they will be penalized up to 100%. This is the issue. People who obey the law should be allowed a transition period to adapt to the new provisions, and there is no such transition period here.

It is a kind of fiscal abuse that we have to stop, I agree. When we say the law is complex, I guess this is a very good example of it. There should be a transition period to allow those people who have always obeyed the law not to have their income taxed up to 100%. That is what they ask, mostly. But this loophole had to be closed because it really amounted to abusive fiscal planning.

I will leave what is left of my time to my dear colleague.

Mr. Peter Julian: Thank you very much.

[*English*]

The Chair: Mr. Julian, three minutes.

Mr. Peter Julian: Thank you, Mr. Chair.

I'd like to come back to Ms. Eng.

On the issue of the non-refundable versus the refundable tax credit for the caregiver, do you have any estimate as to what the differential would be, how many people who wouldn't be able to access it if it were non-refundable will be able to access it if it is refundable?

I'd also like you to speak to the savings for a moment, if you could. You did reference that earlier, that home-care costs and caregivers help to subsidize the health care system enormously. Otherwise we're talking about seniors who end up in acute-care beds at massive cost. So home care makes a lot of sense, and providing support to caregivers makes a lot of sense.

Putting aside the personal benefits, how does the overall fiscal situation for governments improve if we move more to that model and expand non-refundable to refundable?

Ms. Susan Eng: Thank you for the question.

The opportunity to divert a massive amount of demand from the health care system is huge. I recognize that you're diverting it from the provincial budget in the health care system, but if we think of a single taxpayer, it's important for us to save to the whole system. In this case, at this point, it's estimated that family caregivers provide 70% of the community care now for seniors. We estimate that the value of their work, and there has been research that indicates this, is somewhere around $25 billion a year. That's the kind of money you'd have to spend if you didn't have these people providing care.

The cost per person in home care versus being in an institution at the same level of care was described in a 1990 document; I would say the numbers would be more dramatically different now. The document indicated that with moderate care at home the annual amount would be around $9,500, and in an institution around $25,000, for a 63% saving for that one individual. In heavy care, obviously the savings would be less because at home you still have to pay professional home-care workers as well. The difference there was between $35,000 and $45,000, but I just checked today, and the Province of Ontario pays a per diem per resident valued at $55,000 a year. In that circumstance, that's not even counting the co-pay the family pays for nursing home care. In such a case, your savings are less dramatic because you have heavy care at home as well. Nonetheless, there are huge dollars.

If we looked at the approximately 600,000 people who need heavy care, then we're looking at the difference in savings, when you multiply that out, in the neighbourhood of $6 billion a year between having them at home versus having them in institutional care. So those are the magnitudes of dollars that can be saved.

Please don't hold me to those exact calculations. I think this is something the finance department should probably apply some resources to, in order to get exact figures. But those are the magnitudes.

● (1900)

The Chair: Thank you.

Thank you, Mr. Julian.

We'll go to Mr. Jean, please.

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

I wasn't going to take a question, but there was something Mr. Macdonald said that I couldn't help but take note of. I was looking at his organization's website, and it's very interesting: his organization has gone from two to twenty full-time staff—quite a success story. I was wondering, first of all, if the staff and your organization actually write your Wikipedia webpage, because on the Wikipedia web page, specifically, it says: “The Canadian Centre for Policy Alternatives is an independent, non-partisan policy research institute in Canada that leans to the political left.” You mentioned you're progressive, and I was just curious, because obviously most people write their own Wikipedia website, so I would imagine that's what it says and that's the situation. I was just kind of curious if you have any comments on that.

As well, you talk about things in here. I know alternative policy is interesting, but you talk about pushing to privatize health care—which quite frankly scares me—and indeed that the aging population won't cripple health care, and we've heard evidence that we believe it will; many of the witnesses have as well. You say further on—or at least Mr. Campbell, the executive director, says—“The alternative federal budget is a 'what if' exercise”, which I think is great, but “... what a government could do if it were truly committed to an economic, social, and environmental agenda that reflects the values of the large majority of Canadians—as opposed to the interests of a privileged minority”.

The Chair: Order, order.

[*Translation*]

Mr. Alain Giguère: Are we now discussing Bill C-13?

[*English*]

The Chair: I've been pretty lax with respect to every member with respect to questions on Bill C-13. There's lax and there's lax.

Mr. Brian Jean: As I was saying, Mr. Chair, and I will get to it....

The Chair: I think I did allow questions broadly on this. So I'm going to allow Mr. Jean to ask it.

Mr. Brian Jean: The reference is to “privileged minority”, and my question to him is in relation to the budgets we have had as a Conservative government over the last six years. We've done transit pass tax credits. We've put more money out to seniors than ever in the history of the country. We've put more money into infrastructure than ever in the history of the country—$45 billion over seven years, which frankly helps every Canadian. We've taken low-income taxpayers off the roll. We've given more tax credits, training tax credits, home retrofits. We've done more as a federal government than ever in the history of Canada for the average and low-income Canadians. I would argue with you if you say anything different today, because we've spread money in all of our federal budgets to more Canadians than ever before.

Would you not agree?

Mr. David Macdonald: I think certainly in terms of the OAS/GIS in the last budget, that was certainly a positive move that goes directly to low-income Canadians. My concern is a focus on tax credits in particular. Non-refundable tax credits are more likely to go to upper-income Canadians, as long as they claim them.

Mr. Brian Jean: But the problem I have—and you mention it right on the main page of your website, or your executive director does—is that you want to stop the privileged few from getting all the money. That is in essence what it says. We indicated clearly in the last five years of budgets, I think you can see—anybody who can read a budget can see—that we have spread that money overall right across the spectrum of middle-income and low-income Canadians, not the privileged few. I take offence to that, to be blunt, and I would ask you to remove it from your website.

Mr. David Macdonald: I think our concern is that we are continuing to see rising inequality in Canada, with more income going to upper-income Canadians and less going to middle- and lower-income Canadians, which I think should be a concern to all members.

Mr. Brian Jean: But certainly you can agree that our budgets have reflected the disbursement of the income as a majority to the low- and middle-income Canadians over the last five years. You can agree with that.

Mr. David Macdonald: I have not done that analysis. I think that particularly in tax cuts, in the tax adjustment side most of that is going to go to the upper end, although in fairness the OAS/GIS changes would definitely go to the lower end.

● (1905)

Mr. Brian Jean: We've heard that corporations don't pay taxes, Canadians do. So clearly the tax breaks are going to be passed on the same as the tax benefits, to all Canadians.

Mr. David Macdonald: I think the drop in the corporate income tax rate, which is primarily going to benefit those owning stock, which again is primarily upper-income Canadians, has been one of the biggest tax breaks on the corporate side certainly we've seen in some time. If we want to talk about the corporate income tax side, I think—

Mr. Brian Jean: I'm more interested in what the middle- and low-income get through our budgets, because that's really all the control we have. We have mechanisms to spread that money, through policy, but obviously the money we can give back is to those people, and that's what we're doing.

The Chair: Just briefly, Mr. Macdonald.

Mr. David Macdonald: I think on the corporate income tax side, those cuts have been dramatic. They've been extremely expensive, and the effects in terms of employment, particularly on low income, that connection is not at all clear. So I think that money could be better spent. That's certainly something we argue for, an alternative federal budget.

The Chair: Thank you.

I'm going to take the next round.

I want to return to Mr. Koeller. I want to get as much information on the table as possible, because we are going to have finance department officials here again tomorrow, so obviously they will be asked to respond to what you're saying.

In terms of the issue of the transition period, the budget introduced and the Budget Implementation Act, obviously there was consultation done, and there were four primary changes done: the five-year transitional period to facilitate the divestiture has been extended to ten years from five years; the special tax that was proposed to applied income earned and gains accrued and realized in prohibited investments during the transitional period has been replaced with an income inclusion under normal income tax rules; and there are two more items here as well, which I'm sure you're familiar with.

Do these four measures address the concerns you had? If so, how much? And if they don't address your concerns, explain that.

I just put that on the record for the committee's information.

Mr. Dale Koeller: The extension of five years to ten years was certainly welcome. What it means is we're still taxed in those ten years. So my RRSP is taxed this year for any income after March 31, I believe, and on through the end of this year. The transition period is extended, but it still has penalties all along. The main difficulty I have with those transition periods is that it just doesn't go far enough for what I consider to be corporations and shareholders who have not taken advantage of any abuse.

The Chair: I have a final question for you on this. What the finance department sees as a problem in terms of using the RRSP in a manner combined with the MIC in your view is was legitimate. MICs were set up legitimately, RRSPs were set up legitimately, and it is okay to use an RRSP in this manner, in combination with the MIC. That is your view, very different from what the finance department’s is.

Mr. Dale Koeller: No, I would believe that the finance department would agree with that. This corporate status is natural. It happens elsewhere.

The Chair: They would agree with that, but what they're concerned about is what they see, as what they would consider abuse with respect to the RRSP and the MIC, not the MIC in and of itself.

Mr. Dale Koeller: Right. We've tried hard to understand what the abuses could be. I think I've wrapped my head around it just today what they could be. I think it's having a MIC invest in something that's not a mortgage, but finding a vehicle of profits to get them into their RRSP, which really I do kind of see as a potential loophole.

The Chair: Yes. Half the MIC has to be in mortgages, but half could not be. Is that correct?

Mr. Dale Koeller: That's right. It could be in deposits or maybe even stocks and bonds, although the Canadian Securities Commission has put out a national instrument. I don't know the number, but I can get it for you. The Alberta Securities Commission is not allowing us to invest in anything other than mortgages and cash deposits. Small exceptions apply, such as the property that you own and run your business out of, but I don't think this loophole is going to be around for long, because the securities commission is going to close it. It certainly has in Alberta.

The Chair: I appreciate that.

I want to come to CALU again. Can you tell me how many individuals will be affected by the changes in the legislation?

Mr. Kevin Wark: We formed a working group and there were four members on it. They probably represent a large percentage of our members who are working in this area. I don't think there is a large number of IPPs in Canada. The members on the working group had 30 to 40 in place.

● (1910)

The Chair: Thirty to 40 IPPs?

Mr. Kevin Wark: That's correct.

The Chair: In your presentation you talked about RRIF minimum rules. If RRIF minimum rules were changed at a future time, would that address the concerns that you're raising here today?

Mr. Kevin Wark: Sorry, just to clarify, if the RRIF minimum rules are changed in the future, will it address our concerns? Is that the question?

The Chair: Yes, you talked about RRIF minimum rules being outdated. Is that something that in future can be addressed?

Mr. Kevin Wark: Yes, I think probably this committee has heard submissions, if not this year, in prior years, about updating the RRIF minimum rules. It's a concern for RRSP holders and in respect to these rules. We have more general concerns, but if the RRIF minimum rules are updated, that will be an improvement over the current impact of these rules on IPPs.

The Chair: So your proposed amendment to this committee would be what?

Mr. Kevin Wark: There would be two proposals. One is to create a *de minimis* rule where if the surplus is less than a certain percentage of the actuarial liabilities, this rule does not apply. The federal government recently implemented a rule where they allow up to 25% of pension surplus to cover economic downturn cycles. Another approach would be to measure the value of the benefits in the plan versus a life annuity, which is really what an IPP or defined benefit pension plan is supposed to provide, i.e., lifetime benefits. So at age 72, an actuarial evaluation could be done based on what income can be derived from a life annuity from the value of the benefit in the pension plan. This could be compared with the benefit that is actually being provided. If it's greater, then that becomes the benefit and has to come out of the plan.

The Chair: I appreciate your putting that on the table.

Colleagues, I'm out of time, but I don't have any further MPs on the question list.

Okay, Mr. Julian.

Mr. Peter Julian: Thanks, Mr. Chair.

You can see that we want to make sure we get all the information from you. It has been a very interesting discussion, both the questions from the chair and the comments from Mr. Giguère.

Mr. Macdonald, I don't think you had a chance to respond to Mr. Jean. He was being a little over-eager when he was asking questions. I wanted to give you the opportunity to respond a little bit more, because I think this is important. This is where the bubble that Ottawa lives under bursts—when we start talking about Bill C-13, what's missing, and what the reality is out there. There will be 100,000 more breadwinners put out in the streets in the coming months.

You referenced rising inequality. I'd like you to talk about that. I think your institute has done some studies on this. Some people have talked about the late 1920s, saying that the clock has been turned back on inequality, back to those times. Could you confirm to what extent we've turned the clock back, because of the policies of the last few years?

You've talked about the lower-paying jobs and the fact that we have more people without work than in May 2008. That's important. You also talked about the debt load of the average Canadian family. The middle class is living a debt crisis. There's no other way to put it. They have debt loads of 150% of their annual income. Families have been struggling with lower and lower wages by indebting themselves more and more. If you could have this committee revise Bill C-13 so that it actually dealt with some of these realities, what changes would you bring in to address these problems that don't normally penetrate the Ottawa bubble?

Mr. David Macdonald: Thank you.

In terms of looking at some of the overall costs that were not necessarily included in this bill, if we take a look at corporate income tax cuts worth about $15 billion a year, the departmental freezes worth about $2 billion by 2013, and the $4 billion proposed cuts in the 2012 federal budget, we're now totalling over $20 billion in changes that primarily benefit corporations or put people out of work.

If we take that and compare it to increases in GIS and OAS, which are certainly beneficial and we look forward to, those numbers are in the range of $300 million. There's a question of scale.

Generally in Canada, as you say, we have seen increasing inequalities now reaching the level that we saw in the 1930s, with the richest 1% or 10% taking home much larger portions of the national income than they used to, and the result of that is stagnating incomes for the middle class and for lower-income Canadians.

● (1915)

Mr. Peter Julian: Could you just repeat that so we all understand? The clock has been turned back to the 1930s, the Great Depression, in terms of income inequality now in the country.

Mr. David Macdonald: That's right, and in terms of personal taxation, interestingly. The personal tax rate for someone living in Ontario, for instance, is now about the same as it was in the 1930s. The downside of having this concentration of wealth at the top is that everybody doesn't participate in economic growth. So we see GDP go up, and that should be good for everyone, but the problem is that it's not necessarily good for everyone. It's definitely good for wealthier Canadians, but it's not necessarily good for middle-class Canadians, who haven't seen their incomes go up in about three decades.

Of course it also drags down economic growth, because you don't see middle-class Canadians buying cars, buying TVs, and so on.

In terms of the budget bill, small steps can be taken. One of the things I suggested was a new income tax bracket at the higher end that would put us part of the way back away from the low rates of the 1930s and today. That's part of it.

The growing debt load on Canadians, which has likely reached somewhere around its peak, is stable in the short term as long as interest rates don't go up, but once they do we have a very serious problem in terms of economic growth, because consumers are debt-poor.

In that instance, I'm not sure this budget can address that in particular, but I think that better expenditures on social programs, for instance, do support middle-class and lower-income Canadians. They're more likely to take advantage of those services.

The Chair: Thank you, Mr. Julian.

Mr. Van Kesteren, please.

Mr. Dave Van Kesteren: I have a short question.

Mr. Macdonald, you mention that the gap is spreading from the rich, and I guess you said the middle class. What salary would you say is the cut-off point?

Mr. David Macdonald: It's a gradient. It gets worse as you get higher up. The top 0.1% or 1% is gaining a larger portion of the income than they did 10 or 20 years ago. So the cut-off point is probably around the top 30%. They have seen incomes increase over the past 30 years. Once you get below that point, you see real income stagnate.

Mr. Dave Van Kesteren: What about $150,000, $155,000. Would you consider that...?

Mr. David Macdonald: That would be in the top 10%, definitely. The cut-off for the top 10% of income earners is about $110,000.

Mr. Dave Van Kesteren: I wanted that clarified, because in the House today Jean Crowder said that she included herself in that group that was being cut off. So you don't really agree with that analysis.

Mr. David Macdonald: Can you say that again?

Mr. Dave Van Kesteren: An MP wouldn't be considered in that analysis.

Mr. David Macdonald: An MP would definitely be in the top 10% of income earners in Canada, yes.

Mr. Dave Van Kesteren: You just needed to get that straightened out with your colleague.

That's the only question I had, Mr. Chair. Thank you.

The Chair: Okay.

I think we've exhausted our questions tonight. I want to thank our witnesses again for coming in, especially on short notice and at night. We appreciate your information. If any of you have any information you want us to consider tomorrow, please provide that to us, and we will do so.

Thank you so much.

The meeting is adjourned.

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