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Mr. Massimo Pacetti

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● (1540)

[*English*]

The Chair (Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.)): Good afternoon.

I want to thank the groups for being here with us today. We're going to give the groups five-minute opening statements or opening remarks, if we can keep it to five minutes.

We were expecting more groups, maybe six or seven, so we'll try to limit the time to about an hour, if we can. It's also going to depend on whether the members have questions or not. We'd like your statements to be kept to a five-minute interval, because the members will then have questions for you.

I have a list here of the groups, and the order that I have begins with the Association of Yukon Communities.

Mr. Graham.

Mr. Doug Graham (President, Association of Yukon Communities): Thank you.

Good afternoon, ladies and gentlemen. Thank you for the opportunity to address your committee.

Our written submission, which elaborates on some of the points that follow, has been made available in both French and English for your consideration. We also have copies of a Yukon government paper about developing the sustainable Yukon community.

The Association of Yukon Communities represents incorporated municipalities and elected local advisory councils in the Yukon. Eighty percent of the population of the Yukon reside in member communities of our association.

Although we're very sparsely populated, the Yukon remains a reservoir of materials and other natural resources that will provide future economic benefits for all Canadians. It's important that Yukon communities are able to provide infrastructure and a social and business climate that will foster this future economic development.

We are here today to bring to the committee's attention some budgeting factors that affect Yukon communities.

Although the Yukon makes up approximately 5% of the Canadian land mass, our population is only one-tenth of 1% of the Canadian population. The distance between our communities is great. The cost to construct infrastructure in the Yukon is greater than in southern centres due to climate, distance, and the difficulties of achieving economies of scale. Tourism, mining, and technology have significant potential for growth in the Yukon's economy.

Federal spending is essential to the Yukon communities. Federal transfer payments account for almost 72% of the territorial budget and a number of federal initiatives, such as the Canada strategic infrastructure fund, have and continue to provide support to Yukon municipalities. A municipal rural infrastructure fund is in the final stages of negotiation between Yukon and Canada, and a strategic approach to delivering the funding announced in budget 2004 for northern economic development is being discussed. A recent statement by the Minister of Transportation to consider a rail link from Alaska through the Yukon to join the North American rail grid is very encouraging.

As most of you are aware, a plan to share federal fuel tax revenue with municipalities is nearing fruition. The objectives of the fund and the funding formula are under discussion. We believe that this fund should benefit all municipalities through a broad approach to supporting investment in municipal infrastructure, at the same time acknowledging that northern and rural jurisdictions will have different priorities and different needs from those of big cities.

Therefore, our recommendations are that existing levels of federal transfer payments to the Yukon grow to meet our increasing population and inflation. The current level of infrastructure funding should also be increased to support municipal infrastructure, railroads, pipelines, and highways.

Distribution formulae that mitigate the inequalities of simple per capita funding should also be considered. Non-per-capita formulae have and are being used for certain funds, such as northern health, the strategic highway infrastructure fund, and the municipal rural infrastructure program.

A continuing effort should be made to pay down the national debt in order to provide greater budgeting flexibility in future years. We believe that a minimum of 50% of the future budget surplus should be used to reduce the national debt.

We would also like to see additional transfer funding considered for quality child care, post-secondary education, housing for first nations people, research development, and municipal infrastructure that provides support and opportunity for businesses to survive in the territory.

Thank you very much for your time. I look forward to answering any questions.

The Chair: Next on the list, I have the Nunavut Association of Municipalities. Monsieur Toomasie.

Mr. Lootie Toomasie (Vice-President, Nunavut Association of Municipalities): Thank you.

Good afternoon. Thank you for giving us this opportunity. I will have Lynda Gunn summarize our presentation.

Thank you.

Ms. Lynda Gunn (Chief Executive Officer, Nunavut Association of Municipalities): I'm Lynda Gunn, CEO with Nunavut Association of Municipalities. On behalf of Nunavut Association of Municipalities, NAM, the board thanks you for this opportunity to appear before you today.

NAM is a non-profit organization, a member of the Federation of Canadian Municipalities, that serves to represent the interests of its members, which are the 25 municipalities across Nunavut.

For those of you who are unfamiliar with Nunavut, our population is 29,000 people, approximately 85% Inuit. Nunavut's footprint makes up one-fifth of Canada's land mass.

Nunavut is in dire need of Canada's dedicated attention, not just in fiscal terms but in resources to help the territory determine its short-term and long-term needs in a sustainable fashion. In our lifetime, Inuit have been skyrocketed forth from a totally sustaining way of life with rich, proud cultural roots, to a time when the future is uncertain, where they live in poor socio-economic conditions, likened much to those of third world economies.

The Conference Board of Canada's 2001 “Nunavut Economic Outlook” study substantiates our view that the state of infrastructure in Nunavut is a serious problem that is affecting both the economic and social development of the territory. The Governor General of Canada, the Right Honourable Adrienne Clarkson, read out in her Speech from the Throne on February 2, 2004:

> ... the conditions in far too many Aboriginal communities can only be described as shameful. This offends our values. It is in our collective interest to turn the corner. And we must start now.

We are grateful for her recognition. However, the Government of Canada must actively work to address Nunavut's needs now.

The Conference Board of Canada examined the territory's infrastructure needs in the “Infrastructure Planning for Nunavut Communities” report and its 2001 “Nunavut Economic Outlook” report, using a model that's recognized as four forms of capital involved in wealth creation: physical capital, human capital, natural capital, and social organizational capital.

Nunavut has poor health and social conditions due in part to infrastructure deficiencies, which are certain to worsen if not addressed. Social performance indicators from the Conference Board of Canada study show the following statistics. Our population has increased by over 70% in 20 years, one of the fastest rates of growth in the country. Nunavut has the youngest population in the country, with the median age being 22 years, compared with a national median age of 37.6 years. Unlike most other parts of Canada, the great majority of residents in Nunavut, 67.5%, live in rural communities, compared with a national rate of 20%. Almost 55% of our population is below the age of 25, compared with the national rate of 32%. Some 37% of our people are below the age of 15, double the national average, and 38.2% of our population have no high school leaving certificate, versus the national average of 22.7%. The lung infection rate among Inuit infants is one of the highest in the world. Tuberculosis incidence rates are 16 times the national average. We have the highest incidence rates of violent crimes in all of Canada, and we have the lowest rate of patient satisfaction with overall health care in all of Canada.

In addition to our reported social indicator findings, the Government of Nunavut's bureau of statistics shows that the Nunavut rate of suicide was six times the national average between 1995 and 2003, with the age group of 15 to 24 years doubling in number in the latter five-year reporting period. The Conference Board of Canada states that “Nunavut's social and economic conditions are ripe with potential.” There are opportunities within Nunavut for strong growth in the future. Fishing, mining, and tourism offer potential for direct employment and small business ventures, as does further expansion of the public sector, given an improved fiscal condition.

Standing in the way of this potential is a lack of wealth-creating capital. In the 2001 “Nunavut Economic Outlook”, the Conference Board of Canada projected strong growth within the territory if a number of critical capital investments were made.

● (1545)

Put another way, economic performance will suffer if these capital requirements are ignored. The current capital budget of $75 million per year will not be sufficient to meet these requirements. At this rate, the territory will incur an investment shortfall of $40 million to $50 million annually for the next five years.

In conclusion, Nunavut is unable to raise the necessary funds to improve its aging infrastructure on its own. Only one of 25 communities is a tax-based municipality. Federal funding programs such as the green municipal funds are out of the average Nunavut community's reach, as they cannot contribute their one-third share. Nunavut communities are also not eligible to access many federal funding programs aimed at first nations populations. These are often limited to first nations organizations, band councils, and/or on-reserve populations; thus the Government of Nunavut and municipalities who provide these kind of services are unable to access these funds. Per capita formula funding does not work for Nunavut. Our population base, being so small in number, cannot yield adequate revenues to be meaningful to the territory.

The FCM 1%-based allocation formula for federal infrastructure funding has brought to the territory an increase in strategic funding from $2.2 million per year to $20 million a year in the recent past. In the Prime Minister's upcoming considerations on how to dispense the gas tax revenue shares to the region, we are hopeful that revenues to the territory are determined on the 1%-based allocation formula.

A sustainable needs analysis needs to be done on Nunavut's infrastructure requirements for the short and long term. As the Conference Board of Canada suggests, “Nunavut needs to strive for sustainable infrastructure”—in twenty years, that is, put in place fundamental infrastructure that will allow the territory to have a more economically, socially, and environmentally sustainable footing. A Nunavut infrastructure strategy can identify criteria that should be applied to determine how best to use Nunavut's limited infrastructure funding. It can place emphasis on cost-effective infrastructure with an eye on lowering operating and maintenance costs. Finally, the strategy should ensure that a long-term infrastructure plan is developed in conjunction with key stakeholders.

The federal government's territorial funding formula does not work for Nunavut. We need a special long-term funding agreement with Canada, because we are unique in two very distinct ways. There is no other province or territory based on an aboriginal land claim and a population being 85% aboriginal, with a thriving first nations language. We are the only province or territory with no road or railway link to Nunavut or between communities. That, coupled with the fact that we have 25 Arctic communities spread out over one-fifth of Canada's land mass, puts exceptional demands on our infrastructure and results in exceptionally high transportation costs.

We are pleased that the Prime Minister has agreed to develop a northern strategy with the territories. To be effective, this should be substantive and significant and should provide a long-term plan for social and economic development. This may be a key to addressing overall funding issues.

The Government of Canada has always worried about cutting a special funding deal, because it worries that other jurisdictions are going to want the same thing. Well, Nunavut is special, and there is no other jurisdiction that can claim the unique factors we've outlined above. If asymmetrical federalism works for Quebec, then it is even more appropriate for Nunavut, which has a far more unique cultural, linguistic, and geographic status than Quebec within Confederation.

NAM is pleased to say it has consulted with the Government of Nunavut's Department of Community and Government Services prior to drafting this presentation. Once again, NAM thanks the House of Commons Standing Committee on Finance for allowing us to participate and contribute in this very important process.

● (1550)

The Chair: Thank you.

Before I hand the floor to Mr. Brett, I'd like to remind the members I'm going to just take your show of hands as to who wants to ask questions. They'll be in five-minute rounds.

Mr. Brett.

Mr. Herbert Brett (President, Newfoundland and Labrador Federation of Municipalities): Thank you.

I'm deputy mayor of the Town of Arnold's Cove, which has a population of 1,100 people. I am president of the Newfoundland and Labrador Federation of Municipalities, which represents 287 cities and towns, representing 2,000-plus municipal leaders. This represents about 85% of our population of 516,000 people.

I have an oral presentation here today, on the basis that we're in the process of putting together a document. It was changed, so I've made some notes, Mr. Chairman, and I'd like to go through them. They're some of the things we believe in.

We believe that if you want to go where you've never been, you've got to do what you've never done. We also believe that we're all working for the same taxpayers. I'm here today as a volunteer, in my position as the deputy mayor and as the president of our association. This is on a volunteer basis, and for that reason we have a really keen interest in promoting the municipal sector in our society, as we find that's not always the case.

We believe the solutions to rural challenges rest with rural Canadians. This statement has significant implications for how the federal government manages money and runs its affairs. These solutions, the best solutions, will be developed at the local level by those closest to the challenges and their impacts.

If we believe our elected representatives have a role to play in solving some of these challenges, then it is the municipal government that must be tasked and resourced to take up that challenge. The main role for the federal government is resolving rural difficulties to support municipal and regional efforts, and to ensure that national policies are not unduly punitive to rural businesses and citizens.

I say that because I believe people want to live where they work. If we concentrate in the big centres all of the work, well, that's where people are going to live. Some people may think this is just philosophical stuff, but if the finance committee had incentives for businesses to go outside of the Torontos and the Montreals, and I don't say that disparagingly, and opened up the rest of the remote and rural parts of the country with industry, then we'd have people living in those centres.

The federal budget must focus on pushing resources down to the regional, provincial, and sub-provincial levels. Canada is a collection of regional economies, and most of the tools to effect positive change in these regional economies rest with the business organizations, municipalities, and other agencies resident in the regions themselves. Of course, you're all aware of the dire need for greater financial resources at the municipal level in this country. The Prime Minister has committed to address this crisis with the new deal for municipalities. Our FCM has prepared a paper on the new deal for the pre-budget consultations, so I won't repeat what's in that. It explains in detail some of these issues.

But isn't this about money? Wouldn't an infusion of cash be enough to solve these problems? No, it would not, for two reasons. First, there's not enough cash available from any single order of government to do the job. Just consider our $60 billion national municipal infrastructure debt, growing by $2 billion a year, and in our province $3 billion as part of the national debt. Second, the challenges are too big and our society too complex for a single order of government to manage everything. For instance, immigration is a federal responsibility, but the impact of immigration is felt locally. Delivering immigrant services becomes a municipal responsibility.

The money the federal government is offering will help municipal governments meet some of their responsibilities, but it won't untangle issues like these. When governments work at cross purposes, it's Canadian taxpayers who get caught in the red tape. Greater collaboration and better working relationships among federal, provincial, and municipal governments are crucial, because no single order of government or public sector institution can reduce the income gap.

As for how and why the new deal is not just about cutting the cheque, for every dollar that the taxpayer in this country pays—we use these figures a lot—50¢ goes to the federal government, 42¢ goes to the provincial government, and 8¢ goes to the municipal government. We're saying that we need a better distribution of that taxpayer dollar, especially as it relates to infrastructure. We're prepared to operate the towns with the 8¢, but for infrastructure we need a good deal.

● (1555)

This is first and foremost about reinventing relations among governments to provide Canadians with sustainable, vibrant, and competitive communities. It's about formally recognizing the role of municipal governments in growing the economy and building prosperity and giving them the tools to get the job done.

Yes, we need action on the revenue side. Municipal governments cannot meet their responsibilities with the revenues at their disposal. We think we are seeing real movement on the revenue issue. First it was the full refund of the GST paid by municipal governments in the last budget. Then, in the recent throne speech, the government reiterated its commitment to sharing revenue from the federal gas tax with municipal governments as early as next year. This is good, and we welcome it, but although these measures will benefit our cities and our communities alone, they will not solve the challenges we face.

We believe governments working collaboratively will get more bang for the taxpayers' buck than by working independently and possibly at cross-purposes. An essential element of this partnership must be the redistribution of taxation capacity. The first imbalance cannot continue if all three orders of government are truly to work collaboratively.

Municipal governments must have access to greater transfers from the federal government, as well as access to the income tax system. Those criteria need to be really developed, and as Lynda was saying, we need to have a base amount for all jurisdictions in this country, the 13 jurisdictions. Somehow we have to change our formula. If we keep dealing with population-based figures... The bean counters do that because that's an easy way to do it, but we need to get past that and look at different ways of distributing federal dollars.

I want to extend my point to include provincial and territorial governments on the issue of non-renewable resources. The richest provinces, the strongest regional economies of this country, developed at a time when the benefits from non-renewable resources accrued to the provinces in which they resided. Alberta is a good example of that. Time and politics have led us in another direction in the last 40 years, and now my province is faced with having to fight for its fair share of resource development revenue.

The challenges to us re-establishing the Atlantic accord are not unique; they are the results of systematic challenges that must be addressed if the rural regions of our country are to develop in the manner they see fit. I believe we must reassess our perception of federal investments in strategic industries or in regional development agencies.

It's popular these days to refer to these efforts as subsidies, especially when they apply to the have-not provinces. We can put money into a transit system in Toronto and we call that an investment, and we put money in waste systems in Newfoundland and Labrador and we call that a subsidy. Well, as far as I'm concerned they're all investments, and they all need to be treated the same way.

That's a perception we must overcome. It is not about being competitive or being true to the capitalistic ideal. In the United States of America, billions of dollars of taxpayers' money are spent every year to attract or retain major employers, often in the less developed regions of the country. We were in Kentucky last year, and they have the same problem with tobacco as we have in Newfoundland and Labrador with fish, but they have invested in plants and all that stuff to get it going.

I urge the committee to avoid the continuing call to cut taxes. At this point in time, Canada is competitive and our economy is growing. To use a rural expression, we must make hay while the sun shines.

I believe it is the most dangerous time to cut taxes. Our national debt, at over $500 billion, needs more attention than we need more tax cuts. Consistent attention to the debt in times when our fiscal capacity allows it, without major spending cuts, will ensure that we do not need to raise taxes down the road.

Finally, focus your efforts on improving support to infrastructure development for municipalities and with municipal and provincial governments on a new fiscal balance, and assign a reasonable proportion of our tax surplus to the debt.

I believe if we have successful cities and towns, we will have a successful province. If we have a successful province, we'll have a Canada with a quality of life for our residents second to none.

I'm sorry for being long, Mr. Chair.

● (1600)

[*Translation*]

The Chair: I just want to remind members of the committee that they have five minutes each.

Mr. Penson.

[*English*]

Mr. Charlie Penson (Peace River, CPC): Thank you, Mr. Chair.

I'd like to thank the panel for coming today. Those were good presentations.

I've heard this story quite a bit before, especially about the infrastructure, the needs of communities for more infrastructure, and deteriorating systems throughout Canada, and we've been pushing hard to have the federal government share this excise tax on fuel with the provinces so that they can share it with the municipalities in some format such that gets it to the people who need it. Some of my concern, though, is that I think I'm hearing today that the difficulty with that, from your perspective, is that there needs to be some floor price, because a per capita formula would not serve you well. I think I got that loud and clear.

I have a couple of questions. I have only five minutes, so I'd just like to focus on the Yukon for a moment.

I noticed you talked about 72% of your budget coming from the federal government. Can you tell me how much that budget is, and also the population of the Yukon, if you can bring me up to date on that?

Mr. Doug Graham: The population of Yukon is growing again, after several years of decline. We probably have between 25,000 and 27,000 people in the territory, most of whom live in Whitehorse. We also have 13 member communities around the territory.

The territorial budget has increased somewhat this year because of the increase in federal transfer dollars, but the territorial government's budget would be in the neighbourhood of $700 million to $750 million.

Mr. Charlie Penson: I noticed in your presentation, Mr. Graham, you talked about mining, and said the mining resources of Yukon have not been exhausted. I think that would be quite an understatement.

Isn't the problem really that you need more capital investment there, and there are all kinds of resources in Yukon that are underdeveloped? It's a theme I heard from the gentleman from Newfoundland and Labrador too. You have resources there and you want to explore them and develop them to help your cause, but there are problems that are keeping that industry from surviving. The question is, what can be done to help your province develop that under-utilized resource?

● (1605)

Mr. Doug Graham: In the past we had a couple of problems. One was a regulatory problem, where no one was quite certain who the regulatory agency of record in the territory was. Since the territorial government has taken over a lot of the responsibility for the regulatory regime in the territory, and since 11 of 14 first nations in the territory have settled land claims, the regulatory regime is not so complicated. We are in the process right now of developing a Yukon-made system. We hope to have it in place in April 2005. That will help.

The next thing that needs to be done, of course, is investment in the territory. There's a great deal of interest from railways, pipelines, and mining companies, notably the Chinese, who have recently made several trips to the Yukon.

Mr. Charlie Penson: I think you would agree with me that investors don't like uncertainty.

Mr. Doug Graham: That's right.

Mr. Charlie Penson: When there's a lot of money to be invested over long periods of time, they want some certainty. People will be very glad that you're solving some of those problems in Yukon.

I just want to switch gears for a moment and go to Mr. Brett. You made reference to the equalization formula. There's a great deal of support on our side for allowing your province to keep the offshore resource revenue as a way of helping itself. When you have a resource like this that is a depleting resource—although you're just starting to develop it—it seems to me you need to be able to keep that. Do you see any resolution coming to that as a result of your premier's actions?

Mr. Herbert Brett: We're on the eve of a big day tomorrow, with a meeting between the Minister of Finance in St. John's, Newfoundland, and our premier.

That is a non-renewable resource. In a few years that's going to be gone. Hibernia has about ten years left on it. They are looking at it, and Terra Nova is there now. But we believe we should get the benefits from non-renewable resources, and they shouldn't be clawed back at this stage. That's a real challenge for the federal government. The province should be helping municipalities become successful, and the federal government should be working with provinces to help them become successful. Why are there have-not provinces? Why can't we get them all...

A while ago I saw the Peter Lougheed story, and how they fought the national government at that time for more financial gains for Alberta. Look at it today. Now we're all praising what Alberta's done. Well, why can't the rest of us do that? I don't think we should be in this poverty mindset.

On the resources that Premier Williams is trying to get now, he's saying they are non-renewable, so let's get them and see if we can't build up our equity in the province so we can be a contributor to the Canadian economy.

The Chair: Thank you, Mr. Brett.

Monsieur Loubier.

[*Translation*]

Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ): Thank you, Mr. Chair.

I would like to welcome you all to this meeting of the Standing Committee on Finance. I have a few questions for the witnesses and some comments to share with them.

My first observation is for Ms. Gunn. You said earlier that Quebec was not alone in being a distinct society and that it was not the only province which should have the right to asymmetrical federalism. I would suggest that, rather than pitting one province's differences against another's, you should instead affirm what makes you different. My two and a half years' experience as the aboriginal affairs critic for my party taught me this to be true. I was able to see for myself the richness of Canada's aboriginal communities from coast to coast. Furthermore, I respected the differences between these communities as well.

If there is one thing that should be done regarding difference, it is to express that difference: make sure that it be recognized and be proud of it. We are proud of what makes us different, we speak about it and we do our utmost to ensure that our differences are recognized.

I know that, in the Yukon and in Nunavut, you have incredible wealth in terms of culture, natural heritage and history. It is in the interest of all Canadians everywhere that you develop and ensure the survival of this great wealth.

I have a question for Ms. Gunn which I will also ask of Mr. Graham or Mr. Paterson later. If you had the opportunity to make one or two main recommendations for the next federal budget, recommendations which would help you to further develop your community and gain recognition for what makes you distinct, what would they be? My question is for Mr. Toomasie, Ms. Gunn, Mr. Graham or Mr. Paterson.

● (1610)

[*English*]

Mr. Doug Graham: Probably the biggest single thing we would like to see happen is the elimination of any per capita funding from the federal government. Per capita funding for us does virtually nothing. I think one of the sayings someone made at our last meeting of the Association of Yukon Communities is that per capita funding in the territory wouldn't build a nice outhouse in southern Ontario. That's about the way we look at it.

Second, if there's any way the strategic infrastructure funds, the targeted infrastructure funds, could continue it would be a very good thing for us. Then we could target our infrastructure so future economic development would occur in the territory, and we would get away from depending on federal infusions of dollars to the territories.

So those are the two big things we seek.

Ms. Lynda Gunn: I'd have to echo the comments of our fellow territory. Those two are very key for Nunavut. In Nunavut's case, we'd really like to see a concentrated look at the territory's needs in a sustainable fashion, in the short term and in the long term, and a look at what those needs are socially, economically, and environmentally.

The environmental part is a really big concern. As you all heard in the news last week, the Arctic climate impact assessment report was released at the environmental forum in Reykjavik, Iceland. In the Arctic, we're feeling those effects now. In fact, at my home it's zero degrees Celsius. The ice is not frozen. We had a ship arrive in our harbour just two days ago. It's almost unheard of to have a ship in our harbour this late in the year. The coast guard pulled the pin a month earlier than it should have. A week and a half ago, the coast guard closed the offices and the radio services for all the ships in the region. That's quite alarming. What that ship was doing in our harbour, we were wondering.

With respect to the north, the infrastructure needs really do have to be looked at closely. It's aging, especially in Nunavut's case, where our population rate is pretty much an explosion. We have increased needs. We'd like to see the Nunavut infrastructure strategy be put in place. Perhaps part of the Prime Minister's northern strategy would address that, or that's what we're hopeful for.

Thank you.

● (1615)

The Chair: Thank you.

Ms. Desjarlais.

Mrs. Bev Desjarlais (Churchill, NDP): I have a couple of questions.

First off, is Nunavut's population also at roughly 26,000, much along the lines of the Yukon?

Ms. Lynda Gunn: Yes, it's 29,000.

Mrs. Bev Desjarlais: Okay.

On the issue of the infrastructure funds, and I know that matching the dollars for infrastructure funds was mentioned, would it be fair to say that each of you feel the same way, that it's impossible for smaller territories or population-based provinces to match those type of funds, and it would be beneficial to have a different type of program in place?

Mr. Doug Graham: There's no doubt in my mind that in the Yukon, the only municipality that can match a third is the City of Whitehorse. We find that not only the smaller communities but also the territorial government have a great deal of difficulty coming up with their one-third. So many times what happens is that you have the federal government coming up with a third, giving the territorial government their third, and then the municipality has to come up with a third.

Mr. Herbert Brett: It's no good offering a town $1 million for a waste water program if they have to have $300,000 and they're a town of only 500 people. They can't do it. That's why we're saying that right across the country, for the fabric of Canada, if we're going to start to do things, we've got to start to do them differently from how we've previously done them.

The per capita basis is out of the question. I think we need to establish a baseline. We say 1%, but maybe it should be 2% or 3%. I know that the big centres will not get as much, but if we want to grow the country and develop that quality of life...

As I understand it, Mr. Chairman, we're here representing remote and rural Canada. Is that my understanding? That's why we were invited here?

I'm not trying to pick on the Torontos of the world, and we love them in Montreal too, but I think the federal government can take a lead in growing the country by having programs in place that will be financial incentives. Whether it's a tax benefit for the people who live in these areas or whether there are incentives for business communities or these other things, I think we have to get into that big picture and start to grow us out instead of on top of each other in the bigger centres.

Mrs. Bev Desjarlais: Okay.

In the area of the GST refund, how much of a benefit has that been? Just roughly, how much has that benefited your communities or your municipalities?

Mr. Doug Graham: In the smaller municipalities in the Yukon, virtually nothing. Their total budget may be between $5 million and $12 million, of which the vast majority is salary. To the City of Whitehorse it made a difference. We sent a letter to the Prime Minister and Minister of Finance, in fact, thanking them for that, because it did make a material difference to our budget. But in the smaller communities, no, it doesn't make a difference.

Ms. Lynda Gunn: For Nunavut, we'd echo the same—almost nothing. The average size of a Nunavut community is about 1,000 to 1,500 people, so it has been virtually almost nothing. But for Iqaluit, which is the capital of Nunavut, with a population of 6,500, like for Whitehorse, it was a good little windfall of cash, about $400,000, which really meant good things for the ratepayers of Iqaluit.

Mr. Herbert Brett: For Newfoundland and Labrador, we always appreciate anything, but remember, we're talking about 3¢, because we always got, from the beginning, a 54% rebate, which was the 5¢. So the 3¢ is what we got back. You know, a small town of 500 people might save $1,000, but if they have a $60,000 budget, it's all significant.

It was worth while, and I thought it was a nice gesture to start this new deal process in that way.

Mrs. Bev Desjarlais: Do I have a little more time?

● (1620)

The Chair: You have 40 seconds.

Mrs. Bev Desjarlais: Okay.

Would it be beneficial for those who are receiving GST refunds to not have to pay the GST that they're going to get the refund back on and be able to get some interest on that roughly $500,000?

Mr. Herbert Brett: Yes, it would be, but we've made that representation through the Federation of Canadian Municipalities, and we understood that accounting-wise it couldn't be done. But that doesn't mean it can't be done.

Mrs. Bev Desjarlais: It couldn't be done. Was that coming from the federation, or was that from the government?

Mr. Herbert Brett: That was from the Government of Canada. They told the federation that they couldn't do that; because of the system, they would rather give a refund. From the supplier point of who pays it, the tax figures are all input-output, so for the business that supplies it, it's better for them to charge it and the municipalities get it back than to go through that process.

We wanted to do that, but that's what we were told. It doesn't mean that can't be changed just the same.

The Chair: Merci.

Mr. Hubbard, Mr. Cleary, and Mr. Pallister.

Mr. Charles Hubbard (Miramichi, Lib.): Thank you, Mr. Chair.

Really, we're involved now almost with the third infrastructure program that will be designed for rural areas. When we're back home in New Brunswick, or Newfoundland, or Nunavut territory, we think of rural areas as being quite small, but the general agreement on this new one is that a rural area is one that has a population of less than 250,000 people. So, Mr. Brett, we're talking about a place that's probably at least 200 times bigger than your community.

In terms of the previous programs, which are one third, one third, one third, Mr. Brett, you talked about a need for a $1-million water and sewage program, and you found that your own municipality would almost be appalled at trying to raise the one third. Would you have any suggestions that might be better in terms of how an infrastructure program could work?

Mr. Herbert Brett: With the new deal, which is all for infrastructure—transit, water, and waste water—a system would be established by each of the provinces for the distribution of those funds to be directly put into capital works programs for municipalities or infrastructure programs.

You take the municipal rural infrastructure fund. That was $1 billion. That's a lot of money, but our province gets $28 million out of that, which, over five years, is not even worth talking about on a $3-billion deficit, and that's on a sharing basis.

What has to be recognized is that out of that 8¢ I was showing you that we get, that's for operating. Out of the 50% and 42% between the province and the federal government, we believe there has to be a way for a formula to be put in place whereby they can provide infrastructure best. Infrastructure doesn't just go into our towns; it goes into our province and it goes into Canada. It's an asset for everybody. That's why we need to have a bigger share from the federal and provincial governments.

Mr. Charles Hubbard: Mr. Brett, I seem to hear you indicate that if you add up all the provinces and the three territories and our first nations peoples, we'd have 14 units.

Mr. Herbert Brett: Thirteen.

Mr. Charles Hubbard: With that, if we put 2% towards each, it would mean a base funding of 28% and another 72% that would be divided on a per capita basis, or whatever. Would you suggest that would be a fair way of approaching this?

Mr. Herbert Brett: Well, yes. That's doing it differently. But there are 13 jurisdictions—ten provinces and three territories, I think —which is 13%, or at 2% it would be 26%. The rest of it, then, I think would even things out. I know the Montreals and Torontos probably wouldn't support that because it would diminish some of the money we're getting, but I think the federal government has to look at ways of how we can equalize our provinces, in particular— because this all goes to the provinces anyway—in a better manner than the way it's done now, on a population basis.

Mr. Charles Hubbard: I probably have just a little bit of time left, but we did hear some indications that the bringing of economic activity to rural areas would be a big factor. With that, we could have tax measures offering certain industries or certain corporations tax write-offs.

I was reading something on Spain last week. In northern Spain, if you locate in that area, in Galicia, you get an immediate 50% tax write-off. Did I hear that from some of your group?

● (1625)

Mr. Herbert Brett: Yes. I saw it in Kentucky, when we visited last year. They have the same challenge with tobacco that we have with fish. I know a Honda plant was put in Kentucky with a $200 million infusion, but the state said they got this money back, with 6,000 people employed in it.

So I think we need to be looking at things like that. It doesn't have to be money. I think if the federal government, through this finance committee, Mr. Chair, started to have incentives, such as “Well, if you want to locate in New Brunswick...”—I could probably say Atlantic Canada and speak for that through the fact that I'm chair of the Atlantic caucus of the FCM...

So instead of looking at us as have-nots, why don't we take the opposite approach and start investing money in some of these things, and in some of the ports, in particular, for the European market, which we're closest to, try to get into that to help the provinces and the cities and towns become have provinces. That's what I'm saying.

I don't know if it makes any sense, Mr. Chairman. That's the point I'm trying to get across.

The Chair: Mr. Cleary.

[*Translation*]

Mr. Bernard Cleary (Louis-Saint-Laurent, BQ): Thank you, Mr. Chair.

I would like to thank Mr. Loubier for having invited me to participate in today's meeting; firstly, because I myself am an Innu from Lac-Saint-Jean and was involved for some 30 years in negotiating land claim agreements and self-government. Let's say that I know a little bit about this subject. I am also here because I am the Bloc Québécois' critic for aboriginal affairs.

I have to say that I was one of those people who were delighted when Nunavut came into being. It seemed to be a wonderful example of planning for a sustainable future. However, I got something of a cold shower when Ms. Gunn described the current situation to us earlier on. I realized that something had to be done. If nothing is done, it is clear that there will be huge problems in terms of funding for this plan for a sustainable future.

Trying to find a tax-based solution to fund the Nunavut government is completely ridiculous. It just does not make sense. Not for a moment could it be thought that such an approach would one day allow Nunavut to find the money that it needs. We have to find a different formula. For years now, people have been talking about funding aboriginal governments by royalties collected for use of aboriginal territory. I believe that the solution lies in developing natural resources.

Huge wealth could be generated by developing these resources. If the Canadian government understood the situation and understood that aboriginal people have a role to play in developing their ancestral territory, anybody who had any degree of imagination would be able to come up with solutions which would be a source of pride for aboriginals.

Begging and pleading, as you have to do at the moment in spite of the fact that you have your own government, is humiliating. It cannot be the way forward for finding solutions in developing aboriginal communities. In my opinion, you have to do what you have to do. You have to make the government look for solutions, because if you do not, they will not look for solutions on their own. In fact, it is clear that they do not want to find a solution, because they have known the answer for a long time. It is an open secret: all governments know that aboriginal governments ought to be able to fund themselves through their resources. However, you need to have the will to do so.

The best example of this is something that happened in Quebec. The famous agreement on the Paix des braves assures the Crees direct involvement in resource development. This means that they will have the necessary funds to finance their own development. They had in the past received financial compensation, but they did not have this tie with their natural riches.

● (1630)

Try as you might to balance the books, you will never find a solution as long as you are providing a contribution which represents a third. That is not how things should be done. You have significant experience and should tell the government that this cannot continue. Stop getting involved in this game and then trying to find a way out like that. I believe that the solution lies in resource development. Do not spend time trying to balance budgets, because you are never going to be able to do it.

[*English*]

The Chair: Merci, Monsieur Cleary.

Mr. Pallister.

Mr. Brian Pallister (Portage—Lisgar, CPC): Thank you very much for your presentation. It's very insightful. I appreciate your taking the time to be here today.

In reference to some of the comments you made regarding the Yukon, Mr. Graham, I'm pleased to hear the hopefulness that you have about the resource-sharing and approval process nature of the legislation that will come into play in the new year. But a concern that's come to me from numerous aboriginal people is that even with these resources, when they flow in—and they flow into some areas and not into others, of course—they tend to become concentrated in the hands of a few people.

You alluded to the need for more money for housing. That's one issue that a lot of first nations communities have dealt with, actually. About three dozen so far, to my knowledge, have set up systems within their own communities where individual families are in charge of their own home units. That's not to say it's fee-simple property ownership, which is just not possible, but the management responsibilities and the ownership of that home are in the hands of the individual family.

Their experience in general has been very favourable with this. The life of the property is extended. Anybody who's been in property management will tell you that a rental property just isn't the same as one you own in terms of the maintenance practices that tend to get adopted there.

I wondered if you were aware of this. I don't believe at this point there are any first nations using this approach in the Yukon or in Nunavut, but I know it's going on around the country more now. I know that the early—I shouldn't say early, because some communities have been doing this for 25 years—I know that the response seems to be that individual people like it in the communities because it gives their family more security to know that they can't be displaced next year from their properties, and they tend to make more investments in the property itself.

Also, the young people seem to have a more stable environment when they're growing up in communities where that is the case. The likelihood of vandalism, gang recruitment, crime, teen suicide rates —the indicators are all pretty good.

I'm wondering—and I'll ask Lynda to comment as well—if you see this as a way we can get more money into more housing by using the money better and having the housing stock last longer. Is this something you see as a possibility in your areas of greatest knowledge?

Ms. Lynda Gunn: Thank you, Mr. Pallister.

With respect to the reference made within our presentation of the need to conduct a Nunavut infrastructure strategy, that would be one key area to be looking at. It's not just dollars. We need to find solutions and we need to do it in a three-way partnership, much like what the Prime Minister alludes to with the new deal, the spirit of working cooperatively in partnership.

We recognize the three levels of government, but in our case there are actually four levels of government, because we have the Nunavut land claims agreement with the Nunavut Tunngavik. One very important paper that speaks to just that is Nunavut's ten-year Inuit housing action plan. It's a joint proposal by Nunavut Tunngavik Incorporated and the Government of Nunavut. It was just submitted in the last couple of months to the federal government.

There is increased money being infused into the territory to increase the number of social housing units. But of course the need is much greater than what the current plans are describing. So the four partners need to sit down together and hash that out, and that could best be accomplished through a Nunavut infrastructure strategy.

● (1635)

Mr. Brian Pallister: A couple of years ago, when I learned of the approach that some of the Six Nations at Brantford are using, I shared it with the chief of the reserve next to where I grew up as a boy. He asked if that meant the responsibility for management, maintenance, and so on would rest with the individual who owns the property. I told him that it would and asked him what he thought of that. He asked if that meant he wouldn't be called at two in the morning to replace bug screens and doorknobs any more. I said yes.

The ownership resting with the individual seems to result in a greater sense of self-ownership and self-responsibility. Did you want to comment on that?

Mr. Doug Graham: I would only say that you mentioned Six Nations in Brantford. Is there anyone else doing it that you're aware of? I'd be happy to take that information back to the Grand Chief of the Council of Yukon First Nations, who is a good friend of mine.

Mr. Brian Pallister: I'm aware of some. My office can get you the names, but I think there are about three dozen first nations doing this. In Manitoba, where Madam Desjarlais and I are from, I think there is actually only one band that has been looking at this. It's more often in eastern Canada.

Again, I'm not sure how it would work in northern or isolated communities, if it would work as well or if it is culturally appropriate. I don't know these things, but I do think it makes some sense.

Mr. Brett, you talked about the other issue of looking at different ways of doing things. If we do things the same way we always have, we'll get the same results we always have.

Mr. Herbert Brett: That's right.

Mr. Brian Pallister: When I was at the OECD social services ministers meeting last year, I noticed that we're one of the last countries to hand out welfare in the form of money handed to people every month to not work. In Great Britain, you're on welfare for six months, then you're off it, and that's it. The state's job is to give you an activity, something you can do with your time so you earn money.

Is welfare dependency a problem? I know the first nations community in Manitoba released a report last year saying it had become a rite of passage for 18-year-old aboriginal people in Manitoba to get welfare. Families are finding it very hard to encourage young people to go on with education, training, and so on, because of the perverse incentives that existed with the way welfare was handed out. Is this a problem in your communities?

Again, I'm not sure how welfare is distributed there. Normally, I think the first nation communities get it through the community itself, but is this a problem for you? Are there other creative projects that you see under way in your areas to put a different face on this and make it more of a skill-development, self-esteem kind of an exercise, as opposed to bureaucrats cutting a cheque to somebody for not working?

Mr. Herbert Brett: I would just—

The Chair: If I could quickly interrupt, we're way over on time.

Mr. Herbert Brett: I would remind everyone that Labrador, being a major part of our province land-mass-wise, has two aboriginal groups, the Labrador Inuit Association and the Naskapi-Montagnais Inuit Association. The LIA have now finalized a deal on their land claims, and they're all working towards self-sufficiency and housing. In fact, most of them own their housing. It's a little bit different, I think, from Nunavut. The Voisey's Bay project is coming now for northern Labrador and is going to be involved in creating the business of earning your own income and developing self-esteem, pride, and all that. It's coming along very well.

As far as welfare, in that case, we probably have more of it on the island part of the province, where there are remote communities that are not performing. There are no opportunities and nothing to earn. The young people are all leaving and going to the bigger centres. That's where we are in our province on that.

● (1640)

The Chair: Quickly, go ahead.

Ms. Lynda Gunn: I'd like to add, that sort of notion is actually in place for Nunavut. The Nunavut Housing Corporation, three or four years ago, at one point offered the option for those living in social housing to enter into a lease-to-purchase arrangement. They did that so they could try to generate some additional revenues to build other units.

The Chair: Thank you.

I'd like to thank the witnesses for coming. It was very well appreciated. I know some of you came from a long distance. Thank you again.

We're going to try to get the next group in as quickly as possible. I'm not sure if we're going to be able to do that. For the group that is here, if there's any additional information you'd like to submit to us, you can still do that, but briefly, please.

Mr. Brett, I know you were asking us for ideas, but we'd prefer it if you'd give us some ideas. That would be preferable. Again, the briefer the submissions are, the better it is.

Mr. Herbert Brett: They will be coming to you next week.

The Chair: You could send them to the clerk's office.

Ms. Lynda Gunn: For Nunavut, we've left a package of information, but we need to provide the information electronically, so Richard can make French copies.

The Chair: Yes, that's fine. Great. Thank you.

Ms. Lynda Gunn: Thank you.

The Chair: Thank you again. Have a good day.

The meeting is suspended.

● (1642)

(Pause)

● (1654)

[*Translation*]

The Chair: Let us continue. I would like to thank all the witnesses for coming today and remind them that they have five minutes each.

[*English*]

This is for opening remarks or opening statements. Please keep them to five minutes, because we have seven groups. Then the members are going to want to ask questions. I don't want to interrupt, but if you get over the limit, I'll be signalling to you.

I have an order of the associations. Let us start with l'Association canadienne des producteurs d'acier.

Monsieur Lacombe.

● (1655)

Mr. Barry Lacombe (President, Canadian Steel Producers Association): Thank you very much, Mr. Chairman.

Let me begin by saying we very much appreciate the opportunity to appear before the committee. We look forward to sharing our views with committee members.

As you may know, the Canadian Steel Producers Association represents all of Canada's primary steel producers. The industry is a strategic one, linked very closely to the automotive, construction, oil and gas, packaging, appliance, and other industries, and we have a strong record of performance. Productivity has grown at an annual average rate of over 7% a year, far in excess of the growth in productivity in the economy and in manufacturing generally. Value added has increased by over 8% a year, as the industry moves up the value-added chain.

Over 50% of the steels produced today were not produced a decade ago. The industry is committed to sustainable development, innovation, and market growth. Indeed, the demand for steel has been growing at about 10% a year. Metals are the fourth largest economic cluster in Ontario and the eleventh largest in Canada. We operate in the integrated North American market and we have very close and strong trading ties with the United States. This record has been achieved through significant investments, despite the fact that the industry worldwide faces major distortions that distort market forces.

What I'd like to do today in our presentation is focus on two policy directions. The first would be the fiscal framework. We recommend that the government continue with its sound fiscal policy, achieving balanced budgets or better over the fiscal planning period. This is especially important now, given the potential risks to the Canadian economy. The U.S. trade deficit, the U.S. budgetary deficit, the dollar, energy—there are a number of concerns that argue strongly for prudence, and we hope the government will continue with its prudent approach.

As part of that prudent approach, we notice that program spending has been increasing at a faster rate than revenues—an unsustainable situation—despite the fact that revenues have been growing significantly. Program spending needs to be limited to no more than the rate of increase in GDP.

The second element we would like to talk to you about is a competitiveness and productivity strategy. This is especially important because Canada may have a decade in which to take the measures necessary to ensure strong competitiveness and strong productivity growth. The reason this is so important is because of the changing demographic profile of Canada. Any future increases in standard of living will come as a result of productivity improvements, and we will have a smaller labour force than we have today in terms relative to total population.

What would that strategy comprise? The first factor would be a competitive tax system or better, the elimination immediately of the capital tax—a tax on investment and jobs—and of the corporate tax surtax. We would also like to see this strategy followed by further reductions in corporate taxes. Canada's marginal tax rate on capital remains significantly higher than that of the U.S., our major trading partner, affecting investment and contributing to Canada's overall lower rate of productivity performance than the U.S.'s. We also believe capital cost allowance schedules should be reviewed to ensure that these fit with the real economic life of assets.

The second element of the strategy would be regulatory reform. We strongly support the work of the external advisory committee on regulatory reform and hope the government will move expeditiously in this particular area.

The third would be addressing market distortions. Everyone agrees that interprovincial trade barriers negatively affect competitiveness. Internationally there has been a great deal of focus on access to markets. There has not been enough focus on market distortions that are created in other countries and that then negatively affect the Canadian market. China and India are spending a lot of government subsidy increasing steel capacity. There is the issue of Chinese currency and Chinese currency manipulation. The government needs to act with its NAFTA partners to address these distortions. In the meantime, we need to make sure we have effective trade remedies to address these distortions.

Cost-effective, reliable, and stable energy is essential to Canada's steel producers. Clearly there's a shift in world demand and supply. We believe the federal government needs to work with provincial governments to develop an energy framework, and that framework would comprise regulatory reform, effective demand-side management programs, and better coordination of research and development.

The fifth area would be the integrated Canada-U.S. market. As everyone knows, 40% of our GDP depends on exports to the U.S.

● (1700)

There are a number of things we need to do. First would obviously be developing Canada's position with respect to the next step on NAFTA. In that regard we're very happy with the work of the Council on Foreign Relations that is being developed in the U.S., but we need to do more.

In the short run, we can make clearer to the U.S. the benefits that accrue to the U.S. from trade with Canada. In steel, we have the North American steel trade committee that's designed to coordinate governmental policies with respect to steel. We think it's a model that can be applied more generally.

We think more has to be done to enhance Congress's understanding of Canada-U.S. trade. They have very little understanding of it, for the most part.

Sixth, we strongly support the Manufacturing 2020 initiative. Manufacturing needs attention, and we hope Manufacturing 2020 will lead to that attention.

I also want to make one point about outsourcing. There's already been a debate about whether outsourcing is good or bad. It's the wrong debate. The only issue with respect to outsourcing is the market distortions that cause difficulties. Earlier I referred to what China or India or Brazil are doing in terms of subsidies or export controls on key inputs. It's those distortions that cause the problem and those distortions that need to be addressed. So far we've seen little sign of Canada moving in that direction. There is also a strong opportunity for Canada to work closely with the U.S. on this front.

The last element of the strategy would be the Canadian steel partnership council. We've been working very hard: we have six provinces that are very interested in it; we've been working with the federal government. What we want to do is use this as a forum for developing a long-term vision and strategy for the Canadian steel industry. It would cover energy and environment, human resources, regulatory reform, international trends, and competitiveness—a range of issues—so that we can develop a vision and a plan for succeeding in moving that vision forward.

We think this is something that could be applied to other sectors, and in many ways it's very similar to the new sector tables Minister Dion has been talking about.

In sum, we'd like to have the committee consider both our fiscal framework proposals and our productivity and competitiveness proposals.

Thank you very much.

The Chair: Thank you.

For the Retail Council of Canada, we have Madame Brisebois.

[*Translation*]

Ms. Diane Brisebois (President and Chief Executive Officer, Retail Council of Canada): Thank you, Mr. Chair.

The Retail Council of Canada would like to thank the Standing Committee on Finance for having given us the opportunity to speak at this consultation.

The retail sector, which boasts more than two million jobs in Canada, feels that this current consultation process concerns us directly. At the end of 2003, total retail sales stood at $300 billion. Clearly, retail is an extremely important sector within the context of the current consultations and for Canada's economic growth.

I should first point out that our brief today is only available in English given that the date for our presentation was changed. However, I would be delighted to answer any questions that you may have in either of the official languages.

Our brief primarily focuses on economic, taxation and monetary proposals. Special attention will be given to retail and the sector's performance both during the course of this year and for the holiday season, a very important period for retail. Throughout the brief, we have also paid special attention to the employment insurance premium-setting mechanism.

[*English*]

Retailers have enjoyed steady, solid retail sales growth this year. When we spoke to our members during the back-to-school season, we asked them about their expectations for the holiday season. Fifty percent of the mid-sized and large retailers indicated they would be ordering more merchandise than originally planned, and less than 10% planned to cut back their orders. While the small merchants were more guarded about growth, the majority also expressed optimism about the coming season and the new year. We expect this trend of steady growth to continue into 2005. Expected growth in the current year has been estimated at close to 5% over the same period last year.

RCC strongly recommends that in the 2005-06 budget the government follow through in its commitments to a balanced budget and to spending restraint, debt reduction, and tax reduction. These should be the overarching objectives of federal fiscal policy.

I'd like to now turn to our top priority, employment insurance. EI premiums have been the focus of RCC's last two pre-budget presentations. They remain the priority for this submission because the government has not yet acted on its intention to implement a new premium-setting mechanism. In the department's 2004-05 budget plan the Minister of Finance said it was the government's intention to introduce legislation by the time of the next budget to implement a new mechanism for setting EI premiums that would be consistent with the principles established by the previous Minister of Finance and took into account the views expressed in the consultations. The minister also proposed to give the Governor in Council the authority to set the premium rate for 2005 in a manner consistent with the new mechanism.

RCC is dismayed that the redesign of the rate-setting mechanism has been delayed for so long. We hope the current government will address the matter expeditiously and will seize the opportunity to correct some important design flaws in the current program and to address the very large surplus that has built up in the EI account. In reviewing the current status of the EI account, the government's actuaries note that the annual surplus for the current year will reach $1.3 billion and that since 1993 the government has accumulated $46 billion in excess EI revenues. The surplus is now almost large enough for the government to run the entire EI program for three years with no contributions from premium payers.

Retailers employ almost two million Canadians, and retail is an employment-intensive industry. Employment is one of the largest cost items after the cost of merchandise. Payroll budgets are set in relation to store sales, so a payroll tax like EI must be paid out of that externally constrained budget. As a result, the financial impact on retail employees is immediate, direct, and completely passed through. Retailers and their employees feel the impact in a second way because they depend on Canadians spending in their stores. Any change that affects income affects retail sales and thus retail employment hours and earnings.

As representatives of an industry with many modestly paid employees, we see the human impact of the accumulation of the surplus. The calculation found on page 16 of our submission provides a rough estimate of how much each retail position has contributed to the surplus. It suggests that from 1995 to 2003 a typical small retail store selling less than $500,000 a year with four employees contributed almost $6,000 to the surplus. We must have a new premium-setting mechanism that prevents this overcharging in the future.

RCC recommends that EI premiums be reduced to $1.80 per $100 of pay for employees and $2.52 per $100 of payroll for employers and frozen at those levels for 10 years. We also recommend a $3,000 yearly basic exemption and a rebalancing of the premiums so employers and employees each pay 50%. We recognize that this would reduce the revenues flowing to the EI program and that the premium rate would have to be adjusted accordingly.

● (1705)

[*Translation*]

Our brief also deals with the importance of promoting provincial sales tax harmonization with GST. A single value- added tax will bring about important economic benefits. It would reduce administrative costs for governments and for Canadian businesses, and would reduce confusion in the market. I should stress that the Retail Council of Canada is adamant that retailers be allowed to display pre-tax prices for their merchandise.

[*English*]

Retailers support sales tax harmonization but they do not support tax in pricing.

Finally, I want to advise the committee that we are working with the Department of Finance to determine whether the current capital cost allowances for leasehold improvements match the economic life of the assets. Once our work is complete, we will bring recommendations to the committee.

Thank you. Merci beaucoup.

[*Translation*]

The Chair: Thank you. Our third group is the Canadian Automobile Dealers Association. Mr. Gauthier.

Mr. Richard Gauthier (President, Canadian Automobile Dealers Association): Mr. Chair, esteemed members of the committee, a very good afternoon to you.

The Canadian Automobile Dealers Association is delighted to have this opportunity to meet with the committee and to speak to members about the concerns of those small businesses across the country who are members of our association.

[*English*]

I have two concerns to highlight for you today. The first issue is the definition of taxable capital. In order for a business to benefit from the lower small-business tax rate of 12%, its capital must not exceed $10 million. But because of the way capital is defined, many automobile dealers do not qualify for the lower rate.

Currently a corporation's capital includes all forms of indebtedness, including the method known as lien notes, by which automobile dealers finance the acquisition of their inventory. Because automobiles are high-cost items with relatively slow turnover, the effect on capital of this method of acquiring inventory is much greater than for other retailers, who typically finance the acquisition of their inventory through trade accounts payable, which are not included in the definition of capital.

In prior years this was less of a concern for most automobile dealerships because even with the inclusion of the wholesale financing liabilities, few dealerships breached the $10 million taxable capital exemption. Most were therefore not subject to the erosion of their small business limit. Developments in the industry over the past decade, however, have changed that. These developments include but are not limited to increasing vehicle prices, overall increase in vehicle inventories, and pressure from automobile manufacturers to have automobile dealerships carry more inventory.

To rectify this anomaly, CADA recommends that the definition of taxable capital found in subsection 181.2(3) of the Income Tax Act be amended to exclude lien notes.

This unintended imposition has already been remedied in some of the provinces that levy taxes based on small business capital. For example, the Province of Manitoba specifically excludes lien notes for farm machinery, truck, and automobile dealerships if the lien note represents financing by way of wholesale paper secured by a specific charge on new or used motor vehicles or farm equipment inventory.

CADA recognizes that this issue may appear very technical, but what is really at stake here is Canada's definition of small business. A recommendation from this committee to the minister asking that the Department of Finance review this issue would be a strong step toward eliminating this anomaly.

The second issue CADA wishes to raise with the committee relates to the potential imposition of a new vehicle tax related to the environment. As many committee members will be aware, the Kyoto accord has set a target for the auto industry of a 25% improvement in fuel economy by 2010. CADA is seeking to better understand the impact this debate will have on our members.

In the meantime, we continue to work closely with the federal government, in particular the Department of Natural Resources, to help Canadians reduce emissions. This includes targeted programs, such as voluntary vehicle labelling, that explain to consumers the fuel economy of each new vehicle. Our dealers continue to distribute the EnerGuide, which allows consumers to compare vehicle fuel economy so families can choose the best vehicle in each class. For the past five years CADA has also hosted the EnerGuide Awards before the automotive media to showcase the most fuel-efficient vehicles for sale in Canada. Nevertheless, more needs to be done, and the industry has met with senior ministers to evaluate the best approach for us to move forward.

Overshadowing these discussions, however, are continued published responses to access to information requests that reveal reports prepared within the government calling for the introduction of a gas-guzzler tax. Such a tax would penalize the sale of vehicles such as trucks, sport utility vehicles, and minivans by levying an extra tax at the point of sale. While we do not have enough time allocated today to fully address the problem with this tax, I have to underscore the tax's key failings.

One, gas-guzzler taxes slow the advance of new, cleaner vehicles entering the Canadian marketplace. One vehicle produced in the 1980s produces more emissions than 20 new vehicles produced today. Gas-guzzler tax schemes would retard the entry of the best emissions technology as consumers hang on to older vehicles.

Two, a wide range of fuel conservation measures would be more effective—for example, the introduction of employer-provided tax-free transit passes—as part of a larger strategy to inform consumers that fuel conservation is in the public interest.

Three, gas-guzzler taxes would never work in practice. The best example of an environmental excise tax in Canada that does not change consumer buying behaviour is the federal excise tax on air conditioners. This tax is levied on every new vehicle in Canada with an air conditioner. When was the last time anyone in this room drove in a newer Canadian car without an air conditioner? The tax has zero impact on vehicle selection.

Four, on average, Canadian consumers are purchasing vehicles that are far more fuel-efficient than those our American counterparts are buying.

Five, changes within other federally controlled areas of jurisdiction in order to promote, for example, clean fuels and alternate fuels offer far better options for improving the environmental impact of the family car.

And finally, the regional implications of any gas-guzzler tax will be significant. Rural Canada and those regions dependent on trucks and SUVs will be more adversely affected by any national tax structure.

● (1710)

Again, this submission is not intended as a complete case against such taxes but rather as an overview of the dangers associated with viewing a gas-guzzler tax as an environmental quick-fix solution.

● (1715)

[*Translation*]

To conclude, I would like to underscore the important role played by new car dealers in the Canadian economy. Our 3,900 dealers and more than 120,000 employees make a significant contribution to the social and economic well-being of each and every Canadian community. Our members sell up to 1.6 million cars per year and serve several million consumers. I would like to thank you for having given us this opportunity to share with you our economic concerns and we would be delighted to have an open discussion with all members about economic and automobile policies. Thank you.

The Chair: We are now going to hear from the Canadian Housing and Renewal Association.

[*English*]

Ms. Potter.

Mrs. Joyce Potter (President, Canadian Housing and Renewal Association): Thank you, Mr. Chair.

Good afternoon, ladies and gentlemen, and thank you very much for the opportunity to present to you.

I am the president of the Canadian Housing and Renewal Association, CHRA, and with me is Margaret Singleton, who is a member of our board of directors. Both Margaret and I are based in Ottawa but our association has members from coast to coast to coast. We represent the views of many people throughout Canada who are concerned with the absence of and the need for affordable housing. Our members include municipal and provincial non-profit social housing organizations as well as academics and others in the private sector involved in housing.

We have submitted a brief—I'm not sure if you have a copy in front of you, but hopefully you will receive copies of it—and our brief responds specifically to the questions asked by the committee as well as putting forward some of our proposals for a national housing strategy. I would like to highlight a few of those issues, and then of course we would be pleased to respond to your questions.

CHRA has called on the federal government to take immediate action toward adopting an effective national housing strategy. In doing so, we worked with a wide range of partners that are active in housing: the Co-operative Housing Federation, aboriginal housing groups, the Federation of Canadian Municipalities, church groups, provincial housing associations, the National Anti-Poverty Organization, Campaign 2000, which is concerned with child poverty, and many more. All of these organizations involved in social issues have supported the call for a national affordable housing strategy.

What is very interesting, though, is that our voices are now being joined by a much wider group of organizations. The TD Bank, for example, has pointed out that working to find solutions to the problem of affordable housing is also smart economic policy. An inadequate supply of housing can be a major impediment to business investment and growth.

Recently Charles Coffey, who is an executive vice-president of the Royal Bank of Canada, spoke at a regional event we held in Saskatoon. He said

> ... we must continue to make affordable housing a priority and to find new ways of financing affordable housing. And we must continue to make the link between housing, the stability of families and the impact upon children. An investment in affordable housing pays huge dividends in building healthy and prosperous communities.

Why do we argue that the country needs to use the budget surplus to reinvest in affordable housing?

First of all, we believe we have already paid a cost for reductions in federal spending. At about 12% of GDP, federal spending in fiscal year 2003-04 is at the lowest level since the Depression. At the same time, we've dropped from the number one spot in the UN's human development index down to number eight.

Second, we argue for federal spending on affordable housing because it's a good investment. Research is now beginning to show the impact that affordable, safe, and appropriate housing can have on the health of our population, on the development of children, on the quality of life of our communities, and on the economy. If we do not begin to address the issues of homelessness—and in that I include homelessness of children along with their families—as well as the growing divide in incomes and wealth and the severe shortages of affordable housing throughout the country in virtually every community, we will pay much more severely for them in future.

CHRA supports the proposal by the federal government to develop a national housing strategy. We would urge that the $1.5 billion that was promised in the Liberal Party platform be dedicated now to affordable housing. However, it is clear that this is not enough. We need to invest $2 billion annually in developing more affordable housing and providing rent subsidies so low- and moderate-income households can afford their rent.

You will note in our report that we have requested continuation of support for affordable rental housing. Also, we must ensure that the stock of social housing that currently exists and that represents a significant asset in most of our communities is maintained. We need a long-term commitment to help communities deal with homelessness, and we need a commitment for continued funding for renovation.

Thank you very much for your attention, and I would be pleased to respond to any questions you may have.

● (1720)

The Chair: Thank you.

Now we have the Canadian Restaurant and Foodservices Association. Ms. Reynolds.

Mrs. Joyce Reynolds (Senior Vice-President, Government Affairs, Canadian Restaurant and Foodservices Association): I am grateful for the opportunity to appear before this committee as part of the pre-budget deliberations. I represent the $46-billion food service industry, which employs more than a million Canadians. It's an honour to participate in this process and an honour to be addressing a committee that has the opportunity to recommend and insist upon some real change in the way our fiscal future is determined.

The people of Canada have elected a Parliament that gives no one party a majority. The message from the last election was clear. Canadians want a governing process that focuses on reconciliation and reform. This places a new sense of responsibility on the shoulders of you as members to be judicious and thoughtful in your deliberations. It also means that those of us lucky enough to be able to formally present our views to the finance committee must present realistic options for your consideration.

You will find that our written brief presents some suggestions on the GST, nutrition and fitness, and the government-controlled dairy system. I recommend that you consider these important recommendations. During the question and answer session I will also happily respond to the eight questions posed by this committee, but in the brief time I have today I want to focus on only one issue and to encourage you to recommend a $3,000 yearly basic exemption in the employment insurance system.

The food service industry's top priority is payroll tax relief. CRFA members have consistently identified payroll taxes as the biggest obstacle to job creation because they are a tax on jobs. They discourage the hiring of new staff and they discourage productivity improvements. They encourage automation at the expense of jobs and they tax medium- and modest-income Canadians at a disproportionate rate.

Young people under the age of 25 make up a large percentage of low- and modest-earning Canadians, and they are the most vulnerable to the vagaries of high payroll taxes. They are more likely to get passed over for jobs and to suffer an above-average share of job losses. The unemployment rate for this group of workers is 13.4%. It's more than double the unemployment rate for those over 25, at 5.9%, and the gap between the two groups continues to widen.

The regressive nature of payroll taxes contributes to young people's woes by providing a disincentive to hire them because the tax rate, as compared to their wages, is disproportionately high. By the end of this year employers and employees will have paid over $47 billion in excess EI premiums. This surplus has been accumulated on the backs of low-income Canadians and labour-intensive businesses. Introducing a yearly basic exemption would address these concerns. It would assist employers in providing more entry-level jobs not only for youth but for recent immigrants and those struggling to get off social assistance.

Payroll tax relief not only increases the ability of labour-intensive businesses to retain staff and expand payroll, it also increases the disposable income of working Canadians, which in turn encourages spending and stimulates economic growth. Reducing payroll taxes through a YBE will provide the most advantage to those with the most propensity to spend. Government has indicated a desire to direct tax relief to lower-income Canadians first. A YBE's universal application means that all workers benefit but that low-income workers benefit the most. The YBE has the added benefit of increasing job opportunities for the people government is most concerned about.

A high estimate of the cost is $2.2 billion. This is based on an employed workforce of 16 million, using the current EI rate. This is a fraction of the announced surplus this year and a drop in the bucket in relation to the $47 billion employers and employees have been overcharged for EI since 1996. It is close to the amount employers and employees will be overcharged this year.

Government knows it has to turn off the EI tap. Government promised a new EI rate-setting process that would be transparent, would be set on the basis of independent advice, would be based on costs, and would provide stable rates, but we're still waiting.

We believe the only way to ensure that these principles that have been identified by government are adhered to is through either the establishment of a dedicated EI trust fund that is separate from Canada's public accounts and operated at arm's length from government or the establishment by statute of a low, long-term premium rate. The EI account would continue to exist as a notional entry, and a premium rate would be established to ensure the EI surplus in the account is drawn down to a pre-set minimum level over a 10-year period. Under both scenarios a YBE would be doable. Details on both these recommendations are provided in our submission.

To conclude, I can say a YBE will help modest- and low-income families directly by reducing their tax burden, most importantly when they are entering the workforce. It will help those who employ them to create and maintain jobs. In times of surplus there is no justifiable reason to keep a profit-insensitive, regressive, and job-killing tax like EI artificially high. It is time to pay down government's obligation to the employers and employees who exclusively fund the program.

Thank you.

● (1725)

The Chair: Thank you.

Next is the Association of Consulting Engineers of Canada. Mr. Boivin.

[*Translation*]

Mr. Claude Paul Boivin (President & Chief Operating Officer, Association of Consulting Engineers of Canada): Thank you, Mr. Chair.

I should first like to point out that our association represents engineering firms in the private sector. It is a $10 billion industry which employs more than 52,000 people. Internationally, we are the third biggest exporter of consulting engineering services.

[*English*]

Mr. Chairman, there are three issues we would like to raise with the committee today. The first two deal with Canada's infrastructure deficit of more than $60 billion, which in fact is Canada's second national debt. The third issue deals with CIDA, and if I may, I will address that topic now.

There are two matters of deep concern to us with respect to CIDA. First, CIDA is currently in the process of de-Canadianizing Canadian aid. Today, instead of making Canadian talent, Canadian expertise, and Canadian resources available to those who need them in the third world, CIDA is now increasingly making huge cash disbursements to multilateral organizations or directly to countries, without the involvement of Canadians.

Now, this growing trend has serious negative consequences. Fewer Canadians will be working abroad. This will invariably diminish our visibility and influence, but more importantly, ultimately it will destroy many opportunities for cooperation, both social and economic. So we recommend that CIDA reverse this trend of leaving Canadians out of our Canadian cooperation program.

The other issue of concern with CIDA is that CIDA has now almost completely abandoned its funding of infrastructure projects. What is ironic is that it has done this at a time when the leaders of those countries have clearly identified sustainable infrastructure development as their single top priority. Here in Canada our infrastructure has been vital to the development of our nation, yet somehow we expect that developing countries will be able to build up their economies without reliable infrastructure. Our message to the committee today is that we need to re-establish balance in CIDA's portfolio to include infrastructure investments. We were very successful at it some years ago and we can certainly continue to do that very well.

And now I'll address the subject of Canada's own infrastructure, Mr. Chairman. Over the coming years Canada is going to be investing billions and billions in infrastructure, but to date there is no national plan. We strongly believe that the government should establish a multi-stakeholder national round table on infrastructure with private sector participation, including—and perhaps especially including—consulting engineers to advise the government on the development of the long-term infrastructure plan. I think, if we are to invest wisely in our infrastructure, we need a solid plan and we need a strong team to carefully develop that plan.

Mr. Chairman, I'd like to introduce our chairman of the board, Mr. Allen Williams, who will speak on our final issue.

Mr. Allen Williams (Chairman, Board of Directors, Association of Consulting Engineers of Canada): Thank you, Claude Paul.

The key to developing long-lasting and reliable infrastructure is in the proper upfront design. Engineering services should be selected based on what really matters: technical competence, experience, proven performance, and integrity. After all, intellectual design services are not tangible commodities like pencils and erasers. For example, when you, Mr. Chairman, or any of you are hiring a new staff member, you look at the applicant's qualifications, experience, reputation, and abilities. You do not ask each candidate to submit their lowest salary demand and hire them based on that information. For you to get the best engineering firm for the job, it just makes sense to select the best firm based on qualifications and not on cost.

Similarly, if you invest properly in infrastructure design, you can actually save money. Engineering fees average only 1% to 2% of total life cycle costs. Wise investment at the design stage allows the government to leverage the most bang for the taxpayer dollar. We urge the government to ensure the selection of design professionals such as architects and engineers is based on qualifications, not on price.

In summary, Mr. Chairman, our association is asking for a commitment on the following three things: first, a round table on infrastructure to allow careful planning on how and where to spend infrastructure funding; second, federal procurement selection based on qualifications and a fair price, not the lowest price; and third, the re-establishment of sustainable infrastructure development funding for poorer nations.

Thank you very much.

● (1730)

The Chair: Thank you.

Now we have the Canadian Hardware and Housewares Manufacturers Association and the Canadian Retail Building Supply Council. Mr. Campbell.

Mr. Dave Campbell (Chair, Government Relations Committee, Canadian Retail Building Supply Council): Thank you, Mr. Chair.

While I serve as president of the Lumber and Building Materials Association of Ontario, I'm here this afternoon in my position as chair of the government relations committee of the Canadian Retail Building Supply Council. CRBSC is an umbrella organization comprised of the five provincial and regional building supply dealers' associations across Canada. Besides my own organization in Ontario, CRBSC's constituent groups include provincial associations in Quebec and British Columbia as well as regional associations for Atlantic Canada and the three prairie provinces.

I'm also appearing before you today on behalf of the Canadian Hardware and Housewares Manufacturers Association, which participated fully in the development of our pre-budget submission. A letter of transmittal from the president of CHHMA, Mr. Vaughn Crofford, is included our submission. It states that his organization supports the contents of our position paper without reservation.

The partnership between CRBSC and CHHMA has resulted in what is truly an industry-wide brief, representing the views of companies engaged in the manufacturing, distribution, wholesaling, and retailing of hardware products, housewares, building materials, and seasonal items such as lawn and garden supplies. Collectively, our two sponsoring associations represent almost 2,300 companies. Last year they employed some 75,000 Canadians and generated an estimated $70 billion in sales.

The contents of our submission reflect the views of executives from the 170 CRBSC member stores across Canada that participated in our pre-budget survey last summer. Interestingly, 33% of these responses came from stores in urban areas, while the remainder were from rural or remote communities in all parts of Canada.

Our pre-budget submission was filed in mid-September. When the standing committee invited us to appear, it posed eight questions to be answered by all presenters. Our coalition has prepared responses and these have also been filed with the clerk at the standing committee. These replies have been endorsed by CRBSC and CHHMA.

Both our submission and our replies to the eight questions have one overarching theme, and that is the assertion that the health of the industries represented in our coalition has a direct impact on the economic health of our nation. One significant sector where this fact becomes particularly clear is the housing market. There are ample indications that the housing starts and resales as well as residential repairs, renovations, and maintenance have been instrumental in Canada's buoyant national economy during the current period of growth.

Since our submission was filed in September, there have been indications emerging that a slowdown in the housing market is imminent. The most recent CMHC housing outlook states that the housing starts will ease next as a combination of factors slows activity in the new home market. Also, Statistics Canada's latest report on building permits says that in the residential sector intentions continued to cool in September as housing permits declined 4.3%. Even more important, this was the third straight monthly decline.

For the past several years our pre-budget submissions have advocated a number of cost-effective measures that would contribute to the continued robust health of the housing market. This year the standing committee has made it clear that the organizations appearing before it should be ready to discuss and justify the cost of their proposals. This directive is welcomed by our coalition because the measures our members have confirmed will be of major benefit to the housing market and can be achieved at minimal cost to the government.

The first-time home buyers' program permits Canadians to temporarily withdraw up to $20,000 from their RRSP savings and to use that money to help finance the cost of first homes. Strict repayment provisions are an integral part of this initiative. The only costs to the Government of Canada are associated with administering the program. The program was introduced in 1994 and the $20,000 maximum has never been reviewed. To restore the ongoing effectiveness of this worthy program, the government needs to adjust the withdrawal limit upwards. This can be done at no additional cost to the government.

Our submission identifies two additional ways in which Canadians can be permitted to temporarily use their RRSP savings in a manner that will stimulate housing markets and will not place an additional financial burden of any appreciable size on the public purse. First, we recommend that the model of the first time homebuyers' program be used in extending the temporary use of RRSP savings to finance repairs and renovations of existing dwellings. Second, we would like to see the same principle applied to permit Canadians to retrofit their homes to meet the special needs of senior citizens and other family members who require extensive alterations to existing dwellings if they are to continue to live in them. Not only would this latter proposal not prove costly to the Government of Canada, it would be helpful in reducing the public health cost of institutionalizing seniors and others.

Your attention to my remarks is appreciated, and I look forward to discussing them with you shortly.

● (1735)

The Chair: Thank you.

For the first round I'd like to remind members we're going to do seven minutes.

Mr. Penson.

Mr. Charlie Penson: Thank you, Mr. Chair.

I'd like to welcome the panel here. They were good presentations. I enjoyed your presentations today.

We've had these pre-budget hearings going on for quite some time, and there are a number of themes that have been fairly consistent throughout. One has been the spending increases. I think Mr. Lacombe referred to the unsustainability of big government spending increases in direct program spending and to the need to bring that back into line with the growth in GDP or with population growth plus inflation. A number of groups have identified the need for further tax cuts, especially in light of where the United States may be going. EI reform is certainly one we've been hearing about over and over again. Ms. Reynolds, it's the same with the EI exemption. I recall you being here a couple of years ago making a presentation; I thought it was a good one.

However, there are a couple of questions I wanted to ask specifically, ones coming out of the presentations today. The first one is to Mr. Lacombe, regarding your reference to the need for a task force on energy. I gather that your industry, being a big user of energy, wants some consultation. Is that not happening with you right now? Can you bring us up to date on your industry?

Mr. Barry Lacombe: Yes. Thank you very much, Mr. Penson.

Energy is obviously very important to Canadian steel producers. It's very important to the manufacturing sector. In fact, we're part of a coalition of large industrial energy consumers. We've been working with the federal government and the provinces, and we're about to do some analysis of the impact of higher energy prices on major industrial energy consumers.

In addition to that, we work very closely with another coalition, which is a coalition of energy suppliers. Maybe you've heard of the Energy Dialogue Group; I'm sure you have. We're working very closely with them. We support the work that came out of the Council of Energy Ministers in the summer. We just want to make sure the work proceeds.

As you know, there were really four elements to that work. One was regulatory reform. We're speeding up the regulatory process so new supplies can be developed more quickly. Another was ensuring a good investment climate for those kinds of major projects, and they are, as you know better than I, major capital cost projects. A third was demand-side management; what can be done to really improve energy efficiency and those kinds of things? A fourth was technological development—new technology and R and D—and trying to get coordinated federal, provincial, and industry work on that, and we support all of that.

The problem is that right now in the case of oil there is a world equilibrated price. In the case of natural gas there is not such a price, and the price of natural gas in North America is far higher for us than it is for many of our competitors, putting us at a competitive disadvantage, if you will. That's very important. Similarly, electricity is one where price is determined not internationally but by what happens in local markets.

Mr. Charlie Penson: But Mr. Lacombe, what solution do you propose for this? It seems to me this is a little bit out of our control. Are you suggesting that government be careful on what kind of policies it undertakes before doing things like implementing Kyoto in order to...

● (1740)

Mr. Barry Lacombe: Absolutely. I think having any measure that can help bring new supply on is very important. Any measure that doesn't add to the demand problems is very important. I think you're exactly right. That link between Kyoto and energy is one that needs to be made quite explicitly. Right now we're seeing where for some people natural gas is seen as the silver bullet. As a consequence, the demand for natural gas has increased and the prices will go up even further.

Mr. Charlie Penson: I'm sorry to not allow you more time. We are pretty limited here, and I have to apologize for that to the group as well. It's not so fair a discussion, but we will be reading your briefs.

I want to move for a moment to Mr. Gauthier and the issue of the small-business tax cap you've raised. Is your problem largely that the investment needed in automobiles has grown such that the cap is no longer adequate? Are you suggesting we raise the $10 million cap in order to keep your small-business tax level down, or what exactly are you suggesting?

Mr. Richard Gauthier: Mr. Penson, thank you for the question.

That could be one of the solutions. Primarily, it's one of interpretation. Right now, the Income Tax Act, as it reads, particularly, specifically precludes the methods of financing that our dealers use in order to support their inventories. Anything that is financed through a conditional sale contract, which is the contract that allows dealers to finance and support their wholesale inventory, is precluded from the definition of capital tax.

Mr. Charlie Penson: Did you have discussions with the finance department on that?

Mr. Richard Gauthier: Yes, we have made this presentation on several occasions over the last number of years, and we did get quite a sympathetic ear from this very committee last year in Montreal. Frankly, I expected that something would come out of that. It's clearly a misinterpretation of this point, which basically leaves our dealers in no man's land.

Mr. Charlie Penson: There's a further point I would ask you about. I think you also made the suggestion that the gas guzzler tax is really misdirected and hasn't worked very effectively. You point to how it could be more disproportionate against rural users that consume large amounts of fuel, such as agriculture, I would suspect. Is that where you're going with that?

Mr. Richard Gauthier: Absolutely, particularly in your part of the country, Mr. Penson, where the vehicles that would be likely targeted by this gas-guzzler tax would be represented. For instance, in Alberta, almost 60% of sales there are trucks, SUVs, and minivans.

Mr. Charlie Penson: The reason for that is that they use them for work.

Mr. Richard Gauthier: Absolutely. Nonetheless, that would have a dire economic impact in that part of the country.

Mr. Charlie Penson: What point are you making, Mr. Gauthier, when you say that on the surface it looks like putting on a tax on gas-guzzlers would be the right thing to do, but it has held back technology in certain areas that would actually advance the cause of environmental cleanup?

Mr. Richard Gauthier: We just make the point that a gas-guzzler tax is misdirected. It will target vehicles that are efficient. As I mentioned in my presentation, a vehicle manufactured in the 1980s pollutes more than 20 vehicles manufactured today. What the government should focus on, as opposed to focusing taxes on vehicles that are fuel efficient, is ways to remove some of these older vehicles from the road. They're the ones causing the problem. There are many ways; we're working right now with Natural Resources Canada on programs that will encourage proper maintenance, tire rotations. In fact, we're—

Mr. Charlie Penson: We're actually suggesting investment tax credits as ways for consumers to purchase new equipment, such as vehicles, farm equipment, industrial equipment. That means they have to pay taxes first, and then they could use the tax credit to update their fleet and therefore cause the same net result you're asking for.

Mr. Richard Gauthier: That's primarily directed toward farm equipment and that kind of thing. We have not had any knowledge that it has been suggested with regard to our industry.

● (1745)

Mr. Charlie Penson: I appreciate your answering that question in more detail.

The Chair: Thank you.

Monsieur Simard, and then I have Mr. Hubbard and Mr. Christopherson.

[*Translation*]

Mr. Christian Simard (Beauport—Limoilou, BQ): I will ask my first question of Ms. Potter and Mr. Campbell, since it has to do with housing. I am Christian Simard of the Bloc Québécois and I am the member for Beauport—Limoilou, Quebec. I am the Bloc's housing critic.

Today, FRAPRU, the *Front d'action populaire en réaménagement urbain*, organized a demonstration about the importance of investing in affordable housing in all provinces across Canada. During the demonstration it was revealed that the Canada Mortgage and Housing Corporation has made a profit of $2.4 billion over the past three years and that this surplus could reach $6 billion by 2008.

Ms. Potter, I would like to hear your opinion on how we could best use this surplus, and the other huge surpluses which the federal government generates, but which it chooses to hide from Canadians and Quebeckers when it makes its economic forecasts at the beginning of the year. What investments does your association feel ought to be made regarding affordable housing?

Mrs. Joyce Potter: With your permission, I will answer in English. It will be easier.

[*English*]

First of all, I would like to say that our organization works closely with FRAPRU, an excellent advocacy organization in Quebec that supports many of the same goals we support.

I am aware of the surpluses starting to appear in the mortgage insurance fund as part of the business side of what Canada Mortgage and Housing Corporation does. I think we want to ensure that the mortgage insurance fund is economically viable and can be sustained, and we want to ensure that the business requirements the corporation is subject to are maintained. However, I think there may be opportunities in the future, once that fund is appropriately capitalized, to make use of some of those surpluses to encourage more affordable housing. Certainly we feel that the general surplus of the government should be targeted specifically to initiatives to promote social housing.

The Quebec government has been a very effective leader in housing throughout the country. I think it is very important for the federal government to add to those funds available in Quebec, and also to make those kinds of programs available throughout the country.

[*Translation*]

Mr. Christian Simard: I have to say that I am somewhat surprised by your answer. The Canada Mortgage and Housing Corporation is tasked with facilitating access to affordable, quality housing for all Canadians. Other than in the recent past, the CMHC has never before produced such surpluses. You are saying that they are going to wait until the surplus, which currently stands at $2.5 billion, gets bigger before using it. Do you not find it immoral that a surplus which is not part of the consolidated revenue fund, and which, therefore, is not part of the government's general surplus, can reach $6 billion at a time when there are Canadians who do not have access to affordable housing and cannot get a mortgage because interest rates are too high?

You know very well that if someone who only has a $5,000 down payment were to borrow $100,000, he or she would have to pay 3.75% of the total loan to the Canada Mortgage and Housing Corporation, which is crumbling under the weight of such a huge surplus. I'm astonished to hear you say that we should wait until the surplus is bigger before using it. I am really amazed that a group such as your own would say such a thing. I would like you to elaborate.

● (1750)

[*English*]

Mrs. Joyce Potter: I do think it's immoral that throughout the country there are people living in shelters. I think it's immoral that the federal government doesn't do more to alleviate the affordable housing crisis. Absolutely, I agree.

I guess the only point I was making is that some of the housing supported through the mortgage insurance fund is social housing, currently being used to help low- and modest-income people, and some of the mortgages are also held by young homeowners who were going in to buy their first home. We want to ensure that the mortgage insurance fund is adequately funded to make sure that if there are defaults on any of those mortgages, that housing is not lost.

But the minute we reach the point where the fund is adequately capitalized—and frankly I don't know when that will be—I would say it is a potential source of funding to be used for more affordable housing.

[*Translation*]

Mr. Christian Simard: Thank you. I would like to comment on the brief submitted by the Canadian Automobile Dealers Association.

In a past life, I was a director of the *Union québécoise pour la conservation de la nature*. I am somewhat surprised by your remarks. If someone wants to kill his dog, he says it has rabies. In your case, you want to kill a tax on gas guzzlers. Were this tax less effective, it seems to me that you would be less concerned with bringing about its demise.

I get the impression that this tax would encourage consumers to choose vehicles which offer better fuel economy. The objective is to tax sport utility vehicles, which are often used for leisure rather than work purposes. That is how it is at the moment. When you suggest that this tax be replaced by removing tax from transit passes or introducing a public awareness campaign, I get the impression that you may conceivably be trying to skirt the responsibilities incumbent upon you as dealers of gas-guzzling vehicles. I believe that such a tax could change consumer behaviour without undermining technology. I find that you have been rather hasty in your analysis of this issue and I do not agree with your opinion.

Mr. Richard Gauthier: Thank you for your comments, Mr. Simard. All that we are saying is that these vehicles should not be taxed, because that is not the solution. We both know that, nowadays, people do not just use 4x4s for work. People use them on a daily basis for going to work, for leisure activities and so forth. The solution does not lie in taxation. We are talking about economic vehicles which do not cause any pollution. It would be preferable to focus on the average age of cars in Canada. Today, the average car is eight years old. It is these older vehicles that pollute the environment, and not those that are produced today. In our opinion, it is nonsensical to tax today's vehicles. It would be wiser to target those vehicles which are causing damage. Taxing today's vehicles will create a barrier to people buying more environmentally-friendly cars. In this way, the cars on our roads will get older, and nothing will be resolved.

The Chair: Thank you, Mr. Gauthier.

Mr. Hubbard.

[*English*]

Mr. Charles Hubbard: Thank you, Mr. Chair.

I too have concerns—and I guess Mr. Penson brought this up first —when you speak of energy.

Mr. Lacombe also talked about energy and what it costs our nation and what it costs our industry. When you look especially at oil products, it's a fixed commodity in terms of what we have. In actual fact, somebody back home who is buying heating oil right now is paying a very high price because of the demands of other groups demanding certain specific types of fuel products. It seems rather difficult today that, at least in my own province last weekend, you pay more for diesel fuel than you do for regular gasoline. Home heating fuel has really gone up, to nearly 80¢ a litre back in New Brunswick, at 78¢.

Energy is a very big factor, but I'm not sure how we could address it, Mr. Chair, in terms of how we can save some of this energy. Mr. Lacombe talked about all the different kinds. Perhaps his group can make some recommendations for a budget that might include ways of having cheaper energy. I think he knows, as most of us do, that in some countries, in terms of electricity, especially in middle Europe, they're only paying a fraction of what we're paying in North America for electricity.

And then, of course, we have wind energy. Previous budgets had ways of trying to accommodate people who were thinking of looking at alternate energy sources.

Mr. Lacombe, would you have any comments to make or any recommendations to make on the various types of energy? I know you are in a big-demand area, and you mentioned gas. But we're talking about the Canadian economy today, which is based more upon demand than it is on cost plus a fair profit. Whatever the demand is, that determines the price. You're saying you wonder why the price is as it is. Is that what you're saying to this committee?

● (1755)

Mr. Barry Lacombe: We're basically saying there has been a significant shift in the demand and supply relationship, and that has resulted in higher prices, as one would expect when demand goes up faster than supply.

There are a lot of things governments can do. One is for governments to take a look at their policy sets and what impacts they're having on energy and the specific prices of particular types of energy. For example, in Ontario, some of the decisions being made there on electricity policy are going to have quite profound impacts on higher electricity prices, which, from our point of view, is going to translate into quite profound impacts on competitiveness. Similarly, as I mentioned earlier in response to Mr. Penson's question, some of the policies that some governments are pursuing with respect to reducing carbon dioxide emissions are also having an impact on particular types of energy. So there's that kind of thing.

The second thing we need to do is to try to bring as many conventional and unconventional supplies to market as we possibly can. That is why we strongly support some regulatory reform. The External Advisory Committee on Smart Regulation identified the oil and gas area as an area governments should move on quickly to help bring additional supply to market.

Finally, there's the whole issue of demand-side management. From our perspective, a lot of money has been spent on demand-side management programs, but we're not very sure how effective they've been. In the case of the steel industry, we've improved our energy efficiency considerably. We've improved efficiency by about 25%. Our carbon dioxide emissions are down 25%. So it can be done. Internationally, we're part of an international effort, through the International Iron and Steel Institute, to reduce carbon dioxide emissions, through improved energy efficiency or through other means, by 70%.

So there are all these things, but there is no quick magic bullet.

Mr. Charles Hubbard: The other question, Mr. Chair, deals with EI. I've heard at least two of the groups suggesting that the first $3,000 of earnings should not be subject to EI payments or contributions. What's rather confusing, Mr. Chair, is how you would regulate that.

If you bring an employee into your organization, where do you decide that this employee shouldn't pay on the first $3,000? Is it your intent that a lot of your workers won't earn more than $3,000 per year? Would you have a refundable system? How could you make legislation that would enable government to say to employers and employees, "I know I hired you this week for $300 a week or $400 a week, but on the first $3,000 that you earn, no one's going to make any contributions toward EI"? Could we have a suggestion on that?

Mrs. Joyce Reynolds: It's not actually the first $3,000, it's $3,000 of your annual earnings. If you have a weekly pay period... And the reason we know it works is that it's already in the Canada Pension Plan and the Quebec Pension Plan, in which there's a $3,500 yearly basic exemption.

What happens is that you take $3,000, you divide it by 52 if you have a weekly pay period, and whatever that amount is, you take that amount from their weekly pay and multiply it by the EI premium rate. That's how it works for CPP. It's not—

● (1800)

Mr. Charles Hubbard: Mr. Chair, can I just have this further defined?

In terms of CPP, there is a threshold for employees. It's roughly a little less than $4,000. In other words, if they paid in, they get that money back because it's part of their earnings, but the employer loses that amount. Is that not correct?

Mrs. Joyce Reynolds: No. With the CPP, both the employer and employee are entitled to a $3,500 yearly basic exemption. In other words, every single working Canadian is entitled to that $3,500 exemption. If you earn $39,000, then you're going to be paying premiums on $39,000 minus $3,500. But if you're paying on only $7,000 in earnings, that $3,500 that you don't pay premiums on is much more significant than it is to somebody who makes $42,000 or $50,000 or $100,000.

Mr. Charles Hubbard: So with EI, then, in terms of that threshold, you pay about 1.4 times what the employee pays in, is that correct?

Mrs. Joyce Reynolds: That's right.

Mr. Charles Hubbard: And both you and the employee would not have to pay, or have refunded, then, that contribution.

Mrs. Joyce Reynolds: It's not refunded. When you do your submissions to Revenue Canada, and you do your calculations per pay period, you automatically take into consideration the exemption. The only difference between CPP and—

Mr. Charles Hubbard: But it's my impression that in terms of submissions to Revenue Canada, you do those by the 15th or whatever of the following month.

Mrs. Joyce Reynolds: Right.

Mr. Charles Hubbard: How could you determine whether you're going to have somebody in that category or not in that category? In other words, you have to submit the employee's contribution and your own, and you send it off to Revenue Canada by, say, November 15 for the month of October. How do you know what you can save in terms of not submitting?

Mrs. Joyce Reynolds: Because you know what your employee earns. You know what their earnings are. You take into consideration what their earnings are for that pay period.

Mr. Charles Hubbard: I have difficulty... I'd like to have it clarified.

The Chair: I don't know if I can explain it right, but it's exactly like the CPP. The CPP is $3,500; they're requesting $3,000. For the CPP a $3,500 maximum exemption per year is calculated on your payment. If you're being paid on a weekly basis, it's $3,500 divided by a weekly basis. So if you're earning $300, $3,500 divided by 50 is around $7. So you only pay CPP based on $350 less the $7. The unemployment would be $350 less the $6. You multiply by the going rate, and that's it, that's all.

It's a $3,500 exemption for one person in a year for the CPP, and they're recommending $3,000 for unemployment. The employer would calculate at the end. Let's say he's deducted $1,000 for the employee. He'd multiply by 1.4 and remit that amount.

We can discuss it later.

Voices: Hear, hear!

Ms. Diane Brisebois: That's extremely well said. I'd like to take credit and say I gave you that information and you were able to provide it, Mr. Chair, because that's exactly it. Just think of it as the CPP. It's the same thing.

The Chair: Or just use a computer program; that would calculate it.

Go ahead, Mr. Christopherson.

Mr. David Christopherson (Hamilton Centre, NDP): Thank you, Chair. That was very impressive. I don't know whether you're an accountant or not—

● (1805)

The Chair: Yes, I am.

Mr. David Christopherson: It shows.

Thank you all very much. Those were fascinating presentations. I agree with my colleague that there's just not enough time to do justice to all the important issues you brought forward. I'm going to focus primarily on the steel presentation, and if I have time I hope to move to housing.

I'm from Hamilton, and obviously steel is big in the news for us. I'm also the steel policy spokesperson, so this is a really important area for us. I'll try to be uncharacteristically brief and actually give you time to respond, because that is what I'm looking for. I'm going to raise four areas. That may sound like a lot, but they're fairly concise. I'll just make a couple of comments, ask the questions, and then give Mr. Lacombe an opportunity to respond.

First, one of the major issues for steel workers in Hamilton, steel workers across Canada, and quite frankly any worker who feels that their corporation or the business they work for could be possibly in dire straits is the effect of the CCAA. The whole issue of being in bankruptcy, the whole question of, right now, pensions for workers, comes dead last, after the banks are paid, after insurance is paid, after the government is paid, after suppliers are paid.

Nobody likes to be out money, but quite frankly, out of that list, workers are the ones who can least afford not to be paid money they're owed. A bank isn't going to go broke because one account doesn't pay up, but most people are living tight, paycheque to paycheque. Quite frankly, screw them out of their pensions and you screw them out of their entire future.

There's a move afoot, a bill on the floor right now, that would change that. I've spoken to a couple of industry leaders—I'm not going to mention names, they were private conversations—and I was very pleasantly surprised; they were very supportive. They just stood back, not as CEOs of steel companies but just as citizens, and looked at it and said, that's not right; if there's limited money, then at the top of the list it ought to be the pensions for the steel workers, because they're entitled to that.

So I'd appreciate your comments, on the record, on behalf of your association with regard to that issue.

Second, you mentioned that the objective of the Canadian steel partnership council is to develop a long-term vision for the industry. Boy, do we in the NDP and in Hamilton ever agree with you in spades. We're desperately fearful of where we're going to be vis-à-vis domestic steel production capabilities going into the future. We see what China and India are doing. They want to be major players in the world, and they want to be self-sufficient to a large degree. One of the first things they're doing is making sure they've got a strong domestic steel industry. They're creating it out of whole cloth. Here we've already got one and we're worried about losing it.

Perhaps you could give us your thoughts on what you think that policy might look like, without getting into too much detail. What sort of strategy, how broad and how comprehensive, should we enact or bring into play from the business point of view in terms of sustaining that important steel industry? We already have the government agreeing that we need to do it on the auto side. That took a few years. We very much see an auto strategy and a steel strategy as being compatible and supportable.

I would just mention as an aside that in a minority government situation, at the end of the day, if the government wants anything passed, they have to get some of us onside or it's not going to happen. I notice you're bringing everybody into these discussions, and I'll just leave with you, sir, the question of whether or not there's room to invite opposition members to play a role, a constructive role, given that, at the end of the day, you and the government and the council are going to need opposition members to pass through the House anything that's going to make a difference.

Finally, the auto industry goes out of their way, both on the business side and the union side, the Canadian Autoworkers side, to make the point that one of our competitive advantages is our universal health care system, given that in the United States that's a major expenditure for the employer to pay those private health insurance premiums. Our manufacturers are saved, on the auto side of things, hundreds and hundreds of dollars per month per employee, and obviously you are, too. I wonder if you'd just comment for the record how important it is that Canada maintain a universal health care system vis-à-vis the business perspective in terms of our competitiveness. If we start to lose it, you're going to see those demands show up at the bargaining table, and eventually you're going to have to pay for them as opposed to the blanket universal benefit that we all have as Canadians.

I'm sorry to be long-winded. I hope I've left you enough time to respond.

Mr. Barry Lacombe: Let me try to respond as quickly as I can. Some I may not be able to answer, as you know, from the point of view of the association.

In terms of CCAA, the Companies' Creditors Arrangement Act, I think the best thing we can do is make sure that the Canadian steel industry remains competitive and productive as it is. In other words, avoid it. I think one of the reasons we want to do the Canadian steel partnership council is for precisely that reason. The first thing that needs to be understood and addressed is the impact—and you had it exactly right—of the actions by a number of countries on Canada. China, India, Brazil are all building steel capacity, and they're building that steel capacity largely with government subsidies. In the case of India, they're perhaps a bit more explicit than others—their strategy is an export strategy. They're actually building capacity and saying export.

We don't mind if those goods come into the Canadian market if they're going to compete fairly and not benefit from government subsidies. The Canadian industry is in the top tier of efficiency worldwide. We're ready to take on whatever comes in, as long as it's coming in and not benefiting from government subsidies directly or indirectly. That, to me, would be the first step.

If I can also say, a consequence of those distortions coming into the Canadian market is that the Canadian industry returns a lower rate of return than would otherwise be the case, affecting investment in R and D, investment in new technology, and therefore affecting the competitiveness and productivity of the industry. It's lower than it might otherwise be in the absence of that. We need, in the first instance, and as we said in our brief—because the U.S. is on the same page as we are both with respect to the union and with respect to the industry—to work closely with the U.S. and our NAFTA partners to make sure we're addressing these distortions and to make sure that we have the remedies in place so that we can adequately deal with them. That's why I said earlier that when people talk about outsourcing, the issue is not outsourcing. The issue is the subsidies and other prompts provided by other governments. So outsourcing is a consequence; it's not the cause. The cause is the subsidies provided by other governments.

I am worried, because even in Canada now you find this debate going on about whether outsourcing is good or outsourcing is not good. If outsourcing were being done on market forces unimpeded or unaffected by government actions, fine, but outsourcing is not occurring on that basis. It's occurring on the basis of subsidies and other practices. To give you an example, both the Canadian Border Service Agency and the CITT found in recent cases for products made of steel that the dumping margin from China was 138% and the subsidy was about 35%. That means they would have had to increase that price by 150% or 160% to be competing fairly.

This is not against free trade. The industry totally supports free trade. It has to do with not supporting subsidies and those kinds of distortions. So that's essential if we're going to succeed.

The last one is on universal health care. Of course we support universal health care from a competitiveness point of view. The only thing, as you know as well as I, and this is why we should be focusing on competitiveness and productivity, is the U.S. industry and administration is also very much focused on health care. If you read the material coming from the manufacturers association in the U.S., you will see government-provided health care is one of the major issues they want to see corrected. So we face that challenge. We face the tax challenge. That is why I can only come back to say that focusing on competitiveness, productivity, and getting rid of those market distortions is absolutely essential for us.

There's one question of yours I haven't answered. I know why you would have a particular interest in it, but sometimes discretion is the better part of valour.

● (1810)

The Chair: Thank you, Mr. Lacombe.

Mr. Bell.

Mr. Don Bell (North Vancouver, Lib.): Thank you.

I have a couple of quick questions, one mainly for Dave Campbell.

In your report on page 8 you've listed some of the housing changes for different markets. I noticed nothing from B.C. Is there a reason for that, or is it so far off the chart that you can't list it?

Mr. Dave Campbell: It's the mountains.

I believe it was just an oversight.

Mr. Don Bell: I didn't know whether there was something significant.

Mr. Dave Campbell: No, there were no significant either pluses or decreases in the housing.

Mr. Don Bell: I noticed in the survey that you did of your members that they talked about the importance of tax reductions. And then you address the issue of reducing or addressing the reduction of the debt as well. I was just curious. It didn't seem to be consistent. One set of questions you responded to was what cuts could be made—on page 11 of your report—and that goes from the most important corporate tax reductions down. Then the other is the issue of reducing the national debt or reducing the debt portion of the taxes. Is that...

Mr. Dave Campbell: It's been our position in the presentations to this committee in the past few years that certainly the continued focus on reducing the debt will in the long term have the most positive impact, providing money for Canadians for the good purposes of housing or whatever the Canadian public wants.

Also, for the timeframe of this submission, our members feel that the potential inflation certainly looks at... There'll be an increase in inflation as well as certainly the economy... A reduction in building permits would indicate that housing starts are going to decline, so we feel that we should be prepared for that. It always has been the purpose in our submission to maintain the focus of reducing the national debt.

● (1815)

Mr. Don Bell: The other issue is I gather generally you feel that rather than giving a portion of the gas tax, federal excise, to municipalities, you're better to lower it and reduce the price of the gas in the first place.

Mr. Dave Campbell: Absolutely.

Mr. Don Bell: As a former municipal politician, I'm interested in your argument.

The other question I had is very simple. It's a request to Mr. Lacombe. On your issue on NAFTA and the study that it needs more evaluation, if you have an expansion beyond that paragraph you had in the report, if you have something more on that, I'd be interested in what you have to say about that.

Mr. Barry Lacombe: Absolutely. We'll send this to committee members.

In our brief on Manufacturing 20/20, of which we're a major supporter, we laid out explicit proposals. As you may know, the steel industry is one, in terms of the Canada-U.S. relationship, that's particularly mature for moving forward on the next step of NAFTA.

We have the same union on both sides. The industry serves the same customers and has the same institutional framework. Believe it or not, steel trade between Canada and the U.S. is balanced in dollar terms. That brings with it certain problems for us. So I'd be pleased to send that to you.

Mr. Don Bell: Thank you.

The Chair: Mr. Penson, do you have a quick question?

Mr. Charlie Penson: I just want to question Mr. Lacombe to try to get a little more information in regard to the dumping and countervail that you say is occurring from India and China. Are you using the trade remedy law that's available to you to address that? Is the government not cooperating? Where are you at on that?

Mr. Barry Lacombe: Yes, we use the trade remedy laws frequently. In the cases I referred to, they were for barbecues and fasteners, products using steel.

Right now, we've only started to see the flow of imports from China. We expect to see perhaps more in the future.

The difficulty with the trade remedy laws is that you have to go through about two years of agony, pain, and losses that you can never recover before you can trigger a remedy. So one of the issues we're very interested in—and I know others are interested in—are ways in which those trade laws could be more effective.

Ideally, we'd be in a world where we'd get rid of the distortions. That's our preferred course. Then you wouldn't need to trigger these laws. But as long as those distortions are there, we're going to need effective trade laws, and we don't have them now.

Mr. Charlie Penson: The reason I ask, Mr. Lacombe, is that your industry has faced significant trade challenges from the United States on the steel issue. So I think you have to be a little careful about what you ask for, because some of it... I think it was Canada that introduced the first trade law to start with back in about 1900, with countervail and dumping, and some of it's coming home to get us now.

Mr. Barry Lacombe: I'm glad you raised the U.S. question, because, as I said, although there are some from time to time, there have been very few trade cases. There have been maybe two or three, very few trade cases.

We've reached a point where we have the North American Steel Trade Committee, which includes governments and industry and is NAFTA-wide, which meets to define common challenges and common solutions to common problems. It's turning out to be an effective institution. We think that it can do more.

When the U.S. had the safeguard action, the union was down, and we were down. We have a steel caucus, and members of that steel caucus were down. Of course at the end of the day, the U.S. exempted Canada from any remedies.

There's at least one case now, somewhat, from a couple of years ago. But by and large the relationship is very good.

Mr. Charlie Penson: You made the point that we need to enhance NAFTA, I believe. Would you support a joint initiative from Canada and the United States to get rid of trade law between our two countries, given that we are a mature economy and integrated in many areas, such as steel?

Mr. Barry Lacombe: Yes, the degree of integration is such that there has been some thinking amongst the industry and among governments about what the next steps would be to foster integration. Clearly, one of those steps would be either finding better ways of handling any trade disputes that might occur or removing the trade laws and relying on something else. So yes.

In terms of the U.S. attitude, I think we're still a little distance from reaching that end point; nevertheless, that's the kind of thing that would be very useful.

● (1820)

The Chair: Thank you.

I just have two quick questions.

Mr. Lacombe, you seem to be the popular one lately. Who do you represent in your association? I would imagine there's Stelco and—

Mr. Barry Lacombe: Yes, Stelco, Dofasco, Algoma, Ispat Sidbec, Ivaco, IPSCO, QIT-Fer—all the Canadian primary steel producers.

The Chair: Would Noranda be there?

Mr. Barry Lacombe: No. Noranda is not a steel producer.

The Chair: I'll ask you anyway. What's your opinion on the rumours of the Minmetals takeover of Noranda?

Mr. Barry Lacombe: I guess what I'd like to say is that I hope the government does a good job in reviewing that potential takeover, as it's supposed to do.

Mr. David Christopherson: Plus the chair over here on the end.

The Chair: Yes, exactly. Good answer.

Mr. Charlie Penson: Can I ask this, then, Mr. Lacombe? If the company out of China was not a state trading enterprise but was a private company, would you support any initiative that it would have for a takeover of a Canadian company in the same way that there may be an American or British takeover?

Mr. Barry Lacombe: Again, the Canadian Steel Producers Association has not taken any view on this one way or the other, and probably would not.

Mr. Charlie Penson: What's your view?

Mr. Barry Lacombe: I can tell you that once we're off camera, how's that?

The Chair: I have a quick question, but I'm not sure if it's for Mr. Williams or Mr. Boivin.

In your brief, one of your recommendations is for a commitment to stable funding to implement the national infrastructure action plan. We don't have an amount. Is there an amount in view? Do you have any idea what we're talking about?

Mr. Allen Williams: Mr. Chair, there have been a number of sources, and it seems to be fairly well accepted that the infrastructure debt right now is approximately $60 billion. We're saying that over ten years, if we could get joint funding with other levels of government, that would be approximately $3 billion to $4 billion a year for the federal government. I know there are a number of programs that have been put in place, but they total somewhere between $1.5 billion and $2 billion, which falls quite short of what's required.

The Chair: I'm not looking for an answer right away, because there are some infrastructure programs that already exist. I want to know if you want to add to those amounts or if you want them to be parallel.

Mr. Allen Williams: Yes, you're right. There are a number of programs, and they fall far short of what's needed. Our first recommendation is that there be a national round table to look at an overall plan that would address all of the infrastructure and that we have some long-term continuity to that plan.

The Chair: Who would be the lead at the national level?

Mr. Allen Williams: It would be very appropriate for the federal government to take that lead and be very involved, but we're certainly suggesting that the private sector, including engineers, would very much like to be part of that round table.

The Chair: Thank you.

Again, I want to thank the groups.

Mr. Don Bell: I just have one more quick question, Mr. Chair.

To Mr. Campbell again, in your report you talked about the RRSP savings of $20,000 and that amount being increased. Do you have a figure in mind?

Mr. Dave Campbell: We'd like to see that at least doubled, if we look at the housing.

Mr. Don Bell: That would be for retrofits as well as first-time buyers?

Mr. Dave Campbell: Certainly.

Mr. Don Bell: So from $20,000 to $40,000?

Mr. Dave Campbell: Yes.

The Chair: Thank you.

I want to thank all the groups for taking time out of their day. It was informative.

If anybody has any additional submissions, you can always make something, but briefly if you have numbers or costings. We'd appreciate it. Most of the submissions had costings already in them.

Thank you.

The meeting is adjourned.

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