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Mr. Massimo Pacetti

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•(1910)

[English]

The Chair (Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.)): I'd like to start the meeting.

I would just like to welcome the guests. I want to thank you for coming at such a late time. I think some of you were rescheduled, but we thought it would be better that way because we knew we had a vote. So I appreciate the fact that you've come.

We have eight groups on this panel, so please keep the opening remarks to the five-minute limit we've allocated. Then the members will want to ask some questions. I have a list of groups. I have Campaign 2000 to go first.

Do you want to go, or should we let the groups go?

Ms. Judy Wasylcia-Leis (Winnipeg North, NDP): Mr. Chairperson, I'm in your hands. At some point this evening, I would like to address a motion of privilege and challenge a ruling from earlier today. If you would like me to wait until the beginning of the 8:30 meeting, I could do it then.

The Chair: Do as you wish. I consider the matter closed. If you would like to bring it up, you can bring it up now.

Ms. Judy Wasylcia-Leis: All right. I'll try to be very quick.

This afternoon, Mr. Chairperson, you will know that I had designated a substitute for participation in the committee. Only one NDP member is permitted on this committee. That was Alexa McDonough, who was speaking, voting, and acting on our behalf.

At some point during the course of this afternoon's meeting I entered the room and sat at the table beside her, at which point you sent me a note suggesting that this was against the rules. I stepped back to not create a fuss. When no one raised it when she started speaking, I sat beside her, at which point you, Mr. Chairperson, decided to make this a big issue. You suggested I should not be at the table, even though I was neither speaking, nor voting, nor interfering with any proceedings, other than observing the proceedings, operating as a member of Parliament, and trying to carry out my duties.

I know you cited a specific reference in the Standing Orders that says a substitution cannot be in effect while the committee member is present at the meeting. Your interpretation of that would imply that at any point when I, as a single member of this committee, tried to find some help and get another member involved to take some turns for me, I would be prevented from coming in and out of the room to observe the proceedings or to alternate places with my substitute.

I have discussed this matter with my colleague Bill Blaikie, who is a long-serving member of this House. He has said that in his 25 years in Parliament he has never seen such an interpretation of the rules. Therefore, Mr. Chair, I would either ask for an apology for your treatment of me this afternoon, or I would like to present a motion to challenge the chair.

The Chair: Basically, I sent you a note saying it was my understanding that if you gave a procuracy to Mrs. McDonough you would not be allowed to take part, or she would not be allowed to take part. I was actually told you were not even allowed to be in the room, so I sent you a note out of courtesy to say I'd prefer if you were not at the table, but I didn't have a problem with you being in the room. It was my understanding that you were not supposed to be in the room if you wanted Mrs. McDonough to take the floor. You obviously wanted that. If you didn't want her to take the floor, I would have had no problem with you taking the floor.

I think you're the one who was grandstanding. All you had to do was come to me and say, "Listen, I want to sit at the table, and I want to take over from Mrs. McDonough". I would have had no problem with that. You just decided to get up from where you were sitting and sit at the table for no apparent reason.

All I'm saying is that I tried to apply the rules according to how they were told to me. I'm new at being a chair. I have no problem applying the rules. I'm not the one who makes them up; I just didn't want to cause any problems for other members on the committee.

If you want to discuss this at length, go ahead.

Ms. Judy Wasylcia-Leis: I don't want to discuss this at length. I'll just say the exact reason I'm raising this today is that the fact that I don't have a right to sit at the table, even though there is a substitute for me, is questionable. On that basis I would like to challenge the chair. I believe the way to do that is to move a motion to sustain the chair.

The Chair: You're a full member of this committee, so you can do whatever you like. I again did not question the fact that you were allowed or not allowed to speak. My understanding was that you wanted Mrs. McDonough to speak. I also sent you a note and said that Mrs. McDonough could not speak if you were at the table. That's all. If you didn't want that, all you had to do was tell me.

I don't understand why you were grandstanding me, because I thought the point was very clear. I'm very approachable, so you can't say I didn't discuss it with you. You were trying to challenge me. Even the fact that you're bringing this up again...I don't know what you're trying to prove. So if you want to take action, go ahead and do it.

Ms. Judy Wasylycia-Leis: Mr. Chairperson, I'll just go over the facts as they happened.

When I sat down beside Ms. McDonough, you sent me a note, and I'll quote from the note—

The Chair: I sent it to you prior to your sitting down.

Ms. Judy Wasylycia-Leis: It said, "Apparently, if you are in the room, Madam McDonough cannot speak unless the committee gives you unanimous consent". So I came over to you and questioned this. You said, "There is a rule and other people might raise it, so I'm just letting you know". At that point I realized that none of my colleagues would raise this, therefore they would not feel uncomfortable if I simply sat at the table with my colleague, as has been the tradition of this House year after year. Therefore, I was surprised that you decided to publicly say I shouldn't be at the table.

The Chair: You're surprised that I actually acted on what I said I think was going to do? If you had spoken to anybody else on this committee and said, "Can you ask them for unanimous consent?" or even had consent from one other member on this committee, I wouldn't have had a problem.

Mr. Hubbard.

Mr. Charles Hubbard (Miramichi, Lib.): Sorry, Mr. Chair, but I think we're making a lot out of a very small thing. It's been a long-standing position in committees that each party has an allocation of people at the table. If they want more than that, I believe it can be approved by the chair, by the committee.

I also have difficulty with the statement that they can't be in the room, because anyone from the public can be in the room. But in terms of sitting around the table, we're all allocated a certain number of people. I know associate members have been at the table before, without being able to participate, as a result of an agreement among the people here.

The Chair: Again, that's my point. I had a problem with her not being in the room, so I applied judgment. If you want it again, I didn't have any problem with you speaking. I just didn't see the point—

Ms. Judy Wasylycia-Leis: I didn't want to speak.

The Chair: Okay.

Mr. Harris.

Mr. Richard Harris (Cariboo—Prince George, CPC): If I could perhaps try to add some calming comments to this, I've read the rules, and while they do state some protocol that has to be followed, I can't remember a time when the rules were applied, nor can I remember a time when there was ever a problem with anybody in the room—or even sitting at the table. I've attended a lot of committee meetings as an observer sitting at the back, only to be sort of motioned to grab a chair—you know, you can't vote or speak.

I kind of think this maybe couldn't be considered as big a deal as we would want it to be. In the interest of getting this committee up and running tonight, and listening to the panellists who have come, maybe we can just somehow put this behind us and carry on.

I've certainly had a lot of respect for your job, Mr. Chairman, in the time I've been on this committee and you've been the chairman. I also understand your position, Judy. Maybe there's a way we can put this behind us and get on with business. I'm sure that given the experience today, it's not going to happen again one way or another.

• (1915)

Ms. Judy Wasylycia-Leis: Fair enough. I'm prepared to drop it, just to let you know. I'm only one member on this committee. There will be other substitutes for me. Tonight Tony Martin will be substituting. I will feel comfortable coming in and out of the room, and if necessary sitting at the table, although I will not be speaking, acting, or voting if another member is subbing for me.

The Chair: I have no problem. I'm very lenient. I think I've been very lenient up to now. Again, if the committee is fine with your sitting at the table, I have no problem with it.

Is that okay with the committee members?

Mr. Charlie Penson (Peace River, CPC): Mr. Chair, maybe I'm misunderstanding this, but I thought that any member in the House of Commons could attend any committee meeting. Is that correct?

The Chair: Yes, but the substitute member cannot take the place of another member who is a full-fledged member of that committee. It's how we interpret the ruling.

Mr. Richard Harris: How does it go—why can't we all be friends? Let's get on with business.

The Chair: That's why for me the matter was closed.

Go ahead, Mr. Bell.

Mr. Don Bell (North Vancouver, Lib.): I don't know how it relates, but in municipal government, if you're the mayor and you're in the room, you can't ask the acting mayor to take the chair and still stay in the room. You leave the room. I don't know if that's the idea of the substitute here.

My understanding is that other members of any party, MPs, can come, sit in the audience, and be invited to sit at the table. I've had the same thing—you know, come on up and sit. I've sat in the gallery. The difference is that if you're the designated member of the committee, you don't have an alternate speaking while you're there. That's the point, as I understand it. But I'm flexible.

Mr. Richard Harris: Let's put it to bed and get on with the meeting.

The Chair: All right. Once again, sorry for the inconvenience. We'll try to tack that time onto your time. We've delayed you for about 10 or 15 minutes. We'll see how the meeting goes, but I still want to keep to the five-minute opening remarks or interventions, if that's okay with the groups. Again, I apologize.

We have Campaign 2000 and Ms. Rothman.

Mrs. Laurel Rothman (National Coordinator, Campaign 2000): Good evening. I consider the meeting to be starting now, so we expect the 15 minutes at the end.

Thank you for the opportunity. Bonjour. Campaign 2000, as probably many of you know, is a cross-Canada coalition of more than 90 organizations that monitors the progress on the implementation of the all-party resolution to end child poverty that was actually voted on unanimously 15 years ago tomorrow.

Unfortunately, child poverty remains too firmly entrenched. Since 1973, we've had an average child poverty rate of one in six children. Our most recent figures show 1.65 million children living in poverty. That's about, as I said, one in six.

On some additional facts that are of particular concern, one out of four children, in these most recent figures, had at least one parent who worked full-time, full year, and still fell below the low-income cutoff. So we are arguing—and later I'll get to some of the questions you suggested—that we need multiple pathways out of poverty for families.

International and Canadian research has shown us that we need labour market strategies, with income programs and high-quality community services implemented at the same time. We've made some recommendations around more good jobs at minimum wages.

Here's something you could do cheaply. The federal government could raise its minimum wage to \$10 an hour within two years. We know that's a small part of the labour market, but it would be an important precedent.

We'd also like to see you strike a federal-provincial living wage commission to take a serious look at how families are going to be able to get good jobs, how employers will create them, and some of the other issues, including level of collective bargaining and barriers for trained immigrants seeking employment. Look at the wide range of issues.

I want to spend a minute or two on early learning and child care, which is a very high priority for us. While it's not primarily an anti-poverty program, it is a key component of an anti-poverty strategy. We're encouraged by the federal government's commitment to a truly national system based on the principles of quality, accountability, and universality, that is developmentally appropriate and—we add—inclusive in the fullest sense of the word.

We want to see at least \$5 billion in the next budget, and that is \$5 billion at the fifth year. I think that will be an important but, I must say, modest start. A fully implemented program will cost more, but we will look forward to that initial five-year allocation so we can move from the patchwork of services that rely on parent fees and subsidies to a fully funded system, where the funding goes to the program and parents make a contribution. I think this has the potential to be the most important policy advance of the decade—certainly social policy—and we have to get it right.

I have two more comments: enforce those principles in the negotiations with the provinces; have the money in the budget; and ensure that expansion, that is the new money, goes to the non-profit or public sector. There have been some important legal opinions with regard to funds that were available to the commercial sector, which led us to believe we could see the intrusion of the U.S. big-box chains under provisions of NAFTA should that money be available to the commercial sector. So new funds need to go to the non-profit sector.

Let me move on and say that the government has made a very important and significant start on a child benefit. We're recommending that needs to go up—and we want to see the plan for that—to \$4,900 maximum. That, along with a \$10-an-hour minimum wage for full-time work, would bring one parent with one child above the poverty line. We think that's a reasonable goal.

So we've made some important recommendations. We're looking for a commitment over five years of 1.5% of GDP—approximately \$18 billion. We see that as a solid base for our proposals. With the government's own projected surplus of nearly \$30 billion in the next five years, after taking out contingency, economic prudence, health care, equalization, and the territorial formula financing provision, we think there's room to make significant progress on cutting the social deficit.

● (1920)

I've probably gone over my time.

The Chair: You have about 30 seconds.

Mrs. Laurel Rothman: I think what we would say in our group—and we've taken a fair amount of time in the last year and a half to look at it—is that we do not favour additional general tax cuts. Not only do they benefit primarily upper-income Canadians, they also exacerbate the widening gap between the top and the bottom in our society. If we look at any of our big cities, it becomes increasingly clear that the spatialization of poverty is also a very serious aspect of it.

We also want to see the government make more accurate projections of surpluses. That will mean you'll be able to spend that money at the beginning of the year, and not have so much of it left at the end to support the current practice of channelling it to debt reduction, which indeed, from our reading, has continued to go down.

If there is money left at the end of the year, what we're recommending is that those one-time expenditures be directed to a national community infrastructure fund that would support social infrastructure needs, like capital costs of early learning and child care.

I'll stop there.

Thank you.

● (1925)

The Chair: Thank you.

I have a quick question, so I don't forget it.

You're not the first group to recommend that the child benefit be raised to \$4,900. Where does that \$4,900 come from?

Mrs. Laurel Rothman: As I said earlier, the \$4,900 maximum, plus one-wage earner, a one-parent family, earning \$10 an hour at a full-time wage—together that income brings that family above the poverty line. That's why we're arguing for good jobs and an enriched child benefit.

The Chair: That's \$10 an hour, but how many hours a week? What's a weekly salary?

Mrs. Laurel Rothman: It's 35 hours a week, full time.

The Chair: Okay, 35 hours a week.

Thank you.

Mrs. Laurel Rothman: I want to table this report. That will fill out the arguments more thoroughly.

The Chair: Fine. Just submit it to the clerk. Thank you.

From the Canadian Association for Community Living, I guess it's Mr. Bach.

Mr. Michael Bach (Executive Vice-President, York University, Canadian Association for Community Living): Good evening. Thank you to the committee for the opportunity to be here, and to colleagues who are presenting with us this evening.

The Canadian Association for Community Living is a national disability organization of families that have children with intellectual disabilities. We promote the full inclusion of human rights of people with intellectual disabilities. We work closely and in unison with the Council of Canadians with Disabilities, the Canadian Association of Independent Living Centres, and other national disability organizations.

I want to speak this evening about the need to develop a comprehensive disability agenda, which has been talked about for a number of years. We're beginning to see bits and pieces, but we have nothing that coheres. That's leaving people with disabilities in this country in a position of much higher rates of poverty, isolation, victimization to abuse and violence, homelessness, exclusion from the labour market, education, you name it. We're talking about something that's quite systematic. We're also talking about a group of people that now constitutes 12% of the Canadian population and is growing due to the aging of the population and medical advances that enable people to live longer than they might have otherwise done.

The federal government has made broad commitments in recent speeches from the throne to full inclusion of people with disabilities, to addressing barriers, to creating opportunities, and so on, consistent with the vision of the In Unison accord, the first federal-provincial and only federal-provincial-territorial accord on disability in this country that advances a vision of full citizenship for Canadians with disabilities.

Beyond these broad commitments, some specific strategies have been introduced in the last couple of years. We've seen an increase last year of \$30 million in the multilateral framework agreement on employment and disability. We've seen the investment in tax fairness for Canadians with disabilities, and that technical advisory committee will report very soon and we hope to see those recommendations adopted in the upcoming budget. We've seen investment in the Participation and Activity Limitation Survey, which is a survey of Canadians with disabilities, and commitment from the federal government to be a model employer of Canadians with disabilities.

All of these are important initiatives. We applaud them. We're encouraged by them, but they're not adding up to very much. What we would like to suggest is that this government could make major headway by announcing in the upcoming budget a few discrete and clear initiatives that will get the development of a long-term agenda for disability going in this country. This Prime Minister has said that

this is one of the undone pieces of social policy in this country, one of the undone pieces of our social architecture and foundation.

What we're suggesting is that we make disability supports the priority, the single priority for this government to begin focusing on. Some work has been done on employment. We think there's more work to be done later on income for people with disabilities, but the major factor that keeps people with disabilities excluded is the lack of access to needed supports—personal assistance, aids and devices, and accommodations in the community.

What we're calling for is the federal government to make a down payment on a federal-provincial-territorial transfer for disability supports. Similar commitments related to early learning and child care and to early childhood development have been made and have been worked out after the fact. We're not looking for \$1 billion over five years, like the caregiver agenda that was recently announced. We're looking for a reasonable down payment to get the provinces to the table to begin to negotiate a more coherent set of arrangements so people can access disability supports.

At the same time, we're suggesting that very easily and very reasonably we could build a disability component into other major social policy agendas. For cities and communities, let's attach to the gas tax rebate or work with the provinces and territories so that the gas tax rebate infrastructure grants could have a commitment attached to them to create inclusive and universally designed infrastructure and transportation systems in cities and communities in this country.

We were encouraged by the federal-provincial-territorial ministers meeting a couple of weeks ago that, as Laurel indicated, moved to advance a principle of universal inclusion for the child care agenda. As long as we're seeing monitoring and accountability on ensuring that the child care agenda is inclusive, we'll be making headway.

● (1930)

We're also seeing a caregiver agenda announced, \$1 billion over five years. This is a good move, but we need to recognize that we don't offload onto families the unpaid caring responsibility for people with disabilities. They already provide the major bulk of disability supports. We need to strengthen the capacity of communities through a community infrastructure initiative. We're also calling for the same kind of initiative as Laurel has identified, and through public investment in disability supports. To do otherwise leaves people with disabilities isolated. We are now seeing parents who are 80 years old caring for their family members with a disability.

Finally, to pull this off, we're looking for a commitment in this budget to a process to launch a disability agenda in this country, and we outline that in our brief.

Thank you very much.

The Chair: Thank you. We appreciate that.

We'll now hear from the Canadian Association of Food Banks, Mr. Seiden.

Mr. Charles Seiden (Executive Director, Canadian Association of Food Banks): Thank you.

I think a copy of my report was circulated. I have copies here, if you'd like.

The Chair: You can begin.

Mr. Charles Seiden: I'd like to thank you for the opportunity to appear before the committee today.

Allow me to first briefly explain what the Canadian Association of Food Banks is and what we do, because a lot of people have misconceptions of what food banks are about. Our mission is to assist Canadian food banks in meeting the immediate food needs of recipients while working toward the long-term goal of ending hunger and poverty. Initially created as a temporary solution to hunger, food banks have become institutionalized over the years because little has been done to create adequate social assistance programs, jobs, and other supports for the poor. Demand for food and poverty continue to grow, despite the fact that Canada has the economic capacity to eliminate hunger and malnutrition.

CAFB believes that the feeding of the hungry and eradication of hunger is a matter of social justice, human rights, and not charity. Food banks should never be considered a solution to a hunger problem. CAFB is committed to the following: developing a thorough understanding of the causes of poverty; presenting effective and persuasive arguments to you, the government; sharing information with member food banks; and identifying other local, regional, and national organizations to work with. I'm glad to see Campaign 2000 and many other groups are here tonight to present.

In our previous submission to the committee last year, CAFB highlighted the social problem of hunger, and since then, the situation has become dramatically worse. The present study we've produced, "HungerCount 2004", shows that patterns of food bank use across the country have risen. It is a leading barometer of hunger, food and security, and poverty in Canada. A record number of Canadians are using food banks in Canada, an increase of 8.5% since last year and 123% since food banks began in 1999. Every province except Newfoundland showed an increase in the food bank use, with the most significant increases in Ontario and Quebec. Although Newfoundland showed a slight decrease in food bank users, the province continues to have the highest per capita use.

Over half of the food bank users are families. One-third, 31%, are single-parent families and 39.7% are children; 60% of users rely on government assistance; 13.3% of food bank users are people with jobs. In March of this year almost half of the food banks in the study had trouble meeting the demand, nor should they have to. In light of these findings CAFB would like to make recommendations that we've outlined below. I won't go into the details; I'm sure Campaign 2000 has done a very adequate job, because many of the recommendations ironically—or not ironically—are quite similar.

We need to look at the Canada social transfer, living-wage jobs, national housing—and I'm sure you've heard from the group tonight—regulated child care, employment insurance, national child benefit supplement.

I want to talk a little bit about an anti-poverty law. I've recently had a chance to visit Brazil, a country that is struggling with other issues, but it does have an anti-poverty or anti-hunger law. It has a coherent way of dealing with hunger as a country and is lauded by

the Food and Agricultural Organization of the United Nations as being a leading country in showing the way. I think Quebec has established an anti-poverty law.

Canada has explicitly endorsed the concept of the right to food and the concept of food security and has signed a number of international agreements promising to end hunger, including its commitment to the Rome Declaration on World Food Security at the World Food Summit. The action plan for food security as Canada's response to the World Food Summit was a multi-sectoral approach. Unfortunately, the consultation that occurred over the Rome Declaration on World Food Security and the action plan has really been very inadequate. The non-government organizations in Canada really feel left out of the process. There was a conference held recently in Winnipeg of the people interested in food security in Canada, with 150 different organizations represented, and to a number, most of them have felt left out of the process. We really don't have a coherent, workable plan to eradicate hunger in this country, and it's very unfortunate.

● (1935)

The desire and commitment on the part of NGOs, non-government organizations, and food banks is that we want to work together with you to develop a plan. But we need to work together. We need the leadership of the federal government to develop a coherent plan. Civil society organizations in general voice a wide range of concerns, but we are committed to work with you. Without you, we can't do this job, because it really requires leadership at a central level.

The Chair: Okay. I have l'Association canadienne des plus de 50 ans.

Mr. Gleberzon.

Mr. Bill Gleberzon (Co-Director, Advocacy and Government Relations, Canada's Association for the Fifty-Plus): I want to thank you for the opportunity to make this presentation. Let me begin by briefly describing CARP for those not familiar with our association. CARP is Canada's Association for the Fifty-Plus, as you said, a non-profit organization with over 400,000 members across the country. Our mandate is to protect the rights and quality of life for older Canadians and our mission is to provide practical recommendations for the issues we raise.

I'd like to turn your attention to number eight of the committee's suggested questions. This question deals with how a federal surplus should be allocated. We are concerned that seniors issues are not on the list of examples except perhaps in the et cetera that concludes the questions.

Unfortunately, seniors continue to be ignored by the government. We ask this committee to remind Prime Minister Martin to fulfill the promises he made to seniors during the recent election campaign. Those promises were the establishment of a senior secretariat, increased guaranteed income supplement payments by up to \$433 a year for single seniors and up to \$700 for elderly couples plus quarterly adjustments, extend the amount for medical and disability-related expenses a family caregiver can claim on income tax by up to \$10,000, and investment of over \$1 billion over the next five years to help family caregivers of seniors and the disabled. Appropriate funding must be made available in the budget to fulfill these promises.

Our brief on the budget, which has been submitted to the committee, was formatted under three headings: justice, poverty, and health care. I'd like to highlight a few of the items under each one of those headings.

Under justice, the discriminatory practice of mandatory retirement must be abolished, including changes to the Canadian human rights code and the federal labour code to declare illegal all age-discriminatory practices directed at older Canadians. I raise this issue in this context of the committee because mandatory retirement has economic implications for society as well as for individuals.

Another important issue is the need to reform the mutual fund industry in order to protect the small investor. Millions of dollars are lost each year because of fraudulent actions by some financial advisers and companies. CARP believes that a national regulatory agency must be introduced, and we urge this committee to take up that cause. I've handed out to the clerk a copy of CARP's recent study and recommendations on the reforms required to prevent further abuses in the mutual fund industry.

Now I'd like to move to poverty. Yesterday CARP released its findings that one in six, about 16%, of CPP recipients are not receiving their correct CPP entitlements. I've handed out the copy of that report for you to the clerk. The report details this situation, its magnitude, its causes, and CARP's recommendations to fix it. CPP money of course belongs to Canadian workers directly and is only managed by governments. To date, a total of \$1.3 million in underfunded CPP income has been recovered due to audits by an Ottawa-based private company called the Retirement Planning Institute. Repayments average about \$2,800 per audited account, with some receiving over \$20,000 and one account over \$55,000 in retroactive payments.

Secondly, under poverty, we ask this committee to endorse the recommendations to enhance the guaranteed income supplement that have been suggested in the report "Creating a National Seniors Agenda"—I'm sure you've all read it—by the Honourable Tony Ianno, Minister of State (Families and Caregivers) with responsibilities for seniors. In particular, in chapter 5 of that report, Mr. Ianno advised that a \$4,000 band of additional income be allowed for GIS recipients without jeopardizing their GIS payments. Let me remind you that about 40% of seniors receive GIS and about 16% of Canadians are poor seniors.

Finally, under this category, this committee's support is required for tax reform for single-income families, including seniors. What is currently happening is that single-income families are paying higher

income tax than dual-income families with similar incomes. We urge the introduction of family income tax to replace dual individual income taxes.

• (1940)

Under health care, Canada requires an integrated health care system to replace the current silos that exist. These silos compete with each other for funding and end up costing the health care system more than is necessary. This is the way to enhance economic productivity, financial efficiency, and medical efficacy. Accordingly, the national home care program should be immediately expanded to include chronic care, which accounts for over 50% of home care. As well, a national pharmacare program should be adopted, but not to the exclusion of all other spending.

Last, in this category, the federal government needs to define and strengthen enforcement of the five principles of the Canada Health Act. For example, in our view, portability is not a reality from one province to another. As well, what does "other essential services" in the Canada Health Act mean? We believe that this vagueness is costing government and individuals much more than is necessary.

Thank you very much for your attention.

The Chair: Thank you.

The Canadian Pensioners Concerned Inc., Ms. Kaegi.

Mrs. Gerda Kaegi (President, Canadian Pensioners Concerned Inc.): Thank you for the invitation to appear before you.

We were almost tempted to submit what we did last year, but then we realized, no, what we'll do this time is really focus on your questions. So I'm really going to tackle the issue of taxation; that's the thrust of many of your questions.

We're a seniors' organization that's been around for 35 years, and we're especially concerned about the growing inequality in our society, the growing gap between the rich and poor, the disappearing middle, the increased poverty among new immigrants, and the growing number of children living in poor families.

You posed eight questions. I'm going to respond to those questions.

We see taxation not as a burden, but as a benefit. It enables government to provide the goods and services needed by all citizens. It enables us to build social cohesion, social equity, and a strong, healthy, progressive, and creative society.

Despite the rhetoric of the Fraser Institute and the big-business lobbies, Canada is not a high-tax country. If we look at the total tax burden in Canada as a percentage of GDP, according to the OECD in 2003, it was 35.1% in 2001—below the European average of 39.4%, and below the average of the industrialized countries of 36.9%. Point made: we are not a high-tax country.

The OECD and the UN have shown that countries that are highly competitive have well-funded social programs and greater income equality than is found in Canada. Countries that have higher taxes tend to have lower levels of family poverty, yet they remain highly competitive economies. Finland is one prime example.

We didn't answer question three, because we're not the Department of Finance and we don't have the political tools of a political party.

On question four, we do not believe there should be further broadly based reductions in government taxation programs, though we urge re-evaluation of the presumed benefits of tax expenditures. Tax write-offs and tax loopholes are costs that tend to benefit the few at the expense of the many. The income tax system has become increasingly inequitable, with the average income of the richest 10% of families now 18 times the average income of the poorest 10%. Of course, the mean would be even greater. When governments reduce their incomes by cutting taxes, they are then politically forced to cut programs and services. We found that if one takes into account all the taxes collected in Canada, everyone pays almost the same percentage of their income in taxes, whether one has \$30,000 or \$80,000. That's inequitable.

On question five, we respond by saying that we believe the government must introduce a progressive taxation system with increases in tax obligations matching increases in income. We believe you should at least partly restore the original graduated tax based on 10 income thresholds; we may be dreaming in technicolour, but it was shameful when it was reduced to three. When Canada had a more progressive tax system in the decades after World War II, we had our lowest rates of unemployment and highest rates of economic growth.

Question six dealt with the fiscal imbalance. We respond, yes, we're aware of the constitutional divisions of power. However, Canada is a very different country from what it was in 1867; the provinces had their own regional loyalties, but things are different now. Over decades, the federal government has given tax points to the provinces, and in recent years provincial governments have cut their taxation levels, and thus their revenues. At the same time, the federal government has generated surpluses, in large measure by cutting program spending, especially in areas such as health and social transfers and employment insurance. Furthermore, governments and corporations have turned to part-time and contract labour, neither of which are really covered by employment insurance. We will be ill-served if the federal government concedes more tax room to the provinces, thus reducing its capacity to introduce and fund national programs available to all citizens from coast to coast to coast.

• (1945)

On question seven, we defer to the tax revenue and expenditure estimates. I didn't answer it in our brief, but we are not calling for deficits. These are not the case today, and we don't believe we should get into that situation. We argue that debt reduction must be part of the budget and not part of the surplus. The national debt as a percentage of GDP will fall with the growth of the economy. Repayments provide little benefit to reducing the ratio of debt to

GDP and limit the opportunities for reinvestment in the social, cultural, and physical infrastructure of the country.

Tax reductions have primarily benefited those with the highest incomes. Reductions in capital gains, the special treatment of interest income, and the levelling out of tax categories have all contributed to the growing inequalities.

Now, our priorities are: one, rebuild and develop the social, physical, and cultural infrastructure that has been severely eroded during the deficit-fighting budgets, and beyond, which other speakers have spoken of; two, develop a truly progressive income and corporate tax system; three, implement and fund programs and new technologies to meet the Kyoto accord, and beyond; and four, place a special emphasis on our commitment to the battle against HIV/AIDS and our promise of supplying generic drugs and money to the countries in Africa and Asia that are being devastated by this illness.

Thank you.

• (1950)

The Chair: Thank you.

The next group I have is la Campagne contre la pauvreté des enfants.

Madame Di Giovanni.

Ms. Caroline Di Giovanni (Executive Director, Hope for Children Foundation, Campaign Against Child Poverty): Good evening, and thank you very much for the opportunity to speak on behalf of Campaign Against Child Poverty. I am here with my colleague from the steering committee, Gerald Vandezande. We sent our brief to the committee earlier, so it should be available to all of you. I'll speak to some notes.

There are hopeful signs now for the Campaign Against Child Poverty and others who are advocating for the needs of children and families. Public policy discussions are finally taking place on urgent matters such as the national child care and early learning strategy as well as housing initiatives, and we have the prospect of using some of the surplus to assist social programs. So we're coming with a somewhat hopeful outlook.

We do have some clear recommendations. We're going to start, as one of our priority items, by recommending a social investment plan for children. This is a critical moment. The population of families living below the poverty line remains at a stubborn 15%, even while the country enjoys comfortable economic growth. The language we choose for this is deliberate: "investment plan" for children. You all understand the value of investment—early attention produces good results upon maturity. Translate that to the lives of children and you will see that in countries where the government transfers funds into early learning and care programs, the results show up in statistics like lower crime rates, higher educational achievement, productivity in the workforce—in sum, a civil society.

Social investment does not have to mean the old definition of the social welfare state. We are seeking to redefine social programs for children so that universally available child care and early learning and inclusive programs provide a common starting point for children in every community to ensure that all children are housed and started out in a safe environment. A recent article in the *Globe and Mail* by Bruno Palier from the Centre national de la recherche scientifique outlined this approach as the working model for the European Union.

CACP wants you to include the needs of children in all of the budget deliberations, because we believe that as a society it is our common good to ensure a healthy start for every child. John Ruskin, the great 19th century English writer, called this the first duty of government. We want Canada to be one of the countries where the needs of children are front and centre in the daily lives of the population.

I have sometimes used as an example the *mille lire* bill in Italy, which is now replaced by the euro. But for many years the way the Italians bought their morning espresso was with a bill that had a picture of Maria Montessori teaching young children on it. That's what we want. We want Canada to go in that direction.

Components of our social investment plan include a universal program of high-quality early education and care. Fully developed, this would probably cost \$12 billion annually. Our recommendation is to get started now and follow through on the commitments to establish such a program with initiatives in this budget. The ground has been prepared. As far back as 1999, all the provinces and territories except Quebec signed the Social Union Framework Agreement. In September 2000 the federal, provincial, and territorial Early Childhood Development Agreement was put into place to promote early childhood development and support programs for children in the community. Transfers of \$300 million to \$500 million started to flow to the provinces.

As recently as November 2 of this year, the federal, provincial, and territorial ministers responsible for social services met and agreed on shared principles for the development of a new national system of early learning, with the exception of Quebec. Their joint statement read that they laid the groundwork for a nationwide initiative that will become a pillar of Canada's social foundations. The exception for Quebec is based on the issue of transfer arrangements but does not indicate objections to the principle of support for early learning and child care programs—far from it. Quebec leads the nation in providing a universally available, affordable, quality child care system that is a model for others.

But let's not have the social service ministers agree on such an important step in one room and then down the hall have their required resources sidelined. The public goes crazy when that happens in government. This is a relatively simple concept whose time has come. Every family with small children faces this issue, as you know well from your own children, grandchildren, nieces, godchildren, friends, or constituents.

You know that 70% of mothers with children under six are working or looking for work outside the home in order to maintain the household. Those families that choose to have mother remain at home also realize the value of early learning programs and seek them

out in their communities—in libraries or community centres. Parenting is an awesome responsibility. Make no mistake, we are all involved. Our children are our future.

• (1955)

On income security for families, this recommendation addresses the specific programs that have been put in place for low-income families—the Canada child tax benefit and the national child benefit. The CACP applauds these very useful initiatives. Recipient families are pleased to be recognized for the tough job they are doing in meeting their children's needs.

A major problem with the national child benefit supplement is that in all provinces except Manitoba and New Brunswick the benefit is clawed back from social assistance recipients. The money may well be applied to local programs to assist welfare families, but this goes against the basic principle that the money is intended to help the families at the lowest income level. By following our recommendation to consolidate the two programs, parliamentarians will ensure that the families most in need of cash to raise their kids will receive their fair share.

An increase in affordable housing is another element of our comprehensive plan. The Affordable Housing Framework Agreement is a good start.

The Chair: Could you just wrap it up?

Ms. Caroline Di Giovanni: We ask you to keep it moving along by spending \$2 billion annually for the next five years.

Stable housing is as significant as early learning and care for young children. Poor families who are forced to move frequently due to rent increases or substandard conditions suffer disruptions that come back to haunt them in later years. Children who change schools often do not learn well and often drop out. They cannot form positive friendships or relate to a community or neighbourhood. The stress on the parents causes friction and despair.

I don't need to go on; you'll hear more about housing. But that's an element in a plan for children.

In terms of developing labour market strategies to ensure more jobs—

The Chair: I'm sorry. Excuse me.

Ms. Caroline Di Giovanni: Am I out of time?

The Chair: Yes.

Ms. Caroline Di Giovanni: We are able to answer questions on the tax revenue issues.

Thank you.

The Chair: Thank you.

The next group I have is the National Housing and Homelessness Network, Mr. Shapcott.

Mr. Michael Shapcott (Co-Chair, National Housing and Homelessness Network): Thank you very much, Mr. Chairman. We appreciate the opportunity once again to address you and to address the committee in your pre-budget deliberations. The National Housing and Homelessness Network is a network of community-based housing advocates from British Columbia to Newfoundland and Labrador. It includes provincial networks such as the Front d'action populaire in Quebec and the Housing and Homelessness Network in Ontario.

My colleague Cathy Crowe was hoping to be here today to join me. She sends her regrets and apologizes, Mr. Chair, for not being able to be here today.

I also want to add a personal apology, Mr. Chairman. I'm actually unusually tired today. I didn't get much sleep last night and I want to explain to you, if I may, why I didn't get much sleep last night.

I spent the night on the lawn of the Ontario legislature at Queen's Park. Mr. Martin, who was a resident of the legislature for a while, will know the lawn quite well and why I did this rather unusual thing, along with 70 other individuals. We wanted to draw the attention of the Ontario government to the fact that many promises have been made around the need to fund new housing, but those promises have not been met. There were about 70 people there, half of whom were homeless and half of whom were members of faith communities, nurses, doctors, housing advocates, and so on.

So I didn't get much sleep last night, Mr. Chairman.

I also wanted to say that yesterday in the House of Commons there was a question raised by the leader of the New Democratic Party to the federal housing minister, Minister Fontana, asking about when the federal government might move ahead on its commitments in terms of housing and homelessness. Minister Fontana replied by saying that he had met the day before with Cathy Crowe and Michael Shapcott and that we appeared to be very pleased with the federal government's movement on housing and homeless issues.

I wanted, if I could, Mr. Chairman, to perhaps give a slightly longer reply in terms of the meeting we actually had with Mr. Fontana on Sunday, because in fact the message we delivered to Mr. Fontana was somewhat similar to the message we delivered yesterday to the Ontario legislature, which was that we were frustrated and disappointed that promises were made and then the commitments were not followed through.

In fact, there have been an increasing number of promises and commitments made since 2001 by the federal government. Our brief today summarizes four very specific recommendations arising out of the promises that have been made by the government—commitments and agreements that have been signed—and they all relate to the work of this committee. There are four very specific commitments in terms of funding, and we'd ask you to include them among your recommendations when you report to the House of Commons.

You asked us as well to consider revenues, so we have three specific recommendations as to where the money can come from to fund those four recommendations. So, Mr. Chairman, I'd like to summarize the four recommendations.

First and most importantly, we think the federal government needs to include in the next federal budget a full commitment of the \$1.5 billion that was promised by the federal Liberals during the most recent federal election campaign. That money needs to start flowing right away in order to get the housing built so that we can get homeless people off the streets, so the housing crisis can be eased across the country.

That's our first recommendation, and we hope the committee will adopt that.

Second, we're asking the committee to recommend that the federal government fully commit the billion dollars that's been promised for new affordable housing going back to 2001. The bulk of this money has not actually been committed. There is a lot of fingerpointing between the federal government and the provinces and territories. We're not interested in people pointing fingers; we're interested in that money flowing, the homes getting built, and homeless people moving into the desperately needed new affordable housing.

Our second recommendation is to fully commit the billion dollars that the government has promised since 2001.

Our third recommendation is this. We'd ask this committee in their pre-budget brief to urge the government to implement the promise in the most recent throne speech to extend and enhance the federal homelessness strategy, which includes the supporting communities partnership initiative, or what people in HHNO call SCPI, and the residential rehabilitation assistance program, or RRAP. These are both vital programs. They're due to expire in about a year. The last time the programs expired they were renewed, but there was not enough transition time and there were lots of problems. We think that the government needs to include the money now in the next federal budget to ensure that those programs are extended and in fact moved from being initiatives to being fully funded permanent programs.

So our third recommendation is that the government should follow through on the throne speech promise.

Finally, we're asking the government to commit to what we call a 1% solution, which is \$2 billion annually for new social housing. We have three recommendations in terms of where that money can come from.

- (2000)

Perhaps I may take 30 seconds to summarize them, because we know the committee is interested in revenue. We'd urge this committee to reinvest the annual surplus of Canada Mortgage and Housing Corporation, currently two-thirds of a billion dollars, projected to grow to three-quarters of a billion dollars. That should be put back into housing, rather than to the general revenues of the government, to be reinvested in new housing programs. Secondly, allocate a significant portion of the annual federal surplus to new national social housing and homelessness programs. And thirdly, we think that additional funds should be drawn from the general revenues of the Government of Canada because of the sharp cuts made to housing and other social programs in the 1990s.

We have charts attached to our brief, and during questions I'd be happy to go into more detail on our three revenue recommendations.

Thank you very much.

[Translation]

The Chair: Thank you.

Now over to Mr. Welch, from the National Council of Welfare.

Mr. David Welch (Member, National Council of Welfare): Thank you for allowing us to take part in this federal budget consultation. Unfortunately, the Council chairperson, John Murphy, could not be here today. Consequently, Greg and I are representing him.

The National Council of Welfare is a citizen's advisory body to the Minister of Social Development. Our mandate is to advise on issues of concern to low-income Canadians. The Council would like to bring a number of recommendations regarding program spending, transfers and taxation to your attention today.

• (2005)

[English]

Mr. Greg deGroot-Maggetti (Member, National Council of Welfare): We'll begin by talking about investing in a national system of quality early learning and child care.

The National Council of Welfare is encouraged by and applauds the current government's commitments to child care. The council has long called for a national system of quality, affordable child care and early learning in Canada as a pivotal strategy for reducing poverty in Canada. Lack of affordable child care, for example, is a barrier to workforce participation for many poor parents. In 1999 the council proposed a national system that would cost, at maturity, \$7.9 billion a year. In today's dollars that works out to about \$10 billion a year, which is roughly 1% of Canada's gross domestic product.

It's important that the federal government think in the long term with respect to the development of a national system and work towards increasing its allocation to provide full funding in line with the above estimate. Quality must not be compromised. The needs of children with disabilities must be addressed in the design of services, and programs must be culturally sensitive, particularly in the case of programs serving Canada's aboriginal peoples.

[Translation]

Mr. David Welch: As regards housing—and this partly fits in with some of the presentations today—it seems so obvious that decent and affordable housing is a necessity of life for all, especially for families raising children and for people with disabilities. We believe that the lack of access to affordable housing is one of the main causes of the rise in food bank demand and homelessness.

The Council acknowledges the government's commitments to housing; however, the need for social housing far exceeds the amount that can be created under the current allocation. Increased program spending in this area is fundamental to combating poverty. With regard to community economic development and the social economy, the Council is very pleased with the government's social economy initiative and we strongly support it.

This strategy, if implemented in collaboration with communities, offers hope for those who are trying to improve their circumstances, and provides structured opportunities for social support. Funding for this initiative needs to be increased, to ensure that no programs are lost for lack of core funding.

Community capacity is a critical component of this strategy.

[English]

Mr. Greg deGroot-Maggetti: We'll turn now to talk about the national child benefit.

The national child benefit was introduced in July 1998. Since then the federal government has been increasing these benefits to families with children.

The national child benefit has great potential to reduce child poverty, and yet, as we've heard from several other presenters, this program has a serious flaw, a clawback provision that allows provinces and territories to take back money from the already painfully low welfare payments for families unfortunate enough to have to rely on welfare.

The council recommends the removal of the clawback provision and the acceleration of increases to the national child benefit, and we welcome your questions on this topic.

The council's research has shown that welfare rates in most provinces, especially rates for single employables, are far below the poverty lines. Welfare incomes, which reach only one-fifth or one-third of the poverty line, are unacceptably low and should be raised at the earliest possible date. Rates this low cannot be described as anything other than punitive and cruel. Clearly the social safety net in Canada is not working.

Provinces and territories rely on the Canada social transfer as a source of funding for welfare payments. The National Council of Welfare believes that a national dialogue about income security is long overdue and supports the call of the Canadian Council on Social Development for such a dialogue to take place.

A word about tax cuts. The council believes that reducing the burden of poverty for 14.4% of Canada's people and one in six of Canada's children must take precedence over further tax cuts that primarily benefit higher-income groups.

[Translation]

Mr. David Welch: In closing, I will say that the National Council of Welfare believes that actions taken thus far, although positive, have been inadequate to deal with the magnitude of the problem of poverty and social inequality in this country. It is time for us as a nation to tackle poverty head on with a long-term coordinated strategy.

Investment in an inclusive, affordable, high-quality system of child care will help many families to escape poverty. At the same time, affordable shelter, higher minimum wages and adequate levels of social assistance are needed to reduce the high number of poor people in Canada. We are living in an era of economic prosperity in a land of great opportunity; yet too many people are being left behind. This is simply not acceptable.

We appreciate your time and your attention today. Thank you very much.

• (2010)

The Chair: Thank you.

[*English*]

I just want to remind members that the first round is six minutes, and then in the second round we'll go down to five minutes.

Mr. Harris.

Mr. Richard Harris: Thank you, Mr. Chairman.

Thank you, ladies and gentlemen, for your presentations.

There's a lot of information here. We're certainly hearing the message that for each of the goals you all have, although different in some contexts, the target is creating a better quality of life for Canadians who don't enjoy the quality of life they should right now.

I can't ask questions of all of you tonight, but I likely will be contacting some of you as a result of your briefs. I have some questions here.

I do want to say that one of the things that have always got my attention is the fact that there seems to be a disappearance of funds—from where they come from to the time they get down to ground zero where they belong.

I have to say that I do have some history of working with people with developmental disabilities in my hometown, Mr. Bach. I'm very familiar with all of the things you're saying tonight. I'm very disturbed that the federal government, when it talks about funding for disabilities—and I don't think I have this wrong—is not appropriately recognizing people with developmental disabilities. There are far more funding programs from the feds for people with physical disabilities than there are for those with developmental disabilities. I don't say that one is a more serious disability; it's just the fact of what's been coming not just from this federal government but from previous governments as well.

I'll get back to my original point. All the time that this money is coming down and we are trying to get it to ground zero, what I have seen in the middle is almost a ballooning bureaucracy. It just tells me that something isn't.... There are jobs being created in a bureaucratic fashion rather than the maximum benefit of the funds getting to the people who need the funding. Again, I've seen that in my home community with the different organizations that have been contracting with the government to deliver support for people with disabilities, whether it's community living, whether it's life skills work, or whether it's general assistance. In the past 25 years, I've seen four or five different major players in my town. I've watched their bureaucracies build and then collapse, and build and collapse, and build and collapse, yet the quality of life of the clients have

never seemed to improve. This was always really disturbing, because something was wrong.

I hope you guys have the answers on how to fix it. I don't think there's anything I would like better than to see every single Canadian who's disadvantaged in some way, through poverty, through disability, or through whatever, have an improved quality of life—as we all would. But there has to be a streamlining, an accountability, or a remake of how we deliver those programs to get the best possible bang for the buck.

If you have the answers, and if you can convince me that you have a new and better way of doing it—and we've done it for the last 25 years that I know of—I'll certainly be happy to support most or all of what you're asking for.

That question was directed to anyone, I guess.

• (2015)

The Chair: Mr. Seiden.

Mr. Charles Seiden: With all due respect, I think you're asking the wrong question.

I think the money that's being transferred down is far less than it was, and if you read the Campaign 2000 report, the campaign to end child poverty report, you'll see a consistency there that's quite similar. Since the federal government took away CAP and went to block transfers, there's been a gross decrease in the amount of money that's being transferred down through the system.

The Canadian Association of Food Banks operates with very little government money; we're funded primarily, or 90%, by corporations and individual gifts. We're saying ourselves that the bureaucracy that has ballooned shouldn't be there. It's stressed to the point of being incapable of doing what it was designed to do. It was designed to deliver emergency food relief, and it's being used as an institutionalized program to support a system that's floundering and failing.

The Chair: Mr. Vandezande and then Mr. Bach. But we have limited time, so if you can, keep your answers to a minimum.

Mr. Gerald Vandezande (Steering Committee Member, Campaign Against Child Poverty): I'll try to be to the point with respect to your ballooning bureaucracy. I share your concern that there are sometimes more people working at the development and implementation of policy than the number of people who benefit from it. I think that has something to do with the fact that policy-makers tend to work in silos or in isolation and don't integrate policies at the federal, provincial and municipal levels. As a result, there are people working at the same problem for different purposes.

I think one of the first things announced by the Liberal Party in its 1993 or 1995 election document was the need to integrate policies, and I think this committee should make a recommendation as part of the next budget that the integration must really take place now. You've heard different voices around the table; they have been here since I've been here, and that's been 15 years or 20 years now. We need the kind of integration that puts at the centre the advancement of human and social well-being and the quality of life in communities that we talk about; but it must be resolved or tackled in such a way that something genuinely different indeed happens, and that we don't simply talk about dollars, but about human beings, families, and communities that are in crisis.

In that connection, we talk about debt. I think the social debt, the environmental debt, the economic debt that we have in this country, particularly the burden that is being assumed or forced onto poor and vulnerable people, is a scandal that we all agree on. We need to do something about that in terms of integrating policies, and also in thinking differently about debt. I noticed that in Mr. Goodale's speech, he makes very legitimate comments about how Canada has done well with respect to the reduction of our indebtedness; but we must remember there is a social debt, an environmental debt, that is as important, if not more important, than the fiscal debt.

When I see people in our communities—and I come from the Malvern area—and other neighbouring communities who live in poverty, then I say we must, together, integrate the kind of policies and programs and commitments and community endeavours that really advance human well-being. If that costs more money and less bureaucracy, let's do it.

The Chair: Thank you.

You have 10 seconds. I know we came late, but I don't have unlimited time, so please...

Mr. Michael Bach: I agree with you on both your counts in terms of people with developmental disabilities not accessing funding.

CAP had its good aspects; it also had its problems. It funded, through federal government funding conditions, a system of community services in this country for people with disabilities that is now very outmoded. People don't need to be clients of systems; we need a funding system where more dollars are going directly to people with disabilities and their families. We have all kinds of ideas about how to design that system, and we can talk more about it.

But that's the principle: dollars have to go to individuals and families, so they can purchase the supports they need in responsive and flexible ways in their communities.

● (2020)

The Chair: Thank you.

Monsieur Côté, and then I have Ms. Minna, and then Mr. Martin.
[Translation]

Mr. Guy Côté (Portneuf—Jacques-Cartier, BQ): Thank you very much for your presentations; that was very interesting. As a number of you already know, many of the recommendations you make will, I'm convinced, receive unswerving support from the Bloc québécois.

This evening, I find it particularly unfortunate to hear what's coming out of your testimony. I deplore the fact that, after 10 years of Liberal governance, there is still as much poverty in our communities and that, despite seven consecutive budget surpluses, homelessness is still on the upswing. I find it scandalous that, as a result of the savage cuts made to transfers to the provinces, a number of those provinces are unable to carry out their mandates adequately. I find it extremely unfortunate that a genuine employment insurance reform, that is to say one that would benefit contributors rather than be a disguised employment tax, has not yet been implemented. I won't mention the government's treatment of seniors. You also referred to social housing, which is in a very serious situation.

With respect to seniors, one of my colleagues, Marcel Gagnon, has done an extraordinary job. I would like to ask Bill Gleberzon a slightly more specific question on the subject. I won't even try to pronounce your family name, out of respect for him.

I was surprised that the Guaranteed Income Supplement was not automatically calculated when people entitled to it filed their tax returns. I wonder why they have to file a separate claim, when the figures are already available in their income tax returns. Can you give us any details on the subject?

[English]

Mr. Bill Gleberzon: I'll also ask Gerda to join in the answer too.

Our experience is that's true of all welfare programs and all senior programs. We have to apply for old age security; we have to apply for CPP, even though that's our money. So all of these programs are based on that kind of administrative procedure.

[Translation]

Mr. Guy Côté: I'll explain what I meant. When they've already filed an initial claim for retirement benefits, people don't have to file another each year; they're 65 years old or more, and they're receiving their retirement benefits. Then why do they have to file another claim for the Guaranteed Income Supplement? When they file their tax returns, the figures are available. The government could very well do the calculations based on those figures in order to establish the Guaranteed Income Supplement level.

[English]

Mrs. Gerda Kaegi: I didn't catch what he wanted.... I apologize.

Mr. Bill Gleberzon: Why do people have to apply for the supplement, is the question.

Mr. Guy Côté: Year after year.

Mr. Bill Gleberzon: Year after year, once they've made their application

Mrs. Gerda Kaegi: That's what I thought you said, I'm sorry.

Why do they have to apply? I have a suspicion, but can't prove it, that governments inherently question whether people have somehow squirrelled away some extra income. So there is a doubt as to whether somebody needs the guaranteed income supplement. We find it highly offensive that approach is taken.

Furthermore, the poverty rate among single, unattached women is about 45.6%, which is unacceptable, yet they have to apply and get approval for this. It's not good enough.

[*Translation*]

Mr. Guy Côté: Somewhat in the same line of thinking, I'd like to mention that some groups had a lot to tell us about protecting pension funds in the case of corporate bankruptcies. You didn't really address that question in your presentations. I wonder what your position is on that subject, Bill Gleberzon or Ms. Kaegi.

[*English*]

Mrs. Gerda Kaegi: Yes, we do. As a matter of fact, we wish there were.... There's a growing issue with bankruptcy and the loss of pensions. We're also frightened by the advice that companies are getting that says, don't invest in defined pension plans, but put the responsibility onto the worker. Down the line, the worker is going to pay. So we have a deep concern about that.

We have concerns about some of the regulations around pensions, which have said you can't run a surplus. Of course, when things were booming, pension funds were paying out, but now they're in deficit. We have real problems with the regulations in terms of the management of pensions.

Mr. Bill Gleberzon: Just added to that, there's the policy that permits contribution holidays. That's what Gerda is talking about. Of course, at a time when things are booming, that makes perfectly good sense, but now we see pension fund after pension fund on the skids.

We know of one pension fund, for example, in Ontario, where the pensioners actually lost 50% of their pension income, and it sounds almost melodramatic, but the widows and orphans of the pensioners lost 75%. We've gone to the proper authorities in the province of Ontario, and we understand that there's nothing that can be done for those people, other than the companies themselves putting in more money, and at a time of tight budgets, as you know, companies are very reluctant to do that.

What we have recommended year after year is that a comprehensive, integrated review of the entire Canadian pension system is necessary to look at the policies, procedures, and the amounts. When you think about people on the guaranteed income supplement, for example, those are people who have an annual income of somewhere between \$12,000 and \$13,000 a year. So even with the supplement, even with old age security, often with a smattering of CPP—the survivor benefits, for example—their income is still below the low-income cutoff line. So that has to be done.

• (2025)

The Chair: Thank you.

Next I have Ms. Minna, Mr. Martin, and Mr. McKay.

Hon. Maria Minna (Beaches—East York, Lib.): Thank you, Mr. Chairman.

There's a lot to chew on here. I may not get to all of you and all of your comments, but there's a whole lot here that I agree with and I've been working at as an individual and with other colleagues for quite some time.

I'll start with children—and by the way, for anyone here who doesn't know, the child tax benefit was started by eight MPs in 1996.

We lobbied it through for six months, and finally, here we are and now we're going to lobby through some more.

I agree with the need for the increase, but I want to ask Ms. Di Giovanni about bringing the two together and how that prevents clawback. I'm just trying to understand that from the provincial perspective.

Ms. Caroline Di Giovanni: Because we are working with the provinces, there's a lot of lobbying going on to get the provinces to back off from the clawback, but there needs to be an alternate proposal. So if the two benefits are put together—

Hon. Maria Minna: Then we can get into a new agreement.

Ms. Caroline Di Giovanni: —and continue to be geared to income, then the tax benefit and the additional supplement would be available to those who require it, and it would go directly to the families and not stop at the provincial level, which is really what we need to achieve. So if you bring them both together, then it's goes directly to the families and doesn't stop at the provincial welfare office.

Hon. Maria Minna: Okay, thanks. I just wanted to clarify that for myself.

On the early education and child care part of it, that's obviously something I also supported and have been working with for some time. I want to ask, though, do you see the legislative framework as a very vital part of what happens with that area?

That's an important piece for me, and I want to know where you are on that.

Mrs. Laurel Rothman: Actually, yes, and I have to say Campaign 2000 strongly supports a legislative framework, and many of the child care groups that are our partners do.

I think our concern is that we also recognize that in a minority government situation there may be steps along the way, and between now and the agreement with the provinces, which we understand to be happening by January, we want to see the key principles—how shall I say it?—agreed upon, which would then move into legislation.

At least we've been advised that it's unlikely we'll get legislation by January, so we want to get the agreement and the money, and yes, the legislation. I wouldn't want to wait for the agreement and the money as a result of legislation.

Hon. Maria Minna: No, I wouldn't be suggesting that.

Mrs. Laurel Rothman: We want something that cannot be turned back.

Hon. Maria Minna: What I'm saying, though, is that the legislative framework would be something that you would want to see, just because, from my perspective, you're going in more or less in the same direction, with the same kind of goals, and it puts people's feet to the fire a bit in the long term. It's hard to change things 10 years later when things have gone awry. I just wanted to clarify that point because it's an important one for me on those two things.

By the way, on child poverty, this is the bill that Ms. Di Giovanni was referring to from the Italian government. It used to have this 1,000-lira bill. You have Mamma Montessori on one side and children working at a table during their homework on the other side. That's how you spend your money. Isn't that great? Anyway I kept this, because I thought it was just precious when I got it.

On seniors, again, in the last report from this committee we did recommend the increase in the GIS, which is something that I worked very hard on—with the women's caucus, by the way, and other MPs. So I agree with you on the implementation, and I'm sure the government is intending on implementing its promises.

On mandatory retirement, I understand why people want to get rid of it. I don't think I'll ever retire, if I live that long, but there are many professions where people do have to retire. My father was in construction, and I'll tell you, his body was worn out by the time he was in his fifties.

If that has the reverse impact on people, then you'll have some major problems in certain areas. So I just want to understand how you would do that.

• (2030)

Mr. Bill Gleberzon: It's interesting that you mention construction, because there is a real lack of people in the industry.

Hon. Maria Minna: I know that, but that doesn't mean to say we need to keep people working until—

Mr. Bill Gleberzon: Well no, what we're arguing for is choice. In other words, a lot of people have to work simply because they can't afford to retire. We're not saying people must work. We're not saying that government must pass laws that say people must work. We're saying that choice should be the backbone of any kind of labour policy and that those people must be protected in the labour force through changes to the human rights code and the labour code.

What's happening and what's going to happen—and I think we're totally oblivious to this fact—is that we're faced with this unprecedented demographic change in which more and more people are living longer and longer, and Canadians aren't doing their patriotic duty by having kids.

Hon. Maria Minna: And our labour force is dwindling as people are retiring. Absolutely.

Mr. Bill Gleberzon: Once they're retired, they will be very difficult to replace, and no one seems to be addressing that issue.

To say that in some industries we're going to have to have other kinds of policies, I can understand, but the one you mention has that problem that they can't replace people.

Hon. Maria Minna: Do I have time for one more question?

The Chair: Ms. Kaegi wants to respond—but quickly, because we're running out of time and Ms. Minna has another question.

Mrs. Gerda Kaegi: CPC called for the end of mandatory retirement, with full protection for workers so that you cannot abuse the workers and throw them out because they're worn out. In other words, you have to have those built-in protections when you get rid of mandatory retirement.

Hon. Maria Minna: I have one final question, on housing.

On the issue of affordable housing, social housing, to me, co-op housing is one of the greatest programs we have. We should do a great deal more if it. On the idea of CMHC surpluses going to housing, I agree, and I'm going to try to get that through.

Some individuals have met with me recently and have said to me that there used to be a shortage of housing. There are now a lot of condos in Toronto, for instance, that are not being picked up, and so rents have gone down. So why don't we subsidize the individual, as opposed to building structures? Is that something that you would support or not?

The Chair: Mr. Shapcott, just quickly, please.

Mr. Michael Shapcott: There has been a slight increase in rental vacancy rates in Toronto and some other rental markets. There's still a net deficit in terms of the number of units in Toronto, for instance. There are about 11,000 vacant units in the city of Toronto, and about 70,000 households on the social housing waiting list. Even if we fill every one of those vacant units....

So definitely there are things we can do right away to fill up those vacant units in rent supplements, and we're very pleased that your minister, Minister Fontana, is talking about the idea of rent supplements as one part of the program—including new supply. You mentioned co-ops.

Hon. Maria Minna: So subsidize the individual rather than the structures.

Mr. Michael Shapcott: You and I have both been to functions at Project Amik in your riding, which is a dynamic—

The Chair: Okay, we can talk about the functions.

Mr. Martin, go ahead.

Mr. Tony Martin (Sault Ste. Marie, NDP): Thank you very much.

It's good to be here this evening. The last time I was in this room, actually, I presided over a People's Parliament on Poverty session. The big issue that night, and it continues to be tonight, is the clawback of the national child tax benefit supplement and the impact that's had on our most marginalized and at-risk families and children.

I tried to get my head around it coming here, because I knew it was coming from the federal government—this is where it started, in the agreement with the provinces—why they would do this. It seems to me what they've done was use a labour market strategy to get poor people on welfare into a different category and in that way get them out of poverty. It turns out at the end of the day that really you're just moving people from one type of poverty to another. You have people on assistance, who are in poverty, working now in low-paid jobs but still in poverty. So it really isn't working.

To be honest with you, I've actually had differing opinions—I've shared this with Greg—from some folks out there who are very concerned about this as well. They say the stop the clawback campaign is over, that we need to be moving on to other items, other agendas, other ways of dealing with this. It's certainly not over for me.

I was just wondering how you feel, Laurel, and then maybe Greg and Gerald.

• (2035)

Mrs. Laurel Rothman: Certainly, no. We continue to say that all low- and modest-income people should get the full benefit of the benefit supplement, i.e., end the clawback. But we have additionally been saying we will need additional funds from the federal government in order to ensure that whatever the clawback is paying for...and in parts of Ontario a piece of it is transferred down to the municipality. It's a rent bank in the city of Toronto, for example, where it helps to prevent people going into rental arrears. So we want not only the clawback to end but also that level of support for children and families that the clawback money is used for to be supplemented so we can come up with a more even playing field.

I don't know if that answers it.

Mr. Greg deGroot-Maggetti: The issue around stopping the clawback certainly remains on the agenda. The National Council of Welfare's reports on welfare incomes showed very clearly that in each and every province where the national child benefit is clawed back, the real incomes for families with children who have to rely on social assistance have dropped consistently, despite the increase in the federal contribution.

What this indicates is that part of the principle around the creation of the national child benefit has to be rethought. It had three components: one, reducing child poverty; another, encouraging workforce attachment; and a third, ending the lack of coordination between different levels of government, and I don't think it's done that.

Part of the rationale around the workforce attachment was that families on social assistance could get extended health and dental benefits, they could get subsidy for child care and stuff like that. I think we're moving to a situation where we realize as a country that we have to invest in early learning and child care for all children, when we realize that this is the avenue for encouraging parents to have workforce attachment, not reducing the incomes of families already on extremely low levels of income. That's why we have provinces like Manitoba, where the government has realized that it was a mistake to claw back the child benefit.

So I think the issue is still very much alive. I wanted to comment on Mr. Côté's question about seniors who don't get benefits they're entitled to. It's a good case study, the comparison between old age security and guaranteed income supplement for seniors and national child benefit for children, and I'll give you this example.

A year and a half or two years ago it came to the attention of the council that there were many seniors who were eligible for those programs who weren't getting them, and that Canada Customs and Revenue knew who they were but wasn't letting them know. So we advised the then Minister for Human Resources and Skills Development that the federal government had to be proactive in letting people know what benefits they had.

What was the result? Seniors received a note with their tax forms that said they were eligible, and there was funding for community groups to work with seniors to let them know.

The Daily Bread Food Bank in Toronto has done some follow-up on this. What it found was that in the months following those campaigns the food bank demand among seniors dropped consider-

ably. When it asked families with children what it would do in terms of their need for food bank use if they were able to maintain their whole national child benefit supplement, it found that fully 49% of those families said they probably wouldn't need to come to the food bank at all. It figured that it's somewhere in the order of 13,500 children who were affected by the clawback in terms of their families having to turn to food banks.

It really is time to rethink this. I think the federal government has a role to play in enabling provinces and territories, because what's happened is that the clawback money is being invested in much-needed programs, and that money still needs to be there. For example, the federal government could boost the Canada social transfer by an amount that would offset those social investments for the provinces and territories and enable those provinces that haven't already gotten rid of the clawback to do so and to compensate those other provinces so they can continue to fund the programs.

• (2040)

The Chair: Thank you.

Just quickly, Mr. Gleberzon.

Mr. Bill Gleberzon: Very quickly, it's forgotten that GIS also faces a clawback, that every dollar above the threshold is clawed back at 50%. We did a study a number of years ago that demonstrates that this marginal taxation rate is higher than what most people do pay on their tax rates, and it does not permit people to even get ahead out of poverty if they're getting GIS, because 50% of that money is going to be taken away.

Anyway, I wanted to add that dimension.

The Chair: Thank you.

I have one more speaker—one speaker and a half—and I'd like to get out of here by 8:45, but I think we're going to go over, so I'm going to need you for about another 5 to 10 minutes.

Mr. McKay and then one more, Mr. Kotto for Mr. Côté. Mr. Côté for—

Hon. John McKay (Scarborough—Guildwood, Lib.): Thank you, Mr. Chair.

I'd like to thank the presenters. I want to direct my first question to the Campaign Against Child Poverty and just to clarify numbers for my own sake.

Your first recommendation is \$6 billion by 2008 for the child care program. Most folks say that to do it right it is somewhere between \$10 billion and \$12 billion. So the first question I have is why \$6 billion? Second, is this a universal program or is this an income-measured program?

Mr. Gerald Vandezande: The \$6 billion would be a good start, and it is important, as I mentioned earlier, that this be done in an integrated way. You can't simply do little bits at the time. I think the time has come that this be done in the way that health care is being tackled by asking, what is the goal and what are the comprehensive means by which we make sure that the next budget is indeed a hallmark on this issue of eliminating child and family poverty?

We need to pool the best of resources as to how that can best be done in an integrated way by this government and by this Parliament on a non-partisan basis for the people who suffer the most.

Hon. John McKay: What you ask at this point is \$6 billion?

Mr. Gerald Vandezande: As a minimum, yes.

Hon. John McKay: As a minimum, and even recognizing that may not cut it.

Mr. Gerald Vandezande: Correct.

Hon. John McKay: The second ask you have here is consolidating the Canada child tax benefit and the national child benefit supplement to \$4,900 by 2007. So you figure that's \$4 billion in 2005. Am I reading it correctly to say it's \$4 billion, 2005; \$3 billion, 2006; and, \$3 billion, 2007? Am I correct about that? That's a total of \$10 billion.

Mr. Gerald Vandezande: Yes.

Hon. John McKay: All right. So I have \$6 billion and I have \$10 billion. Then you have another \$2 billion over five years for affordable housing. Is that in addition to the \$2 billion that the federal government already spends on affordable housing and homelessness, or is that new money?

Mr. Gerald Vandezande: I would say that ought to be new money, given the state of the homelessness and the crisis that we're in.

I tend to look at Mr. Goodale's analysis of where the budget has gone in terms of previous deficits, debt reduction, anticipated surpluses, etc. and I think it's crucial, with respect, and I speak at it from the background of an accountant, that the contingency reserve be used to meet whatever crisis affects vulnerable human beings. I've said that to Mr. Martin personally and in numerous representations. I don't think the reserve should be set aside only for debt reduction. I've said it earlier. It should be for social and other crises that our neighbours encounter.

We owe it to one another as Canadians to meet that crisis in the best way possible, and if that means increasing taxes for those who earn the money and can afford to pay more taxes in order to help needy neighbours, let's do it. I think that would be courageous, that would be conscientious, and that would show a commitment to social justice that Mr. Martin rightly has talked about in foreign settings. I think we ought to practise what we preach at home so that we become a model and a beacon of light throughout the world.

• (2045)

Hon. John McKay: I'm just trying to pay for what our practices are here.

Mr. Gerald Vandezande: That's fine.

Hon. John McKay: At this point I have \$6 billion, \$10 billion, \$2 billion. All of this is fresh money. Then you have 1.5% of GDP for a social investment plan. At the low end that would be \$1.5 billion—maybe closer to \$2 billion. And again would that be fresh money?

Mr. Gerald Vandezande: It would be, in part.

I talked earlier—I think before you came in, Mr. McKay—about the need to integrate policies. If there are no integrated policies, it is going to cost you more money to deliver, because it doesn't get to the people who need it and deserve it. But if you had integrated policies

in a fiscally responsible way and, at the same time, looked at the revenue base that needs to finance those expenditures, which are investments, then you would have higher revenues that would be able to finance greater social investment, and you would then reduce the social economic crises, and the environmental crisis as well, that many people increasingly face.

Let me give you an example. This just flashed through my head. I have three grandchildren. The fourth is on the way.

The Chair: Quickly, please.

Mr. Gerald Vandezande: Yes, I will

Hon. John McKay: The baby is quickly on the way?

Mr. Gerald Vandezande: Yes, it is, and I have to get home. Each one of them suffers, not mentally, but health-wise because of the bad air in Toronto, because of the housing in Toronto. They can't afford it. They have to move out.

So if you want to really do something for the quality of life of families and children and neighbourhoods and communities, then there has to be a radical reassessment of where the money ought to come from, what we ought to achieve, whose good we are trying to promote. If that requires people putting their heads together and putting their commitment on the table, let's have it. It's essential.

The Chair: Thank you.

[*Translation*]

Now over to Mr. Côté, who is replacing Mr. Kotto.

Mr. Guy Côté: I can understand Mr. McKay's concern about funding for these measures. After all, they only have \$31.5 billion as a reserve and prudence factor.

Mr. Shapcott, I'm not sure I really understood what you said earlier. Am I to understand that you would be in favour of directly granting housing assistance rather than an investment in social housing infrastructure?

[*English*]

Mr. Michael Shapcott: Our network believes that we need a national social housing program and that it needs to be a program that integrates both capital supports and also rent supplements or rent-gear-to-income subsidies tied to a social housing program. We do recognize, however, that on an emergency basis there have been pilot projects in various parts of the country where carefully used rent supplements have been able to take people from homeless shelters and move them into vacant apartments, relieving the overcrowding in shelters, providing people with a better home on a short-term basis until the social housing can be built to accommodate them. Our recommendations are geared to a new national social housing program. We think that should be the priority.

[*Translation*]

Mr. Guy Côté: However, if I understand correctly, that would include both direct assistance to renters and an increase in the number of social housing units. There may also be talk of assistance in creating housing cooperatives. Is that correct?

[English]

Mr. Michael Shapcott: The model that the Province of Quebec uses in terms of social housing includes a component of capital subsidy to get the building built and then a rent-geared-to-income subsidy, rent supplements, to ensure that it's affordable. We think that a social housing program needs to have those two components. We don't have those at the moment with our national housing program.

The Chair: Thank you.

Before we go, I have just a quick question for Ms. Rothman, since she started the proceedings.

The minimum wage you're suggesting, I think, was \$10. The federal government doesn't control minimum wage. What do you say to that?

Mrs. Laurel Rothman: Excuse me, there is a federal minimum wage that affects a small amount of workers. What I said was that you could lead and set a precedent and obviously work with the provinces who do have the major responsibility.

The Chair: Thank you.

I want to thank all the groups for coming. I want to apologize for the start. Politics gets in the way sometimes. I want to thank you for your indulgence.

The next group will be in, what, two minutes, five minutes?

The meeting is suspended. Thank you.

• (2050)

_____ (Pause) _____

• (2055)

The Chair: I want to thank all the witnesses for appearing. We're running about half an hour late, *en retard*, as they say.

If I can ask the members to stay, we'll probably be about half an hour later. We'll try to finish for 10:30 p.m.

I have eight groups here. I'd like us to try to keep the interventions to a minimum of five minutes and I'll try to respect that as much as possible, and so you'll have an opening statement of about five minutes. I'll give you a signal when your time is up, and hopefully you'll respect that. I really don't want to interrupt if I don't have to, but I want to give an opportunity to the members to ask questions after your interventions.

I have the Canadian Museums Association, Mr. Spickler and Mr. McAvity.

Go ahead.

[Translation]

Mr. John McAvity (Executive Director, Canadian Museums Association): Good evening, Mr. Chair. My name is John McAvity, and I am Executive Director of the Canadian Museums Association. Next to me is Robert Spickler, Associate Director of the Canadian Centre for Architecture and President of the Société des directeurs de musées montréalais.

[English]

We're very pleased to be here tonight with you and we will try to keep our comments as short and to the point as possible.

The Canadian Museums Association is the national organization that represents all of the museums in Canada, approximately 2,500, and this includes art galleries, aquariums, zoos, natural history museums, and a wide variety of other types of institutions.

Museums are extremely important to our national heritage by putting it on display, by educating our young people, and preserving the treasures of our nation. They're also critical to the quality of life and to our economy, particularly local economies, where they are often the centrepiece of the community.

Fifty-eight million people visit museums each year in Canada. They provide employment for 24,000 Canadians and draw volunteer support from another 55,000 Canadians.

Today our comments are focused on the urgent need to increase financial support for our museums and to provide a framework for predictable, effective support.

Now I'm going to turn the comments over to my colleague Robert, who will explain a few of our recommendations.

• (2100)

[Translation]

Mr. Robert Spickler (Associate Director, Canadian Centre for Architecture, Canadian Museums Association): I'm happy to be here this evening. Before outlining our recommendations, allow me to provide some context.

In the mid-1990s, as you will recall, public support to museums began to decline considerably as federal, provincial and municipal governments fought to eliminate budget deficits. As a result, federal assistance, through the Museums Assistance Program now stands at 1972 levels. Museums across Canada have become experts in creating new sources of revenue—from entry fees and in-house store sales, for example. Fundraising by museums is up 23% over the last decade and museums have significantly reduced their reliance on government support. They now receive approximately 62% of revenue from public sources—down from 71% a decade ago.

[English]

In her latest annual report the Auditor General, Sheila Fraser, focused directly on this when she examined the state of federal heritage programs. She urged the government to move quickly to protect our cultural heritage saying, and I quote, “We must act now. Our cultural heritage is disappearing”.

Remember, Mrs. Fraser is talking specifically about federal institutions, those under the direct review of Parliament, but a tremendous amount of our collective heritage is not managed directly by the federal government; it is located in independent museums across Canada.

These museums operate on shoestring budgets and draw tremendously on their local communities. Many of them are facing financial challenges. Museums are laying off staff. Collections of national interest are not properly stored, preserved, or presented. Skilled, well-trained managers are leaving museums for other opportunities.

The Auditor General is right. All museums across Canada need to be much better supported.

[*Translation*]

We were encouraged when this very committee, in its report prior to the 2003 budget strongly endorsed the need for enhanced support to the museum sector. The committee reported: "The Committee recommends that the federal government allocate appropriate resources [...] to fund Canadian museums."

Canada is blessed with a vibrant economy and a surplus budget as Mr. Goodale stressed last week before this committee. The time has come, in our view, to address the deficit in our museum policy.

Despite this situation of under-funding, consider the following facts. Canadians love museums and flock to them. Museums are central to communities and local economies at a time when we are developing a policy to revitalize our cities and communities. Museums are critical to education and learning when we are putting together new strategies for childhood education. Museums are key to our tourism sector.

[*English*]

Finally, museums are central to our identity and to understanding Canada's diversity, yet adequate federal government support is just not there. We urge the committee to support our call for more robust and predictable support to the museum community. Specifically, we want to focus on three priority recommendations.

First, we recommend that the federal government work with the museum sector on a new museum policy that includes predictable multi-year funding, which allows museums to plan and to use public financing more strategically in leveraging private financial support. We would also like to reinforce our long-standing recommendation that the Canada Council for the Arts also receive a substantial increase in parliamentary support.

Second, we recommend that the museum assistance program be revitalized with an immediate injection of support to increase its budget from \$9 million to \$32 million per year. This increase in museum assistance program funding is also supported by the Canadian Arts Summit, which appeared before the committee yesterday. We're pleased that the tourist sector and others are also speaking in support of Canada's museums.

• (2105)

[*Translation*]

Lastly, our third recommendation—and I'll conclude on this, Mr. Chair—is designed to enable museums to use endowments and to take advantage of subsidization programs which are matched with subsidization funds. For the moment, museums are cut off from this program, and we have no explanation to offer for that.

I will conclude simply by saying

[*English*]

that the Auditor General was right when she said that it is time to act,

[*Translation*]

It is time to take action to consolidate Canadian museums.

Thank you, Mr. Chair.

[*English*]

The Chair: Thank you.

I want to give the groups an opportunity, but "in conclusion", "finally", and "I'm just wrapping up", is all the same thing, so please do so when you say "I conclude". I don't want to interrupt, but it's because we have too many groups and then the members don't have an opportunity to ask questions.

The next group is

[*Translation*]

the Canadian Film and Television Production Association. Mr. Mayson, the floor is yours.

Mr. Guy Mayson (President and Chief Executive Officer, Canadian Film and Television Production Association): Good evening and thank you, Mr. Chair and members of the committee. My name is Guy Mayson and I am the President of the Canadian Film and Television Production Association.

[*English*]

CFTPA is a trade association that represents almost 400 television, feature film, and new media production companies across the country.

CFTPA values the opportunity to participate in the public consultation on the federal budget and appreciates the committee's continuing efforts to consult with our industry on our current priorities.

Canadian film, television, and new media producers are poised to continue to play a key role in the push towards the goal outlined in the October throne speech. Over the past ten years, the film and television production sector has become one of the major success stories of government policy. Due to an effective combination of creative talent, entrepreneurial skill, and enlightened government policy, the independent production sector has become a significant growth sector in the domestic economy and a growing provider of export dollars.

Since 1994 total production activity has steadily increased, reaching \$5 billion in the 2002-03 fiscal year, and of the \$3 billion brought in by Canadian content production, two-thirds is generated by independent producers. We have seen over 134,000 direct and indirect jobs created.

We brought along a copy of our annual profile for the members of the committee, which I think would be useful reading for additional details on the sector.

Government support for film and television production companies continues to play a critical role in the industry's growth. It is crucial to protect all federal programs that support the production of Canadian films and new media works from budget reduction in the context of the current expenditure review exercise. The cumulative effect over the next few years of a fixed percentage cut applied across the board of the Canadian Heritage portfolio, particularly the Canadian Television Fund, Telefilm Canada, the Canadian Broadcasting Corporation, and the National Film Board, would be particularly devastating with regard to the creation of Canadian content.

In real terms, cuts to federal support programs for our industry would mean a considerable loss of jobs for creators and a significant drop in the number and quality of Canadian content productions made each year.

Financing Canadian content is getting harder, and companies need a range of financing mechanisms to ensure a critical mass of production. We have begun the collection of data for this year's profile and we're seeing a slowdown in production levels, both in domestic and foreign location shooting. We have identified five key priorities that offer an opportunity for the government to take immediate steps to improve the climate for corporate stability and growth in this sector.

The first priority deals with increasing the return of the federal film and television production tax credits. There are two systems of tax credit for film and television production. The Canadian film or video production tax credit exists for productions that meet high levels of Canadian creative and technical content. The film or video production services tax credit is designed primarily to encourage the use of Canadian labour for foreign productions in Canada.

Following the government's February 2000 budget announcement to simplify and strengthen film and television tax credits, a simplification package for the Canadian content tax credit was negotiated within industry and government. That package included the elimination of a number of administrative inefficiencies as well as a 2% increase to the tax credit rate from 25% to 27%.

In February 2003, the tax credit rate for the production services tax credit was increased five points from 11% to 16%. All elements of the simplification package for the Canadian content credit were implemented in 2003 except for the credit rate. The government must help maintain the incentive gap between the Canadian content and the production services tax credits. This means it should implement the 2% increase of the Canadian content tax credit. It also means that the production services tax credit could be maintained at this current level but its base could be broadened to cover all Canadian expenditures and keep the incentive competitive with other countries.

Our next major priority is renewal and revitalization of the Canadian Television Fund. The CTF funds over 40% of independent English television production and over half of French-language production. It is imperative that the government's contribution to the fund be renewed on a long-term basis in order the ensure that the fund's objectives, and those of the government, can be fully realized. Renewal would be, at a minimum, at the same level as it was

previously renewed, that is \$100 million annually, adjusted according to the level and demand of the fund.

In addition to the long-term renewal of the CTF, we ask that the government provide the CBC with sufficient long-term funding to pursue its unique programming mandate and allow it to withdraw from CTF participation. Such funding would reduce broadcaster competition for CTF funds while reaffirming the government's support for the CBC. This new funding for the CBC should be reserved for program production exclusively and commissioned from the independent production sector.

The renewal of the Canada New Media Fund and the Canadian culture online funding program is also one of our priorities. The goals of the Canada New Media Fund and online program are to ensure the production of Canadian content for interactive platforms, including the Internet, and to encourage greater access to such works, both domestically and internationally. It is crucial these programs be renewed on a long-term basis.

Also on our list of priorities is the renewal of the Canada Feature Film Fund. This fund is an important instrument for Canadian feature film producers and for achieving the objectives of the feature film policy. Administered by Telefilm Canada, the fund provides annual direct public assistance of some \$80 million in support of federal Canadian feature film development production and marketing. It is to be evaluated in the coming year and we ask that it be renewed long-term in order to meet the objectives of the fund.

- (2110)

Our fifth major priority is the improvement of corporate financing mechanisms for production companies. The challenges posed by the current tax credit program and the CTF renewal underline a serious weakness in our current financing system: the lack of access to financing vehicles such as loans, lines of credit, venture capital, and equity investment. We urge the committee to recommend that the government look seriously at ways of improving the financing of production companies, as well as cultural industries generally. The government needs to work with industry to look at new and innovative ways of attracting private investment on a corporate level to the film and television industry.

In conclusion, it's clear that the film and television production industry is an important part of the economy. Support for our sector is a good investment in the future of the cultural and economic life of our country and the energy and creativity of our youth. We believe strongly that our industry has a growing ability to contribute to the quality of economic and cultural life of all Canadians and is providing expanding opportunities for Canadians to succeed.

Thank you for your time.

The Chair: Thank you.

The Canadian Library Association, Mr. Butcher.

[Translation]

Ms. Barbara Clubb (City Librarian, Ottawa, Canadian Library Association): Mr. Chairman, committee members, my name is Barbara Clubb, and I am the city librarian at the Ottawa Public Library and Vice-President and President elect of the Canadian Library Association. We are pleased to be participating once again in your pre-budget consultations.

[English]

Don't be misled by our participation on a culture panel. Libraries are as much economic, social, learning, and support institutions as they are cultural and heritage organizations.

[Translation]

In the budget last March, the government gave very high priority to learning. It announced that learning is the foundation on which society and the economy are built. Learning is indeed a key factor in producing a skilled labour force and in the advancement of knowledge. In social terms, learning plays an essential role in promoting active participation in a democratic society.

[English]

Today the CLA would like to describe briefly how libraries, particularly public libraries, fit into the government's learning agenda, and make a few recommendations for enhancing our contribution.

Libraries are geared to the patterns and needs of all community members at all stages of their lives, from birth to earth. Public libraries alone represent more than 3,400 local service points to communities across the country. They provide access to information resources to approximately 95% of all Canadians, more than 60% of whom are active cardholders of a public library in their community.

In our first recommendation, the CLA believes that the contribution that libraries are already making could be enhanced through the creation of a secretariat that could coordinate the government's efforts. At the moment, there is no home within the extensive machinery of government for the issues of literacy, reading, and lifelong learning. Even though these issues are fundamental to the development of a knowledge-based economy, they are fragmented between five departments: Canadian Heritage, Industry, Human Resources and Skills Development, Social Development, and Public Works and Government Services Canada; plus two federal agencies, Library and Archives Canada and Canada Post Corporation.

The CLA would therefore like to see the government designate an office, to be supported by a secretariat, that could coordinate the efforts of these different departments and agencies. This office would be responsible for developing appropriate national policies that would foster a culture of learning and all its ramifications and interface with those working on developing the urban agenda. At little cost, it would greatly facilitate partnership between the government and the library community, between the public sector managers responsible for designing different programs and the not-for-profit institutes responsible for implementing them.

In our brief, we singled out four programs that contribute to the culture of learning and deserve the support of this committee: the

community access program, the library book rate, the Library and Archives Canada funding program, and the aboriginal library services.

In the time remaining, I would just like to say a few words about two of these. First, the community access program, CAP, as it's called, was launched with the goal of establishing sites for public access to the Internet. For this fiscal year and the next, the program's funding has unexpectedly and suddenly been cut drastically in half. My library alone, the Ottawa Public Library, has had its CAP funding reduced from \$133,000 for 33 sites in 2003 to an estimated \$36,000 for 17 or fewer sites this year—a 73% reduction, with no warning. Canada-wide, the average CAP reduction has been 44%, but it is much worse in large urban centres like Edmonton, Toronto, and Vancouver.

Yet public libraries are known to be the public's most heavily used sites for public Internet access in urban and rural communities across the country. They are the means for overcoming the digital divide. According to StatsCan, there are approximately 10 million Canadians who still lack household Internet access. Meanwhile, the need for access to Internet-based information and transactions, including online government applications, continues to grow, not diminish. The CLA would, therefore, like to see the funding of CAP levels restored to \$40 million.

Second and last, one of the legislatively mandated roles of Library and Archives Canada is to provide professional, technical, and financial support to those involved in the preservation and promotion of documentary heritage and to provide access to it. The CLA urges the government to provide the new institution with the funds necessary to act upon this crucial mandate by providing to libraries the same current level of support it currently gives to archives.

•(2115)

[Translation]

The CLA will be pleased to answer any question you may have concerning the role that libraries play in advancing learning culture.

Thank you.

[English]

The Chair: Thank you.

La Conférence canadienne des arts, Mr. Malavoy.

[Translation]

Mr. Jean Malavoy (National Director, CCA, Canadian Conference of the Arts): Good evening, Mr. Chair. My name is Jean Malavoy, and I am National Director of the Canadian Conference of the Arts.

[English]

I'm Jean Malavoy, national director of the Canadian Conference of the Arts.

[Translation]

Culture is everything that improves life. The idea is not to have more, but to be more. Although globalization slakes our universal thirst, it gradually destroys membership in local units. Wired today as we used to be rooted, people are unable to conceive that we can live humanly outside the communication and consumption networks in which they live.

Artists don't play the global village game. They identify with a history, a country, a community. Artists create this cultural intimacy of human communities where they live: a painting, a book, a song, a theatre play are cultural products, and yet we seek less and less to sell a product, but rather a pleasure, a well-being, the keys to a kingdom.

• (2120)

[English]

The Canadian Conference of the Arts' pre-budget submission made six recommendations on behalf of its members and the 250,000 artists, cultural workers, and arts reporters they represent. This evening, given the short period allocated to each group, I will limit my remarks to recommendations to improve tax measures for artists and creators.

In a review of the Status of the Artist Act commissioned by the Department of Canadian Heritage in 2002, these taxation issues, together with the need for access to social benefits for self-employed individuals, emerged as the leading concern of respondents. But before I get into these issues I must make one strong demand. It is imperative that the government renew its investment in the cultural sector without further delay. Tomorrow starts today.

The community is certainly very concerned. The problem is that the funding ends at the March 31, 2005, deadline—that is in four months' time—with no assurance to date that it will be renewed. It's an extremely difficult situation for the sector, and many festivals, arts companies, and events are at risk.

We would suggest two measures: income averaging and a tax exemption for copyright income.

Let me give you an example.

[Translation]

If I'm a writer, I'll spend three or four years working on a book in the hope that it will be published. The year it's published, my income will of course be very high, but it will have been very limited in the three previous years.

[English]

We would be recommending that the income could be amortized over a period of, say, five years. Numerous government task forces and special committee reports have come to similar conclusions over the years, and they were unanimous on the desirability for income averaging for all artists. This standing committee itself, Mr. Chairman, recommended such a measure in its 1998 report.

The CCA urges that this committee again recommend a return to income averaging, not just for writers but for all artists—indeed, for all self-employed individuals.

A federal measure that would assist artists would be an income tax exemption on copyright income such as artists and creators enjoy in the province of Quebec. The Quebec exemption works on a sliding scale, from copyright income below \$30,000 being untaxed, up to full tax being paid on copyright income of \$60,000.

The Department of Canadian Heritage is currently undertaking a study into the costs of such an exemption. I hope the results will be made available to this committee as soon as they are ready.

Therefore, we have two main recommendations: a return to income tax averaging and an income tax exemption on copyright income.

Self-employment is very high in our cultural sector. It is clear that the cultural sector has a higher percentage of self-employed individuals than any other sector, and these individuals receive income at approximately 40% lower than self-employed workers in the overall labour force.

The CCA recommends the Government of Canada examine the growing trend toward self-employment in Canada with a view to finding solutions so those who work as independent contractors can access social benefits. It is our hope that the government, through recommendations from the Standing Committee on Finance, will in fact recognize the importance of valuing our artists and arts organizations by providing them with increased support and appropriate fiscal measures to ensure their ongoing growth and sustainability.

[Translation]

I would like to close by citing the Bloc québécois Heritage critic, Maka Kotto, who is here today. In his speech to the House of Commons on October 28, he said:

Quality of life necessarily includes culture, which is the dignity of life. When the financial means are lacking, culture is absent from the lives of our fellow citizens when it should rightly be part of it. I remind this assembly that it would be absurd to envision culture without arts and letters, theatre, music, dance, literature, arts and crafts, and visual and media arts. Culture, arts and letters are the soul, the psyche of nations, the heart of every people.

Thank you, Mr. Chair.

[English]

The Chair: I have the Tourism Industry Association of Canada, Mr. Williams.

Mr. Randy Williams (President and Chief Executive Officer, Tourism Industry Association of Canada): Mr. Chairman, honourable members, my name is Randy Williams. I'm the president of the Tourism Industry Association of Canada. It's my pleasure to be with you this evening. With me is Mr. Wayne St. John, who's chair of our TIAC board of directors.

We appreciate the opportunity to ensure that tourism has a voice in the federal budget planning process. I'm going to speak about why tourism interests must be included in the upcoming budget and review the broad areas where we are seeking positive action. Mr. St. John will then talk about some of our specific recommendations. These are detailed in a written submission, though I must caution you that some of the numbers in that written submission have been updated.

Tourism is important in all regions of Canada. It's a source of vital jobs and incomes in communities large and small, in every province and territory, and in every federal riding. It represents new opportunities for workers displaced by the depletion of resource-dependent industries and by the erosion of the manufacturing base. It has tremendous economic potential for Canada's aboriginal peoples.

If tourism is important locally, right across the country, then it's important nationally. But while a number of provincial and territorial governments, such as Prince Edward Island, Nova Scotia, Alberta, British Columbia, the Yukon, and Nunavut have recognized the importance of tourism, the federal government has failed to make it a priority.

Ottawa needs to understand and appreciate the importance of tourism so our industry can contribute to make a significant contribution to Canada's economic development and social enrichment. With the right public policy environment, the industry has virtually unlimited growth potential for the country to provide economic resources to pay for some of the requests around this table.

Tourism generates over \$15 billion a year in tax revenues, or 4% of the total government revenues. That's 15¢ of every tourism dollar goes to the federal government as revenue. That includes almost \$8 billion in total for federal government—money that can finance the social agenda that's heavy for the federal government.

Any budget measure that facilitates tourism growth is therefore an investment, not an expense—an investment in our national and local economies, in Canada's standard of living, and in the quality of life of all Canadians.

TIAC is seeking additional investments in two key areas—destination marketing and infrastructure as well as the elimination and reduction of excessive air transportation fees and surcharges.

Canada has the best tourism product, services, and experiences in the world, but we're not doing a good job marketing them. The Canadian Tourism Commission simply doesn't have the resources to market Canada effectively in the face of fierce competition from countries where governments have made tourism a priority.

Infrastructure is critical to ensuring our ability to service domestic and international visitors. For example, we need to invest in our transportation systems and update our border facilities. We must also reverse the deterioration of our national parks and historic sites—museums and other attractions.

Excessive air transportation costs are deterrents to travel in this country, especially as vast as Canada is. The federal government currently extracts almost \$800 million a year in special fees and taxes on air transportation, including the air travellers security charge, airport rents, and the aviation fuel excise tax.

• (2125)

Mr. Wayne St. John (Chairman, Tourism Industry Association of Canada): Specifically, we're looking for an increase in the Canadian Tourism Commission's budget to \$175 million a year. That is the amount that is needed to level the playing field so Canada can succeed in international tourism markets. This additional investment will generate another \$1.4 billion in tourism expenditures, producing extra tax revenues of \$413 million.

Our recommendations on infrastructure investment include: support for intermodal transportation, the development of a national highways policy, increased investment in museums and other attractions, and a \$100 million increase in Parks Canada's budget for the repair and maintenance of current infrastructure within the national parks and historic sites system.

Finally, regarding excessive air transportation fees and surcharges, we want the air travellers security charge eliminated. We want a substantial reduction in airport rents and removal of the excise tax on aviation fuel. According to audited data released by the finance department last week, the air travellers security charge earned the government a profit of \$234 million last year, while dealing a further blow to the air travel sector at the worst possible time.

Despite two reductions in the tax, it is simply wrong. Safety and security measures that benefit all Canadians should be paid out of the general government revenues. The Tourism Industry Association of Canada will be happy to work with the committee and with the federal government on developing ways to implement these recommendations. In the meantime we look forward to some positive recommendations for tourism in your report.

Thank you.

• (2130)

The Chair: Thank you.

The Canadian Association of Broadcasters, Mr. O'Farrell.

[*Translation*]

Mr. Glenn O'Farrell (President and Chief Executive Officer, Canadian Association of Broadcasters): Thank you, Mr. Chair, and members of the committee, for giving me this opportunity to appear. My name is Glenn O'Farrell. I am President and CEO of the Canadian Association of Broadcasters, the CAB.

The CAB represents the vast majority of Canadian private broadcasters, including private radio and television stations, networks and specialty, pay and pay-per-view services. Canada's private broadcasters reach over \$12.5 million households in all 308 ridings every day. I am here this evening to underscore the critical role of continuing federal government investments in Canada's cultural industries.

Canada's cultural programming competes with U.S. productions in particular, and others that make up the Anglophone market. Yet in this much smaller market place that is Canada, there are no economies of scale. The costs of production are very similar, but audience numbers vary considerably.

[English]

As a result, in television, Canada's commercial marketplace can sustain some kinds of Canadian programming—news, sports, and on occasion other programming genres. Unfortunately our marketplace, because of its size, is incapable of systematically sustaining high-cost programming such as dramatic series. Federal funding is thus an essential component of the financial model that permits Canadian programming that is not market sustainable to be produced, which brings me to the Canadian Television Fund or the CTF.

The CTF is probably one of the poster children for public-private partnerships—co-funded by the Canadian cable and satellite industries, directed from the CRTC and the Government of Canada. The CTF helps Canadian creators produce distinctly Canadian television programming, from drama and documentary to children, youth, and performing art genres.

CTF funding in 2002-03 triggered \$810 million in production volume, financing that is contingent on CTF approval. CTF funding thus triggers the bulk of financing that enables a production to be completed. CTF funding supported over 2,000 new hours of Canadian television programming in that year and generated over 22,000 jobs. That's a lot of bang for Canada and not for that many bucks.

In March 2004 the Government of Canada restored its contribution to the CTF to what we call the historic level of \$100 million for two years, that meaning \$100 million for each of the years 2004 and 2005. We know there had been a significant cutback in the previous budget of \$25 million. Had that permanent reduction been maintained, that kind of impact would have had a tremendous magnitude, significantly undermining the production of Canadian programming in Canada. All this illustrates is the fragility of the current financing model, and it underscores the need for a comprehensive national action plan to provide stable financing for the future if we want Canadians to continue to be able to watch and hear Canadian stories.

We need a national plan that harmonizes Canadian programming demands as established by CRTC licensing decisions with fiscal policy providing support mechanisms like the CTF. As a point of reference, when the CTF was created in 1996 there were 141 channels requiring approximately 33,000 hours of Canadian programming, whereas today the CRTC has licensed 252 Canadian channels requiring over 90,000 hours of distinctively Canadian programming. The result is an increase in available shelf space—if I can call it that—for Canadian programming of more than 150% since the fund was initially introduced.

In a nutshell, the CTF simply has not grown to match the demand for the financing of Canadian programming required by CRTC licensing decisions, resulting in what we refer to as a major disconnect between cultural policy on the one hand and fiscal policy on the other.

● (2135)

[Translation]

The Canadian television industry is ready to work with the Government of Canada, and has already done so, to develop a national plan. But in the meantime, it is essential that the government maintain CTF funding, at a very minimum, at its historic levels of \$100 million a year.

[English]

Turning now to radio and the Canadian music industry, Canada's private broadcasters play a major role in the success of Canadian artists by supporting numerous initiatives that create opportunities for Canadian talent. The CAB is a partner in Music In Canada Coalition, which is represented here by Denise Donlon and Grant Dexter, who will be speaking to you shortly.

For close to two decades private radio has supported the Foundation to Assist Canadian Talent on Records, which is known as FACTOR, and its sister organization in Quebec, Musique Action. Together with the federal government, we have invested tens of millions of dollars through these organizations in recording projects. Then there's the Radio Starmaker Fund, le Fonds RadioStar, set up by the CAB and funded solely by private broadcasters to help market and promote Canadian music, including new talent. To date we have contributed close to \$22 million to Starmaker and RadioStar. Our combined contribution to FACTOR, Musique Action, Starmaker, and RadioStar in the last year alone was \$15 million. This is above and beyond the \$40 million that private broadcasters pay annually in copyright payments.

[Translation]

Government funding has complemented our investment in many ways, and together we have achieved tremendous success for the Canadian music industry, which is the second biggest producer of international music stars in the world today. The Canada Music Fund, part of the Tomorrow Starts Today initiative, is a critical part of that story.

[English]

In closing, using that term judiciously, working together, private broadcasters and federal government have helped the best that Canada has to offer to make the most of their potential. We're counting on the Government of Canada to continue in that regard.

Thank you very much for the opportunity.

If you have any questions, I'd be happy to answer them.

[Translation]

The Chair: Thank you. We'll now move on to Mr. Mark or to Mr. Wiens, from the Canadian Association of Research Libraries.

[English]

Mr. Paul Wiens (University Librarian, Queen's University, Canadian Association of Research Libraries): Mr. Chairman, committee members, good evening.

My name is Paul Wiens and I'm the university librarian at Queen's University. Tonight I am here representing the Canadian Association of Research Libraries, which is the leadership organization for the 27 major academic research libraries that make up the Canadian research library community. Accompanying me is Mr. Tim Mark, who is the executive director of CARL.

The Canadian Association of Research Libraries is pleased to be participating once again in the finance committee's pre-budget consultations. We are also pleased to acknowledge the measures taken by the government in last March's budget to build a world-class knowledge infrastructure and, in particular, the increased annual funding to the three federal granting councils of \$90 million and the increased funding of the indirect cost of research from \$225 million to \$245 million per year.

Building on those measures, CARL would like to suggest to the committee two ways in which they can be improved: first, with regard to reimbursing the indirect costs of research, and second, with regard to funding the federal granting councils.

In 2001 the government recognized the reimbursement of the indirect costs of research as an important issue and provided funds to help cover such overhead research costs as maintaining labs and office facilities, as well as the provision of information and library services. The government has since increased the funds available, which is acknowledged and appreciated. The next step is to arrive at a fair percentage figure for indirect costs rather than relying on an absolute dollar amount. The current level of funding for the reimbursement of the indirect costs of research translates into a ratio of approximately 25%; a more accurate assessment is 40%. Accordingly, CARL recommends that the committee adopt the 40% figure in order to make this initiative a full success in helping to improve Canada's research and infrastructure.

Now I would like to turn to the issue of funding for the three research councils. Of the funding granted to the three research councils, the Social Sciences and Humanities Research Council of Canada received only 12% of the total funding, although it must support 69% of all undergraduate students, 67% of graduate students, and 53% of permanent university faculty. Research carried out in the social sciences and the humanities is as essential to the well-being of society as research into cures for diseases or better means to exploit energy resources. Many of the government's stated priorities relate to such research—for instance, the importance of lifelong learning, the improvement of aboriginal living conditions, and the quality of life in our cities.

CARL therefore recommends that funding to the granting councils be increased as appropriate, and that the specific requirements of the Social Sciences and Humanities Research Council of Canada be addressed, particularly as SSHRC continues its intended transformation.

I would like to draw the committee's attention to four other issues that CARL hopes you will consider, and with which we have dealt more fully in our written submission.

First of all, CARL would like to see the depository services program, which was relocated this year to the Department of Public Works and Government Services, adequately funded as an essential part of government's commitment to disseminate government information as widely as possible in different formats and in both official languages.

Secondly, CARL would like to see the Canadian Research Knowledge Network form the basis of a national research information network in accordance with the government's strategy to pursue research innovation and excellence. The Canadian Research Knowledge Network is an outstanding example of successful investment. An initial CFI investment of \$20 million over three years has turned into a self-sustaining enterprise with an annual budget of \$40 million, involving 74 Canadian universities that now offer 650,000 Canadian researchers over 2,200 full-text, electronic research journals and other research literature in support of Canadian research in the sciences, technology, and health sciences.

I mention that there were 74 universities involved in this project across the country. We believe this is probably the first time that 74 university presidents have ever agreed on anything.

Let me also say that the Canadian Research Knowledge Network is now working on a proposal for seed funding of a similar investment in support of research in the humanities and social sciences.

● (2140)

Like the Canadian Library Association, CARL would like to see adequate funding made available to the new Library and Archives Canada so it can fulfill its mandate and, in particular, that deficiencies identified in the most recent Auditor General's report relating to the stewardship of Canada's documentary heritage can be addressed and rectified.

Finally, CARL would like to see section 259.1 of the Excise Tax Act re-examined with a view to eliminating GST on published scholarly materials delivered in electronic format.

To recapitulate and reiterate what you've heard this morning from the granting councils, CARL compliments the government on its continuing commitment to innovation and excellence in research. In order to maintain and build on that momentum and strengthen Canada's knowledge infrastructure, CARL recommends that a figure of 40% be adopted as the ratio of indirect costs to research funding, and that the funding to the Social Sciences and Humanities Research Council be adjusted to reflect a fairer balance among granting agencies.

Thank you for your attention. We look forward to answering any questions you may have about how to improve Canada's research infrastructure.

The Chair: Thank you.

Next is the Music in Canada Coalition, Ms. Donlon or Mr. Dexter.

Mr. Grant Dexter (Member, Music in Canada Coalition): Mr. Chair, members of the committee, Denise Donlon and I would like to thank you for giving us the opportunity to speak to you this evening in your pre-budget consultations. We're delighted to be here to talk to you about the Canadian music industry, not only as an essential feature of Canada's culture and cultural identity but as a major force within Canada's economy.

We are here representing the Music in Canada Coalition, which unites associations that represent more than 46,000 talented and skilled Canadians working in all aspects of the Canadian music industry. We are here in Ottawa to speak for the industry as a whole with one voice for the very first time.

Céline Dion, Shania Twain, Sarah McLachlan, Garou, Barenaked Ladies, Avril Lavigne, and other Canadian artists have sold more than \$12 billion worth of records around the world, making Canada the world's second-largest exporter of music talent. But don't be fooled; we are an industry in crisis. Canada is the eighth-largest retail market for music in the world; we used to be the third. Piracy has ravaged our industry, and sales have plummeted by more than 30%, dropping by more than \$500 million since 1998. Sales of CDRs in Canada outsell pre-recorded music, CDs, by three to one.

Canada used to have 10% of sales in the U.S. market; we're now just over 6%. The number of our Canadian artists who reached gold or platinum status, with 50,000 or 100,000 units sold in the last five years, has dropped by almost half, from 104 titles in 1999 to 62 in 2003.

• (2145)

Ms. Denise Donlon (Member, Music in Canada Coalition): As Grant said, we're an industry in crisis, and we look to you for your continued support. We recognize the important role that government has played, and we believe that much of the early success of our industry can be credited to deliberate public policy initiatives, such as Cancon, and the Canada Music Fund.

We continue to lobby for the modernization of the Canadian copyright laws, and we salute the Canada Music Fund as an example of sound public policy that has had a tremendously positive impact on our industry. We believe that federal government support through the Canada Music Fund has been critical to the survival of Canada's diverse grassroots talent and the industry infrastructure in every province, territory, and constituency. In short, the Canada Music Fund is a shining example of where government gets it right.

To illustrate this point, the Canada Music Fund, through FACTOR, which Glenn O'Farrell referred to quite rightly earlier, has contributed over \$450,000 to five Canadian artists over the years: Blue Rodeo, Sarah McLachlan, Nickelback, Alanis Morissette, and Choclair. Collectively, these five artists with that total investment of \$450,000 went on to sell 84 million records worldwide. I know that Musique Action on the French side has similar success stories.

Of the so-called cultural industries that government supports, the music industry is the least funded, yet has the best opportunity for massive returns on investment. We believe, at a minimum, this funding must be renewed and raised to \$35 million per year for the long-term health and sustainability of great Canadian music. We need your support to ensure that Canada's music industry is not

forgotten in this budget and that you carry forward our recommendation for long-term sustainable funding.

Let me close our remarks by reminding you that for every Canadian artist you recognize who has succeeded, there are thousands of songwriters, musicians, artists, creators, and other members of the music industry who are struggling to break through. We have the talent; we just need your help to give them a leg up.

The Canada Music Fund has made a significant impact to Canada culturally and economically, and with your continued support we will continue to make you proud of the return on your investment.

I'm very pleased to hear other voices at this table tonight singing the same tune of the renewal of the sound development recording policy, and I thank you for your time here this evening. We hope to see you tomorrow night at the Capital Musical Hall for a celebration of what's already been celebrated in Canada and what's to come.

We look forward to your questions.

The Chair: Can you bring the band and the drinks here? We'll be here tomorrow night, so....

Ms. Denise Donlon: It's only two tickets per...we're on a budget.

The Chair: We're going to have questions from the members.

First round, seven minutes, Monsieur Kotto.

[*Translation*]

Mr. Maka Kotto (Saint-Lambert, BQ): Thank you, Mr. Chair.

First of all, I congratulate you on all your presentations. They were sufficiently clear, even though some figures were lacking here and there. As you know, it's figures that most often inspire the members of this committee. I nevertheless know that you will answer diligently questions that may be put to you in that regard. I'm simply sorry to see that the exercise has to be repeated regularly. That shouldn't be the case in a country that calls itself developed. Unfortunately, it is.

I'll ask a few questions together. I'm not going to address everyone, but rather to ask questions in a way that might correspond in people's minds to a common denominator. To do that, I'll play a role I don't usually play, that of devil's advocate. I'll start with the poorest of the cultural vehicles: museums.

Mr. Spickler, in your presentation, you referred to the fact that museums are not eligible for the matching program. Could you give us more details on the subject and, in particular, explain to us why that program can help museums?

• (2150)

Mr. Robert Spickler: Thank you for your question, Mr. Kotto. I'm pleased that you asked it, since I used the word "conclude" at a wrong point in my remarks, which had the effect of skipping the explanation related to that recommendation. So I'll sketch a very brief picture of the situation of museums.

In Canada, at the federal level, museums are mainly supported by ad hoc and interim programs, in this case non-recurring programs whose survival is not guaranteed from one year to the next. These programs, under which it takes six to eight months for money to be granted, do not in any way enable museums to plan their operations properly.

So what do museums do in the circumstances? They say to themselves that they'll make efforts to find private funds, to manage themselves and resort to more revenue from non-government sources. One of those means is precisely to establish endowments to ensure the institution continues on. However, for reasons beyond our knowledge, this program which, at the federal level, is intended for performing arts organizations, is not aimed at museums.

Somewhere in the genetic code of museums, there is a gene that is not entirely compatible with that of individuals who design federal programs. It is inexplicable why institutions that are denied continuing support cannot take advantage of a matching program with an endowment enabling them to acquire a certain stability. That's the situation.

Mr. Maka Kotto: Thank you.

Still acting as the devil's advocate, I would like to ask the Canadian Film and Television Production Association a question.

Why finance film and television production when the U.S. entertainment products to which we have access are filling the airwaves, even though they are sometimes poorly dubbed in French?

That's the devil's advocate speaking!

[*English*]

Mr. Guy Mayson: *Bon question.* My feeling is that it's essential to the extent that if we're going to have any kind of cultural identity as Canadians, film, television—new media product is essential to that realization.

Glen was talking about the economics of broadcasting, and certainly in the feature film area in this country it's a battle simply to be heard. It's a battle to have a Canadian presence, particularly in the English-language sector. Quebec is blessed with its own unique language, and I think it has a great market for its own product. The competition for audience in the English language is a much different situation.

I think the government early on made a very smart decision to allow foreign signals into the country, while at the same time ensuring there was a strong Canadian presence. People like to see themselves on television and like to see their reality reflected in the film theatre. It's an absolute essential from a cultural perspective. While it has a strong cultural reality and objective, it has become a very important economic machine and an excellent investment of public dollars in terms of employment and export dollars.

[*Translation*]

The Chair: I note that Mr. O'Farrell would like to speak.

Mr. Glenn O'Farrell: Mr. Kotto, you referred to American programs that are dubbed in French, although not well enough to your taste.

I would like to point out an interesting fact. In Quebec, in 1990, of the 10 most watched programs, at least six or seven were American programs dubbed in French. Today, the 10 most watched programs in Quebec are Quebec programs produced in Quebec with the support of the Canadian Television Fund. We're talking about a history of success here, which is attributable to government intervention, to a partnership with private interests and to federal financial assistance.

That's why we've experienced extraordinary success in Quebec.

• (2155)

The Chair: Thirty seconds; is that all right?

Mr. Maka Kotto: I'll speak later.

The Chair: All right.

Mr. Bell.

[*English*]

Mr. Don Bell: Thank you.

First of all, with respect to the museums, it was interesting to see that your public surveys have shown there is no less than 70% public support for increased expenditures. That's consistent with some of the things I've seen on the west coast. We're just in the process of trying to come up with a new museum in my riding area.

The combination of museums, libraries, and archives buildings, together forming a combined trio of learning or community centres—and I don't mean community centres in the sense of where you go to work out, but information centres for communities, including the heritage and the history of the community—have become exceedingly popular. So I'm pleased with that.

To move into the issue of the Canadian Film and Television Production Association, Mr. Mayson, I would tell you that we've had other presentations over the last few days supporting this. The issue of the tax credit is something that is very important—and I am aware of that—particularly in the case of trying to build.... On the west coast, I know the film industry is experiencing about a 40% drop in film and television, though I think it's not quite as dramatic in Toronto because of the reliance on the foreign films, if you want to call it that, as opposed to domestic. But having the domestic base there, which requires support, is important because it provides the ongoing work for those who can then take advantage of the productions that come in.

Moving to the issues of the Conference of the Arts, I asked a question earlier about income back averaging. I see the term used here is "back averaging". It isn't a case of somebody getting paid a lump sum upfront and then being fallow for a few years and then getting it again. It's when you start that process, as I understand it.... Quite often, creative writers, particularly script writers or authors, will spend several years having a job as a waiter maybe or having a subsistence job while they put several years of creativity into a project, and then it pays off, and they get this bump and the income tax hits them. My question earlier was about back averaging, and that's what I see is defined here, so I appreciate understanding it.

The issue of copyright is really something that falls over, I guess, to some degree, the income tax exemption up to \$60,000. Another aspect of copyright we heard about is the one about music and Internet piracy. I guess they're not exactly the same, but it's still the question of copyright. It sounds like that whole issue needs to be focused on, so I'm interested in that.

With respect to the tourism industry, Mr. Williams, you referenced one of the areas that we've had some discussions on recently in some of our committees, the issue of air transportation and the issue of rents and fifth-person rights, and the tapping of the Chinese market, for example, a growing market that neither the United States nor Canada really has access to yet in a significant way. Even Mexico has better landing conditions in terms of tourist destinations. So you have my support in that area.

The other issue is with the broadcasters. Did I understand that with this Canadian Television Fund, you're seeking continued funding? You've got \$100 million for 2004 and 2005, and you just want to have the assurance of continuity.

Mr. O'Farrell, you just want to try to see that projected farther out as a longer-term, more stable commitment. Is that correct?

Mr. Glenn O'Farrell: Yes.

Mr. Don Bell: I was curious in terms of the GST rebate on scholarly materials delivered in electronic form. I presume that's increasing substantially.

That's Mr. Mark, is it?

Mr. Paul Wiens: Yes, and Mr. Mark.

• (2200)

Mr. Don Bell: You're finding that's an increased amount of the volume, and therefore it's becoming a more substantial amount?

Mr. Paul Wiens: Very much so. Five years ago, if you take Queen's as an example, we may have been spending 5% of our total acquisitions budget on electronic materials, and we're now spending over 40%. At Queen's alone, that would be worth about \$90,000 if we had that GST rebate.

Mr. Don Bell: You multiply that times 27 major cities—

Mr. Paul Wiens: Across the academic library community, it would be somewhere in the order of \$6 million to \$7 million.

Mr. Don Bell: Finally, my question to the Music in Canada Coalition, Denise and Grant, is on Internet piracy. I was stunned by the figures you had in there. I forget, it wasn't the Barenaked Ladies, but it was one of them, The Tragically Hip, that had a figure of fewer

than 1,000 online purchases at 99¢. That's \$1,000, and a loss of \$2 million from potential online theft.

Ms. Denise Donlon: What happened with The Tragically Hip was that when they put out their new single in April of this year—it was called *Vaccination Scar*—in a five-week period, from the time that single went out, there were 2.8 million attempts to illegally download it and other works by The Tragically Hip.

In Canada now, we're happy to have Puretracks and will be happier as more legal online options come up. At the same time that single was offered on Puretracks, they sold 1,000 of that at 99¢, so it was \$990. If you look at the money that's potentially lost in terms of the illegal downloading activity, the 2.8 million attempts at downloading it and what they actually sold, that's a pretty grievous loss of revenue.

Mr. Don Bell: Have you got some specific recommendations in terms of updating the "outdated copyright laws"?

Ms. Denise Donlon: We didn't bring specific recommendations today. Grant and I are representing MIC, the music industry coalition. We represent about 24 different groups, and as Grant said today, we are coming to Ottawa for the first time with one voice.

There is legislation in front of the government at the moment, and Industry and Heritage are going through that and trying to put a bill forward. So it's a bit premature for me to actually comment on the bill, because we haven't seen it yet; but there is movement, and we are here as well to encourage speedy and nimble movement in modernizing our copyright laws.

Mr. Don Bell: I realize you're before this committee in terms of basically seeking greater financial support for the industry, and I understand that.

Ms. Denise Donlon: Yes, thank you.

Mr. Don Bell: Thank you very much for your presentation.

The Chair: Thank you.

Ms. Wasylycia-Leis.

Ms. Judy Wasylycia-Leis: Thank you, Mr. Chairperson, and thanks to everyone here for coming at this late hour.

This has been our second panel on culture, cultural industries, arts and tourism, and the creative side of the economy. I think altogether you've made a very strong statement for the need for government to invest in this labour-intensive field.

I think the biggest challenge I've heard from all of you is not so much that the government's bad or that you're totally neglected right now, but that you're always scrambling to try to meet certain deadlines and then wondering if funding is going to be renewed.

Do you have any suggestions for how we can make the case for establishing long-term, stable, increased funding for all of your respective areas in the same way as the government has recently announced long-term projections for reducing the debt over a 10-year period? I think that's the goal, and I'm wondering if you've got any advice.

Mr. Paul Wiens: To the research library community, the indirect cost of research has been a godsend for libraries, not just for our universities in general. Of the total amount that's been made available from the federal indirect cost of research program, libraries have benefited to the tune of \$17 million, \$18 million or \$19 million, or about 9% of the total.

At Queen's, the library has had incremental funding in the amount of \$650,000 directly as a result of that funding. It's not been robbing Peter to pay Paul, but that has been incremental funding above what we've already been receiving.

With that funding, it's essential that it be stable and ongoing. We're building our services to the research community based on that funding.

• (2205)

Mr. Randy Williams: The Tourism Industry Association of Canada is supporting funding for the Canadian Tourism Commission from the GST rebate offered to visitors to the country. When we have visitors to Canada, they are able to claim GST refunds for accommodations and certain goods and continuous journeys. Many of them don't do that, so it is currently a windfall for the government that they're not having to rebate, because many of the visitors don't. We feel that if that money were allocated to the Canadian Tourism Commission, they would have consistent funding.

We're asking for 33% of 4% of this 7% GST. In other words, 4% of the GST goes to those things that could be rebated. We would ask for 33% of the 4% as a formula base, so that the CTC would have marketing assurances for the next three to five to seven years, and so on, which they need to do effective marketing.

Ms. Judy Wasylcia-Leis: Thank you.

Mr. Glenn O'Farrell: If I may, just very quickly, from the television perspective, we've suggested you make one recommendation, and that is that the Department of Finance work with the Department of Heritage to develop a five-year plan. That's the way, I think, both the Department of Heritage—

Ms. Judy Wasylcia-Leis: How about a ten-year plan?

Mr. Glenn O'Farrell: Well, a ten-year plan is probably unrealistic, frankly. But a five-year plan, where the cultural policy that Heritage works under and the fiscal policy that this committee and Finance work under could somehow be bridged into something that would make sense....

Mr. John McAvity: I just wanted to echo that, but I would actually go for quite a long term. In museums, we're funded on an annual basis, and yet the irony is that our planning cycle for a museum is 500,000 years; we are looking at the long term, because

we are saving heritage for the long term. We can't do it on a year-by-year basis. We need multi-year funding, we need stable, predictable funding. And the other recommendation, which my colleague was making, is that we need endowment funding to be set up.

There's a program that is in place now, part of Tomorrow Starts Today, but ironically, museums are not eligible for the endowment component of that. We think we should be; we think it's a good program; we support the renewal of that program. But these are the kinds of very practical steps....

I welcome the practical nature of the question you've asked.

Mr. Robert Spickler: If I could add, the multi-year funding already exists for the performing arts through the Canada Council—and that's a wise thing. In museums, to develop research and present an exhibition, it takes five years.

[Translation]

Mr. Jean Malavoy: May I answer in French?

Here you have a very good reflection of what's going on in culture in Canada. If I understood you correctly, you referred to a 10-year plan. I have an answer to that.

In health, the Prime Minister of Canada, Paul Martin, met with the 10 provincial premiers on September 15 to establish a long-term, 10-year plan. As you'll recall, the meeting got off to a tough start, as each of the premiers announced its complaints. I believe that the Prime Minister of Canada, Paul Martin, and the 10 provincial premiers should have a political vision for arts and culture similar to those they have for education and health; that is to say that that has to be done at a very high level. As you said so well, we now have a 10-year health agreement, and we'll have to have a 10-year agreement on arts and culture. An overall vision would serve a lot of our interests. But there has to be a political will at a very high level. I would say that arts and culture are the third pillar of society, together with health and education.

[English]

Mr. Guy Mayson: If I could just add to this, that's an excellent question for the film and television sector. There's a great deal of money, for which we're very grateful, through tax credits and direct funding going into production. It's all project based, which is very important—though ultimately it represents only a very small portion of each production budget. The rest of that budget is put together by a producer from other sources, export sales, and distribution sales. So I think as we go forward, there needs to be some greater attention to the sustainability of the production sector and more attention within the funding system to keeping companies alive and growing.

Ms. Judy Wasylcia-Leis: I have one more question for

[Translation]

Mr. Malavoy on artists' salaries and incomes.

• (2210)

[English]

I appreciate the fact that you mentioned the past work of Wendy Lill and the idea of a tax exemption for artists' income. We all miss Wendy Lill and her work here, and I'm glad to see her ideas are carried forward. When she mentioned this idea in the past and presented it as a motion, I think it's generally been pooh-poohed as an extravagant idea that's almost silly, that we can't afford it.

I'd like to know how you think we could advance this idea; and second, what it would cost; and third, what's the average salary of artists these days, and aren't they among the lowest-paid workers in our society?

[Translation]

Mr. Jean Malavoy: I don't think that the tax exemption for copyright income is a very tough measure. The question of the treatment of self-employed workers versus employees is very complex. I believe that Quebec has effectively proven that exemption works and that it's a good measure that makes it possible to increase artists' incomes by attaching value to their status in society. I believe that's something that's possible.

The average income of an artist in Canada is \$23,500. Would you allow our nurses, police officers and teachers to be paid \$23,500? No. But we allow artists to be paid that because we think it's a kind of missionary work, like going into religious orders. I believe that perception has to be changed.

Some measures are easy, like the \$30,000 copyright exemption, which could rise to \$60,000. There are other measures as well. Canadian professional artists must absolutely be allowed to have their social status recognized and to earn a reasonable living. I believe that Quebec has now proven that that can work very well without burdening the government.

The Chair: Thank you, Mr. Malavoy.

Mr. Côté, go ahead.

Mr. Guy Côté: Mr. Chair, I'll ask a very brief question, then give the floor to Mr. Kotto.

Mr. Spickler, I have a quick question. Perhaps you have the answer, perhaps not. In the past few days, I've learned that admission to museums in England is free. Do you have an idea how much a measure like that could cost in Canada?

Mr. Robert Spickler: John McAvity will answer that question.

[English]

Mr. John McAvity: Yes, the national museums have been made free. This is quite controversial in a lot of European countries; the people feel that access to museums, like libraries and other public-good institutions, should be free.

In Canada, we're not too sure what that actual cost would be. We could easily get the number, but it's not significant in a country that has a \$9-billion surplus.

[Translation]

The Chair: Mr. Kotto, go ahead.

Mr. Maka Kotto: Thank you, Mr. Chair.

On November 2, the Canada Council for the Arts issued a news release entitled "Advocacy Needed to Promote Value of Arts: Canada Council Annual Report", in which the Council director said that current levels of public funding to the arts are inadequate to sustain the enormous artistic growth that has taken place in Canada over the past half-century.

The budget of the Canada Council for the Arts has fallen from \$151,031,250 to \$150,911,250, a \$120,000 reduction, in the present budget. Although the Mouvement pour les arts et les lettres, which represents nine Quebec national organizations and 11 regional councils in the arts and letters sector, wrote to the Minister of Heritage about its concerns regarding under-funding for the Canada Council, the government continued to make systematic cuts in direct assistance to creators.

Doesn't that concern you, Mr. Malavoy?

Mr. Jean Malavoy: That concerns me a great deal. As you know now, there's \$25 million for the Canada Council in Tomorrow Starts Today. If the program is renewed, that's not even the bare minimum. I believe that the Canada Council is a convincing, exceptional example of success, decentralization and democratization of culture, while retaining a level of excellence.

I believe it is important to mention that the City of Berlin invests \$225 million in its opera houses alone, and that represents much more than the budget of the Canada Council for the Arts. I know the Bloc québécois is recommending \$300 million.

• (2215)

Mr. Maka Kotto: Yes, it's a commitment. I'm sticking to it.

Mr. Jean Malavoy: We would be happy if you succeeded, but if the Canada Council's budget was \$225 million, like Berlin's grants budget for its three opera houses, we'd be very happy. That's a considerable factor.

I also want to mention that Tomorrow Starts Today and the Canada Council are interdependent, since Tomorrow Starts Today also makes it possible to decentralize to a great extent and vitalize culture across Canada. To do that, however, you need creators, and creators are subsidized by the Canada Council on a priority basis. So it troubles me that this money isn't invested and, like John, it troubles me that \$125,000 is being cut from the Canada Council at a time when we have a \$9 billion surplus. I think that's disturbing for a civilized society that's the envy of the entire world.

Mr. Maka Kotto: I'd like to come back to a debate that was shortened earlier because of the 30-second business. I'm playing the devil's advocate: can you conceive of a nation that is sovereign with regard to the operation of its cinema complexes, if its own products are being screened in approximately four or five percent of theatres. What I mean is that 95% of films showing in all cinema complexes in Canada and Quebec are products of the U.S. entertainment industry, hence my remark earlier.

Mr. Glenn O'Farrell: Unfortunately, Mr. Kotto, that escapes me because it's beyond the interests of our sector, that is to say television. Of course there are connections.

Mr. Maka Kotto: That's what I meant when I mentioned the poorly dubbed films that are being sold at insignificant prices. I raised all those questions to put you on a field, the battlefield for cultural diversity. From the moment we talk about culture, we're obviously talking about economics, and there is no further debate to be conducted on that subject. That point was raised again yesterday with the people that appeared before you. There's also and especially talk about identity, about who we are, about how we fit into history, into time. There's talk about how we behave, from generation to generation, in economic, social and political terms.

If the government shirks its duty to support culture in the broader sense, it will undermine our spinal column, our psyche. I wanted to bring you back to this subject because I come from a cultural environment and I deal with people, and not only on this hill, who are miles away from understanding what the quintessence of culture is with regard to its social role.

That was the purpose of all the questions I asked earlier.

The Chair: Thank you...

Mr. Glenn O'Farrell: Mr. Chair, Canada has benefited from a cultural policy regarding television which has given us 252 Canadian television stations. The only other fact I'll report to you is that, if you consider the number of Canadian stations indigenous to Canada, with Canadian products, we have more Canadian services in Canada per capita than the Americans have in the United States.

The Chair: Thank you, Mr. O'Farrell.

Mr. McKay.

[*English*]

Hon. John McKay: Thank you, Mr. Chair, and thank you, witnesses.

My first question is to the museum folks. I'm not quite sure I understand this recommendation about the endowment issue, the CAHSP program endowment. It appears that museums are not eligible for the program for endowments. Could you just explain this to me? I understand that issue.

Mr. John McAvity: Sure. It's the CAHSP—sounds like a radio station, I know—but it's the Canadian arts and heritage sustainability program. It's one of the components of the program called Tomorrow Starts Today.

It's a very valuable program. It matches private revenues, donations, that have been given specifically for endowments. It matches them up to a ceiling of about \$5 million. This gives an organization the incentive, as it were, to go out and try to become more self-sufficient and to develop an endowment, the interest of which only would be used for its revenue. It's a permanent—

• (2220)

Hon. John McKay: Why are museums not eligible for this?

Mr. John McAvity: We couldn't quite get an answer to that question either.

Hon. John McKay: That's the issue, that you're not eligible.

Mr. John McAvity: We think somebody was asleep at the switch. It was primarily designed for the performing arts sector, but we think it's a great model. It's good thinking and it would be very well

received in our sector. I can see heads nodding in agreement from our friends in libraries as well.

Hon. John McKay: So if I'm raising money for an opera house or something like that, I'd be eligible for matching funds, but not for a museum?

Mr. John McAvity: It's not for capital funding. We're talking about endowments for operational purposes.

Hon. John McKay: Oh, for operating costs.

Thank you.

To the Canadian Conference of the Arts, you want a \$60,000 exemption for copyright income, which I guess in tax terms is probably worth \$90,000 gross when you consider the taxes that would normally be attributable to this amount. Then you want to extend to all artists' incomes a further exemption of \$60,000.

So if I'm an artist who has copyright entitlements, are you suggesting that I get two \$60,000 exemptions from income tax?

Mr. Jean Malavoy: We're suggesting something very similar to what is in Quebec, which is an income tax exemption on copyright income. It's on a sliding scale from an income of \$30,000, and after that it goes to a full tax being paid on copyright income of \$60,000.

Not all artists have income from copyrights, but this will benefit artists who do. Let's say in the year 2004, ending December 31, if I have \$30,000 of copyright income there will not be tax on it. This is very specific.

Hon. John McKay: What's so special about an artist's income? Why is it more special than a farmer's income or a fisherman's income?

Mr. Jean Malavoy: It's a very good question. Artists' incomes are like fisherman's incomes or farmer's incomes. The difference is, with mad cow disease, you could see in a very clear picture that farmers need some help. With the cod issue, you could see very clearly that fisherman—

Hon. John McKay: Pick any category. What about for an auto mechanic? Why is an artist going to get a \$60,000 exemption from his or her income and an auto mechanic is not?

Mr. Jean Malavoy: As I said, the cultural sector is a very specific sector. It's not the same sector as being in a factory or being in the auto repair sector. In many instances a professional artist cannot get a full-time job from nine to five on a five-day-a-week basis like other jobs. Professional artists in our society will get three or four different jobs a week to earn what is a very low living.

You can ask me why; I'm sending back the question. I think the answer is that society has treated artists as if they were fluff, as if they were not instrumental in society. So why should you pay me \$10 an hour to be part of a play, and why would you pay a mechanic \$6 an hour to repair your car? That's the question. The answer is that we want the professional artist to be better paid for what he or she does.

Since I cannot earn my living as a professional actor... I'll give an example. I was a director of a theatre, and professional actors were making \$250 a week to be on stage. That's not a lot of money. I have five children. If I was working in a Volvo auto repair shop I would make much more. I'd make that in a day. Because I'm making \$250 a week, I have to do other things.

• (2225)

Hon. John McKay: If you're making \$250 a week you're not likely to be paying too much income tax in the first place. The issue is, why should the Income Tax Act walk away from the general concept that a buck is a buck is a buck and set up an exemption? Because as sure as God made little green apples, if we go along with artists as an exemption, then there will be a lineup out the door and around the block, etc., all saying.... I pick things like people who drive ambulances, nurses, etc.

You struggled with the answer. I accept it.

The Chair: Thank you, Mr. McKay.

Hon. John McKay: Hang on, I haven't started my income averaging.

The other question is—

The Chair: That's my question, but you go ahead. You can ask it.

Hon. John McKay: Okay.

Here's a question from me and the chair. What is the inadequacy in the current Income Tax Act with respect to income averaging? There is income averaging. I appreciate that artists' incomes fluctuate wildly. What's wrong with the current system, which does in fact have an averaging formula in it?

Mr. Jean Malavoy: I will shoot back to you the idea that the arts sector is a very specific sector. We have to look at it as a very unique sector. We cannot draw a line and say that all Canadian workers are the same; it's not possible with the arts sector.

Let's say I'm writing a book. I'm making \$10,000 for three years because I'm writing a book. I won the Governor General's Award and

a Trillium Book Award in Ontario, so I'm making \$60,000 because I'm selling a book. What we're saying is, I end up in a pretty high-level bracket for income tax for the fourth year. Could you be looking at year one, two, and three at \$10,000 and the fourth at \$60,000? That we call income tax averaging. It will enable the writer to be taxed less for the fourth year and be taxed on an average basis for that time. It's to take into account that the writer needs some time to create.

In a sense, it's a benefit. It's a tribute we're giving to a professional artist by saying that we understand, you sold your book in the fourth year, but it took you three years to write it. You didn't get to bring in some income.

I'm trying to convince you—

Hon. John McKay: I understand what you're saying.

Mr. Jean Malavoy: I'm trying to convince you—maybe I haven't—that a writer is somebody very specific. The best thing that could happen to you would be if you had somebody in your family who could write a book.

Hon. John McKay: I'm married to a television producer. I understand.

The Chair: The problem is that John's brain is not thinking this late at night.

I can give you many examples of business people who are either investing in their businesses or working on products, on innovations. They're spending all their time working on the R and D aspects, and nothing happens for two, three, sometimes four years. It happens quite often.

I want to thank everybody for being here, for your indulgence. We have to go. Sorry for being over on the time limit, but thanks again. Have a good night.

The meeting is adjourned.

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