



House of Commons
CANADA

Standing Committee on Finance

FINA • NUMBER 100 • 1st SESSION • 38th PARLIAMENT

EVIDENCE

Wednesday, October 19, 2005

—
Chair

Mr. Massimo Pacetti

All parliamentary publications are available on the
"Parliamentary Internet Parlementaire" at the following address:

<http://www.parl.gc.ca>

Standing Committee on Finance

Wednesday, October 19, 2005

•(0835)

[English]

The Chair (Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.)): Good morning, everybody. It's nice to have you here. You're the first group in Calgary, so good luck to you and good luck to us.

We're here pursuant to Standing Order 83.1 on the pre-budget consultations for 2005. I think some of you around the table already know how it works. Basically I'll allow you seven or eight minutes for an opening statement. I don't want to interrupt you if you're on a roll, but try to keep it within the eight minutes.

We're only four groups so we'll go in the order that I have here, except that we're going to switch one spot. We'll have the Canadian Association of Petroleum Producers go at the end, because the first three groups are cultural groups.

We'll start with ACTRA Calgary, Mr. Lang.

Mr. Duval Lang (President, ACTRA (Calgary)): Thank you.

Good morning, Mr. Chair, honourable members of the committee. Thank you for your time and attention today and for including us in these presentations. I hope you start your morning off well.

My name is Duval Lang. I'm the president of ACTRA Calgary and I'm a working actor onscreen as well as onstage. I am also the co-founder and artistic director of Quest Theatre, which is a professional theatre for young audience company in Calgary, and as a member of Quest I'm also a board member of PACT, who will appear before this committee on November 4, the Professional Association of Canadian Theatres. I urge you to support their recommendation as well as ours.

By now I hope you know that ACTRA is a national organization representing 21,000 professional performers who work across Canada in English-language recorded media. ACTRA Calgary represents 600 of those members who work as professional performers in southern Alberta and all over the world. We are a vocal and passionate advocate for the preservation and strengthening of Canadian culture and creativity.

In ACTRA's written submission, our national organization identified that one of the broad issues that affects performers and other creative artists is of course programs and funding for Canadian film and television production. Without these funding programs there would be no base for growth and, consequently, fewer jobs for Canadian creators and less expression of our national identity.

The Canadian Television Fund, or CTF, supported \$743 million in production budgets in 2003-04. That's 2,178 hours of new Canadian television programming—drama, variety, children's shows, documentaries, performing arts in English, French, and aboriginal languages. *Da Vinci's Inquest*, *The Eleventh Hour*, *Degrassi: The Next Generation*, and *This Hour has 22 Minutes* would not have been made were it not for the CTF. It supports more than 40% of the English and more than 50% of the French-language priority programs.

As you may have heard from some of my colleagues in Ottawa, the Canadian film and television industry generates an annual \$4.92 billion worth of production activity, employing over 134,000 Canadians. The industry's average annual growth rate from 1997 to 2002 was 8.5% compared to a 3.6% growth for the overall economy. According to the report on Canadian film and television production, industry film and television works provided \$2.27 billion in annual export value alone.

Our culture is a marketable and profitable commodity when the workers who create cultural products are given the tools, the funding, to produce effectively.

CTF funding plays an absolutely critical role in initiating production. Each dollar of government support from the CTF and Telefilm leverages over \$6 in other types of financing and encourages entrepreneurial capital. When our industry is robust, we are more capable of attracting private investment in the infrastructure for cultural activities and everything from studios to festivals.

Please allow me to share a story about what happens when that funding is threatened. In the 2003 federal budget, the government announced that it would extend the CTF, but at reduced levels, from \$100 million to \$87.5 million in 2003-04 and to \$62 million in 2004-05, exasperating an already precarious existence for Canadian television drama productions and for Canadian performing artists.

In a Nordicity Group study commissioned by the Canadian Film and Television Production Association, it was estimated that the reduction of the CTF would have caused the loss of 2,400 jobs for Canadians, a loss of 277 hours of production, and \$88 million lost in production activity. Fortunately, the government reversed that decision in the 2004 budget and restored the CTF funding commitment to \$100 million annually for the next two years.

In considering the 2005 budget, we respectfully ask that the committee support the maintenance and enhancement of the Canadian Television Fund. Specifically, we ask that the CTF be made a permanent A-base fund and that it be increased over five years at increments of 10% per year.

Additionally, we ask that the committee recommend that the budget contain a five-year funding commitment to Telefilm Canada, at least at the current level of \$230 million annually.

I believe our national president made some effective points about the CBC during his presentation to you in Ottawa. Obviously we endorse his request for increased funding to the CBC. Last year the CBC announced some regional programming enhancements. ACTRA members in southern Alberta are very excited about the possibility for increased work opportunities. Since the television series *Tom Stone*, a Calgary production, was cancelled, the CBC has not produced much here; they have been involved as a broadcaster rather than a producer of products created in the Calgary area. Additional funding to the CBC would give us more opportunity to have our regional voices heard locally, nationally, and internationally.

● (0840)

Without sustained multi-year funding commitments from the government, the CBC cannot make or meet its own commitments either regionally or nationally. It is the commitment of funding that allows them to make long-term plans.

I know a little about the uncertainty when it comes to income and funding. Our local branch at ACTRA faces many obstacles in our own budgeting processes. From one year to the next, it's almost impossible to predict production levels. For one thing, our production season is so very dependent on weather conditions. We don't have a studio facility here, and that means most of our shoots occur outside, which limits our production immensely. It's entirely possible that we may only take in income for four months out of a year. With a staff to support and a membership that is hungry for all the services we can provide, from training to helping members develop their own productions, it's very difficult for us to budget annually, let alone make plans for the future.

Our culture is an intricate web starting from the centre. The government can provide enhanced funding to the CTF, Telefilm, and the CBC, which in turn coaxes the private sector to invest, which in turn extends our production capabilities by helping us to build studios and promote artwork and festivals. This means that we can create more product, a higher-quality product, enabling us to get more Canadian stories on the airwaves. All the while, our cultural workers are able to do what they do best, which is work. It's a win-win situation.

My final point of discussion is one that affects not only performers but almost all of the different labour groups involved in film, television, and stage production in Canada. Those are visual artists, singers, writers, and self-employed creators. For many of us, a really good gig or contract is not a frequent experience. We may wait years for the next one. In the meantime, we work on extremely short-term, often single-day engagements and do not benefit from the same social welfare programs as employees are entitled to, such as employment insurance. When that really good contract actually hits,

we find ourselves paying more tax on income that has to last us for years.

ACTRA asks that the Government of Canada institute a system of income averaging over a five-year period as a method of providing fair and equitable tax treatment for self-employed Canadians. UNESCO reports that this type of policy for cultural professionals such as performers and artists is practised in many countries in Europe as well as in Australia.

In fact, tax averaging was practised in Canada for self-employed workers until 1982, when the Department of Finance said that tax deferrals for contributions to an RRSP replaced the need for income averaging. Those of us in the arts professions, where careers are so unpredictable, should not be forced to jeopardize our futures by using RRSPs to supplement incomes in times when there is no work. Legislation in Quebec enacted in 2004 allows for income averaging for performers and other artists. I urge you to consider this in your deliberations.

There's more information about this and the other topics I covered today in our written submission. I hope the committee will seriously consider our recommendations and put them into action in the 2005 federal budget.

I'd like to close with a quote from a fellow artistic director. His name is Mark Bellamy, and he's from the Vertigo Theatre here in Calgary. The quote is as follows: "Canada and its people need to be celebrated. We need to be recognized and to be remembered. By funding artists and their work, you create a legacy that lives not only today but for all time. Funding the arts is your gift to the future."

Thank you for your time. I'd be very happy to answer any questions you may have.

● (0845)

The Chair: Thank you, Mr. Lang.

We don't have your submission. We're going to look for it.

Mr. Duval Lang: My colleague is going to bring it.

The Chair: Can I quickly ask this before we go to the next round? Is there a difference between what you're asking for and what your main umbrella group, ACTRA, is asking for?

Mr. Duval Lang: Is there a difference in what we, ACTRA Calgary, are asking for?

The Chair: Is there a difference between what ACTRA Calgary is asking for and what the main group asked for?

Mr. Duval Lang: No, we are supporting what they're asking for.

The Chair: Are there any additional requests?

Mr. Duval Lang: If you can funnel that to Calgary and Alberta, it would be wonderful, but I don't think that's possible.

The Chair: Okay. Thank you.

The next group I have is the Calgary Opera.

Mr. McPhee.

Mr. Bob McPhee (General Director and Chief Executive Officer, Calgary Opera): Thank you very much.

I'm here today as general director of the Calgary Opera. You will have received a submission from Opera.ca, our parent organization. As well, we are cooperating in the Canadian Arts Coalition brief that would have been submitted to the committee. And I think you'll be hearing from some colleagues of mine at the Manitoba Opera in your hearings in Winnipeg.

Today I'm not going to be putting out a lot of numbers or repeating things that are in those briefs that have been submitted. What I want to try to translate to you is what it means if the Canada Council sees an increase in funding, and how that translates to my company in Calgary.

I'm pleased to be with you this morning in Calgary. I value the opportunity to address you and explore ideas and recommendations that will stimulate and contribute to Canada's productivity. It's encouraging to me, as a Canadian, that we have the opportunity to share these ideas and identify ways to improve Canada's standard of living with our MPs.

As someone who addressed the committee last year on behalf of the entire performing arts sector in Canada, I wish to underline my thanks to the committee for its solid acknowledgement of the role that arts and culture plays in our country. Indeed, that was the committee's direction to approve *Tomorrow Starts Today* last year. We very much appreciated that within your last budget round of discussions.

The committee's strong endorsement of continued federal support to the arts and culture is important to us as we respond to what Canada Council chair Karen Kain has called the explosion of artistic activity across the country. Ottawa witnessed the breadth and scope of Alberta's arts scene earlier this year when the National Arts Centre presented *Alberta Scene*. Even for an Albertan steeped in the richness of this province's cultural life, the lineup last April was overwhelming and inspiring.

Filumena, soon to be Canada's most performed Canadian opera, opened the festival. A coproduction of the Banff Centre and Calgary Opera, this work exemplifies the depth of talent our country holds. Its success can be evaluated on both artistic and community terms. Critically acclaimed across the country and beyond, it enjoys equal success in galvanizing Calgary and Alberta around a story that speaks to the Canadian immigrant experience.

Filumena was innovative and forward-looking for Calgary Opera and indeed the entire opera section in the country. It was a risk, as all new ventures are, and like any industry, Canadian opera counts on public support to allow us to take the risks we need to create our own brand of opera, opera that resonates with the Canadian aesthetic.

The opera section cannot rest on the top five. While masterpieces like Puccini's *La bohème* and *Turandot* will always have a place in our hearts and opera's repertoire, it is the innovation of our companies that engages Canadians. In February Calgary Opera will present the Canadian premier of Jake Heggie's *Dead Man Walking*. This powerful work promises to engage our company and our community in a dialogue on many societal challenges facing us.

While this country has put to rest the question of the death penalty, the underlying societal factors influencing violence are exposed in this work, as is the responsibility of all of us in addressing them. Opera is a perfect and powerful vehicle for engaging our community and audiences in this important conversation.

Our decision to present *Dead Man Walking* was carefully considered. It, too, presents an immense risk to our company. While we expect to engage in important conversation in Calgary, we do so knowing that our financial underpinnings are on shaky ground.

Public support is crucial to allowing companies like ours to take risks artistically. These risks allow the opera sector and indeed the entire arts community to push the boundaries and to expand the conversation, all things critical to improving this country's productivity. Resting on our laurels is not an option for us. Finding the balance between pushing the envelope and responsibility is an art in itself to management. In Canada, the support provided to the arts through the Canada Council is critical in achieving this balance. With eroding federal public support of the arts, this balance is shifting towards risk-free, tried-and-true operations. It is not what innovation is about.

● (0850)

Compounding this dilemma is our inability to reach out to emerging Canadian artists and indeed emerging audiences. In *Dead Man Walking*, we will feature an outstanding cast of Canadian singers. They have each travelled a very difficult road to achieve the excellence they embody. Judy Forst, Kimberley Barber—I could go on—all carry Canada's flag high when they travel to perform.

In Canada, in a company like Calgary Opera, we do not have the resources to foster the outstanding Canadian talent our country boasts. Aspiring singers in western Canada have few options to further their careers, and they don't truly exist within my company yet. Similarly, eroding public support has all but eliminated vital programs like school touring. At Calgary Opera we reach out to young audiences in rural Alberta perhaps one or two weeks a year. In our view, this is not enough. The value of arts and music in fostering understanding among young people is well known. Its value in supporting academic achievement is also well documented. Companies like Calgary Opera—and, I'm confident, Quest Theatre and the Edmonton Symphony Orchestra—have so much more to offer Albertans and Canadians. We are keen to do so with adequate resources in place.

Arts organizations like Calgary Opera are the foundation of all artistic enterprise. We play a leadership role in our communities. With eroding funding from Ottawa, though, our potential is handicapped. We cannot play our part in strengthening the cultural pillar of the new deal, a central part of the vision of the government that has been articulated in Canada.

Calgary Opera supports the broader opera sector and calls for an increase in funding for the arts and the Canada Council of \$5 per Canadian. Indeed, arts organizations across the country are joining through the Canadian Arts Coalition to urge Ottawa to make this meaningful and important investment.

We are delighted that the Minister of Heritage, the Honourable Liza Frulla, is one of the strongest advocates in this regard. She has made it clear that increased funding to the arts in Canada is her priority. We salute her commitment and passion to our sector. With this support—an important gesture to truly demonstrate that the Government of Canada does believe the arts are a vital part of a productive and thriving community—we, too, can play our part to its full potential.

Opera, and art, is not a one-way street. The artists, the company, the community, and the audience all enjoy a multi-faceted relationship, and each is dependent on the other. The Government of Canada is a full partner in this, and we respectfully request that it assume its full responsibility as a partner through increased support.

We look forward to our discussion today.

• (0855)

The Chair: Thank you, Mr. McPhee.

I'm going to go to the Edmonton Symphony Society, and Ms. Calder.

Ms. Elaine Calder (Managing Director, Edmonton Symphony Society): Mr. Chairman, ladies and gentlemen, *mesdames et messieurs*, thank you for the opportunity to speak to this morning.

I represent the Edmonton Symphony Orchestra, one of Canada's professional regional orchestras. We work closely with our colleagues in the Edmonton arts community and, through Orchestras Canada, with our professional orchestra colleagues from coast to coast. Much of what I have to say to you today applies equally well to dozens of other companies across Canada, but my specific references will be to the Edmonton Symphony.

I am here this morning to offer the Edmonton Symphony's support to the Canadian Arts Coalition's request that funding to the Canada Council for the Arts be increased by \$5 per capita. This relatively modest amount of money would have the tremendous effect of doubling the funding available through the council to support Canada's artists and art institutions.

The beneficial impact of double funding would be threefold. First of all, it would enable our country's arts organizations to better serve the people of Canada in all regions. The Edmonton Symphony provides 80 concerts a year for the people of Edmonton in our magnificent concert hall, the Winspear Centre. This is an efficient, cost-effective way of reaching a lot of people, far more cost-effective than putting our symphony orchestra on a bus or plane and taking 56 musicians to far-flung communities. But that, of course, is what we should be doing.

[Translation]

Our concert next May, with Cape Breton fiddler Natalie MacMaster, would find an enthusiastic audience in Fort McMurray. We simply cannot afford to take performers there. Residents of Slave Lake, Hinton, Bonnyville and Lloydminster, who want to hear

Canadian artists perform with the Edmonton Symphony Orchestra, have to travel to Edmonton to do so.

[English]

We should be touring to these communities regularly, and we should be repeating our 1994 Northern Lights tour when we travelled to Grand Prairie, Fort McMurray, Yellowknife, Inuvik, and Whitehorse, taking orchestral music to Canadians for whom it was a fascinating first-time experience.

Secondly, increased funding to the Canada Council will enable us to provide more work for Canadian artists. Our colleges, universities, and *conservatoires* do a splendid job of training our country's talented young musicians, dancers, singers, and actors. Unfortunately, many of them are unable to find work in their chosen profession.

We don't need to create more companies to provide the necessary opportunities. Companies require infrastructure, management, boards, facilities, and audiences. One of the achievements of the past 50 years has been the establishment of many incorporated not-for-profit companies of all disciplines in Canada, and in all regions of the country. Additional funding for the Canada Council will enable the Edmonton Symphony to regularly perform larger orchestral works and hire more musicians.

[Translation]

The regional touring I mentioned earlier would provide additional opportunities for Canadian conductors and guest artists.

[English]

As well, increased funding would enable us to commission more works by Canadian composers. We demonstrated at our concert at the National Arts Centre in April, at the Alberta Scene festival Mr. McPhee spoke to you about, that Canadian audiences will jump to their feet in enthusiastic response to music written by contemporary Alberta composers.

Finally, increased funding would strengthen Canada's international role and reputation. Our orchestras and opera, theatre, and dance companies need to participate in international festivals. We need to tour internationally as well as in the regions, and not all of this has to be on the grand scale. New York City is not waiting for the Edmonton Symphony to play Carnegie Hall, at least not yet. But if the ESO toured south to Spokane, Seattle, and Portland, for example, Edmonton's attractions as a culturally vibrant tourist destination would become much more obvious to people living within an easy, and scenically magnificent, drive of Alberta's capital city.

• (0900)

[Translation]

For reasons no one can explain, Canada contributes more than its share of artists on the world stage, creators and performers with international reputations and careers like Isabel Bayarakdarian, Ronnie Burkett, James Ehnes, Marc-André Hamelin, Ben Heppner and Robert Lepage.

[English]

We are proud of them and of their success, but we need to see and hear these artists in Canada as well as on the world stages. Increased funding to the Canada Council would help our regional orchestras and dance, opera, and theatre companies afford international fees, so that people right across Canada, and not just in the major central cities, could regularly enjoy their artistry.

There is one more important reason for the federal government to increase its support to the Canada Council. This is the funding that supports production, performance, and dissemination: the real work of artists and arts organizations. It is funding as well that enables us to pay our utility and insurance costs and staff our facilities. We have recently seen massive capital investment in arts institutions, particularly in Toronto.

[Translation]

But new facilities come with a heavy burden of overhead costs, and an expectation from the community that they will be used as much as possible.

[English]

Operating costs increase as companies take on the responsibility of maintaining what are essentially civic buildings. The recent emphasis on new facilities has placed heavy demands on the private sector. All arts organizations in Canada rely on a combination of public and private funding, as well as earned income, in order to balance our budgets. Canadian arts organizations are engaged in heated struggles for private sector donors to support building campaigns, endowment funds, as well as annual operating costs. Not surprisingly, the opportunity to name a building or create a permanent fund is often more attractive than the need to support overhead costs.

At the Edmonton Symphony, 25% of our budget comes from government support at all levels, including the Canada Council. For the past three years, we have received \$695,000 from the Canada Council to support our \$7 million budget. During that time, when that funding was frozen, our operating expenses increased, especially utility bills and insurance. It is hard to keep pace with inflation when 25% of your revenues are flatlined year after year.

[Translation]

As a result, two groups of people are most affected: audiences, who are asked to pay ever higher prices for their tickets, and artists and staff members, who are required to accept the same levels of compensation year after year after year.

[English]

In our case, musicians and staff went for four years with their wages frozen, while ticket prices increased by as much as 15% over the same period.

Earlier this year we applied to the Canada Council for a new three-year operating grant. We were awarded \$697,000, or \$2,000 more a year—a token increase of three-tenths of 1%. They wanted to give us more, but they did not have the money.

The last time we received a significant increase was in 2000. At that time we were given \$200,000, on condition that it be used for educational programs. We were happy to comply. For the last six years we have been providing a wide variety of high-quality music education programs and concerts under the direction of a full-time education coordinator. Over 25,000 children a year are engaged in our programs, and we believe their lives and educational experience are enriched as a result.

The Canada Council is funded with tax dollars by Parliament. A significant increase for special programs designed to implement clear cultural policies and priorities would help to ensure a high level of accountability and trust.

The council's fiftieth anniversary will be celebrated in the year 2007. The impact of federal arts funding on our country over those 50 years has been extraordinary. We are fortunate to have highly professional orchestras and opera, dance, and theatre companies across the land in all provinces and territories, alongside a strong visual arts and media arts community and literary culture, reflecting not only our two founding nations, but also increasingly our vibrant multicultural diversity. Canadians of all incomes and ages participate in arts and cultural activities with passion, intellect, and curiosity. Canada's arts and cultural organizations, large and small, operate with ingenuity, putting their limited dollars to work with extraordinary results.

[Translation]

It is hard to think of another industrial sector that could put \$ 150 million to such effective use, creating so much economic activity and directly benefiting so many Canadians.

• (0905)

[English]

Today the Edmonton Symphony Orchestra adds its voice to the Canadian Arts Coalition. We believe it is time for Parliament to celebrate the contribution of the Canada Council for the Arts, and renew its support for the federal government's chief funding agency for the arts, with a meaningful permanent increase to Canada Council's annual appropriation.

Again, thank you very much for your courtesy in hearing this presentation. I would welcome any questions you may have.

[Translation]

I must tell you that I will be able to answer your questions in English only. I understand French but it is difficult for me to understand and formulate ideas at the same time.

Thank you very much.

[English]

Thank you very much.

The Chair: Thank you.

From the Canadian Association of Petroleum Producers, Mr. Hansen.

Mr. Craig Hansen (President and Chief Executive Officer, Zargon Energy Trust, Canadian Association of Petroleum Producers): Good morning, members of the committee. My name is Craig Hansen, and I'm the president and CEO of Zargon Energy Trust. On behalf of the Canadian Association of Petroleum Producers, I also chair the CAPP fiscal policy executive policy group. With me is CAPP's president, Mr. Pierre Alvarez.

I'd like to thank the committee for coming to Calgary and for giving us your time this morning to talk about CAPP's perspective on what should be in the next budget.

The Canadian Association of Petroleum Producers represents 150 companies that explore or develop and produce natural gas, natural gas liquids, crude oil and oil sands, and elemental sulphur throughout Canada. CAPP member companies produce more than 98% of Canada's natural gas and crude oil. CAPP also has 125 associate members that provide a wide range of services that support the upstream crude oil and natural gas industry.

I'm sure you've all heard something about the strong hydrocarbon commodity prices this year. Because of these unusual circumstances, we see our total industry revenues in 2005 at just over \$100 billion. It's important to note, however, that almost 90% of this revenue is injected back into the Canadian economy. It will help nurture some \$37 billion in capital investment activity from coast to coast this year, making the Canadian oil and gas industry the single largest private sector investor in Canada.

In addition, governments at all levels are benefiting. Some \$20 billion will find its way into the federal and provincial coffers in the form of royalties and taxes. Municipal property taxation and fees just add to our industry's impact at the local community level.

The benefits of our industry are widespread. For instance, the Canadian Energy Research Institute's study on the economic impact across Canada for oil sands development showed that the federal government receives the largest single percentage of government revenues accruing from oil sand development. Provincial governments outside of Alberta and related municipalities are also significant beneficiaries.

The industry's impact is felt not only in capital investment and government revenues, but in high-skilled jobs. Half a million Canadians rely on the petroleum industry for their livelihood.

CAPP strongly supports the finance committee's focus this year on productivity. We agree that increasing the productivity of Canadian

business is a key component to increasing the standard of living for all Canadians. Our written comments in the pre-budget submission address specifics in the three areas of interest to this committee, namely, entrepreneurial capital, human capital, and physical capital.

The Canadian oil and gas industry is recognized by Industry Canada and others as one of Canada's most productive industries. Our level of capital investment keeps us on the cutting edge. In order to keep attracting these high levels of investment dollars, the federal government needs to ensure that its fiscal structure remains competitive and attractive.

Given the importance of the United States to Canada, both as our largest export market and a source of investment capital, it is imperative that Canada's tax rates are attractive when compared to those of the United States or other jurisdictions in order for capital to be invested in Canada. Here, I also mean making it attractive for Canadian capital to stay in Canada, as well as for foreign capital to come here.

Industry sources of capital are highly mobile. Investors seek the best investment returns they can find anywhere in the world, wherever that may be. Attractive fiscal structures in other jurisdictions are one reason why Canadian companies are investing more abroad. Companies based here in Canada are actively exploring for and developing oil and gas in 125 countries around the world. This year alone, Canadian companies will spend \$5 billion. I think this highlights the need to make sure that capital continues to be attracted here.

Canada is a high-cost jurisdiction for oil and gas. Finding and development costs rank among the highest in the world. This dampens returns to capital and makes it harder to attract investment. John S. Herold's *2005 Global Upstream Performance Review* compares five-year and one-year returns on cumulative capital costs by region and by country. With this, Canada ranks well behind the U.S., Europe, Africa, the Middle East, Asia-Pacific, South and Central America. Essentially, it ranks behind the rest of the world, all the more reason for the fiscal system to maintain and enhance its competitiveness to help continue to attract capital.

● (0910)

Although higher cost, Canada's reserves and production are world class. Canada is the third largest natural gas producer in the world. Our crude oil production ranks ninth in the world and our oil reserves rank second only to Saudi Arabia.

In order to continue developing these reserves, industry is dependent on a highly skilled workforce, both directly and through our contractors, that is resident throughout our country. The robustness of the Canadian economy is showing itself in one of the lowest national unemployment rates in decades. This is acutely felt in certain parts of the petroleum industry as large capital projects vie for trained and skilled workers.

Industry and government have taken several steps toward addressing long-term labour force needs. In Alberta, for example, the industry leads the country in apprenticeship training. Human Resources and Skills Development Canada provides partial funding for the Petroleum Human Resources Council, a national collaborative forum to address human resource issues in the upstream industry. The council is busy promoting careers in the industry, accessing the non-traditional workforce, and addressing skills development and workforce mobility.

What the federal government can do is provide expanded support to the Petroleum Human Resources Council; support more trade, technical, and professional training; and assist in the strategies to address current and future labour force shortages.

All of these issues have a direct impact on the cost structure and productivity of our industry. The competitiveness of the industry is partially determined by our cost structure, which includes taxes, wages, and salaries. As mentioned before, despite the intensive and successful use of creative high technology, Canada remains a high-cost country for oil and gas development.

Finally, all industry needs a high-quality public and private infrastructure in order to flourish. For oil and gas this includes roadways and pipelines to access well pipes and transfer production to gas processing plants, refineries, and end markets. As reserves become harder to reach and more remote, the existence and condition of roads and other infrastructure has a direct impact on our finding and development costs.

CAPP would like the federal government to continue to work with the provinces to ensure that public infrastructure such as roads, schools, hospitals, and access to a land base is not a constraint to continued economic growth.

In summary, Canada needs to continue to encourage industries like the oil and natural gas industry that are a significant contributor to what Industry Canada terms are the three main drivers of productivity growth—namely, trade, investment, and human capital formation. The Canadian oil and natural gas industry supports the federal government's objective to create an attractive business climate in Canada. The economic activity, capital investment, trade surplus, productivity, and high-tech, high-level job formation of the industry are directly aligned with assuring greater levels of national economic prosperity.

Mr. Chairman, members of the committee, I want to thank you for your time this morning. Pierre and I look forward to answering your questions later on.

The Chair: Thank you, Mr. Hansen.

We're doing well on time, so we'll go to first round for 10 minutes, and then we'll see.

Mr. Penson, do you want to go first?

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

Maybe that will give us a little more time to explore some of these topics.

Thank you to the panel for coming this morning.

Mr. Lang, I take note of your request to have five-year income averaging. I think that's a good provision. We have had it in the past. For self-employed people it gives them a chance to even out some of those spikes, and I certainly support your request there.

I'd like to talk to CAPP in particular this morning. My riding is Peace River in Alberta, in the Grand Prairie area. We're certainly experiencing the good and the bad of what's happening in the growth in your sector, but I do want to say first of all that this should be regarded by all Canadians as a good news story. This industry is doing well. It's a resource that we can further develop if we get the investment we require to do that. I support your proposals for better return on investment, and those things that are inhibiting that, such as high taxes, certainly need to be addressed.

I do want to come to the point of how we're getting into a little bit of conflict on cross-industry problems—and I know you know what I'm referring to—with the softwood lumber talks, where we're saying we're going to play the energy card if they don't cooperate with us in the United States. First of all, I wonder how realistic it is that we would diversify to China and India. I'd like to hear your thoughts on how concerned you are about that sort of association.

● (0915)

Mr. Pierre Alvarez (President, Canadian Association of Petroleum Producers): Thanks very much, Mr. Penson. I can make a couple of comments on the cross-industry side.

We do a tremendous amount of work with our industries, as you know—forestry, coal, and others—and an enormous amount of cooperation goes on. In the specific case of softwood, and I would add BSE, we ourselves are active in those communities directly. We know exactly what pain those workers are going through and the challenges those companies are going to have. If any industry understands the challenges of borders being closed, our employees do, and their families do, because they live in those communities. That said, as we've said publicly, linking the two is not something that we think is productive. In fact, it would be very counter-productive.

When it comes to diversifying markets, I think any industry is interested in diversification of markets, but diversification means many different things in our context. Just to give you an idea, although historically most of the U.S. exports have gone into the Chicago market, we're now seeing the development of pipelines that will reach the U.S. gulf coast for Canadian production. That does give us a very different market from what we've had historically, which helps, because we've been bottlenecked at Chicago.

When you look at diversification to the far east, you are talking about something that's going to take a long time. The earliest we could see large-scale pipeline capacity to the west coast would be five or six years. Just the approvals and construction process would take that long. So it will be a long time before it comes.

I also think it's important to remember that if there is a pipeline to the west coast, it will be picked up by tanker, and it could go anywhere in the Pacific market. It could be China, it could be India, it could be California, it could be Seattle.

These are issues that are being worked on right now. Industry is spending a lot of time looking at what to do with the increased production, not only at Fort McMurray but also out of your own riding now, with some of the exciting announcements that have come out of the Peace River area. I think in the next 12 months or so we'll have a good sense of where producers want to ship their product, but at least for the next little while, the majority of the product is going to stay in Canada and the northern interior of the United States.

Mr. Charlie Penson: Mr. Alvarez—I'm sorry to interrupt you, but our time is short—what I think I hear you saying is that the market rather than the government will determine where the product would go, because it's just a natural function of markets to do that. Is that correct?

Mr. Pierre Alvarez: Governments got out of the business of determining market destinations 20 years ago. The result has been a tripling in size of the industry. We think it's worked well, and we think it should stay that way.

Mr. Charlie Penson: I'd like to move to the other part that I'm concerned about, and that is anything that hurts investment opportunities. We heard a lot at committee—and not just this year, but other years as well—that the tax on investment, if you like, is one of the reasons our productivity is not as high as that of some of our competitors. Because capital is mobile, it will go to where the best returns are.

If you had a single request for what this government should do this year, whether it be reduce the corporate income tax, put your industry on the same footing on the corporate tax level, capital cost allowance, or whatever, where would you come down? I know that's a tough question, because there are so many things, but we do need some direction here.

Mr. Pierre Alvarez: As you are well aware, there was a long dispute about the tax rate. We did resolve that three years ago, and I think we're on a track that we'll see that dealt with in the next 14 months. I think we accept that there are a number of provisions that are kind of phasing out at the same time, I think, so that would remain.

In the very short term, it would be the elimination of the corporate capital taxes. Beyond that, I think it would be to make sure that the oil and gas industry is treated on an equal footing with every other sector.

• (0920)

Mr. Charlie Penson: The next area I'd like to move to is one that is putting a lot of pressure on the industry, on all industry, and that is the shortage of workers. You identified it, and we certainly see it in our area, where there isn't a business in my home town that doesn't have a sign up looking for help, and high-paid help. It's not just affecting the oil and gas sector, it's affecting everybody, including the service industry. We're all competing.

Do you have any suggestions on what can be done here? I know you talked about better training, but is there an immigration

component here that we should be looking at as well to try to supplement that workforce?

Mr. Pierre Alvarez: I think you're quite right that this is multi-sector. The economy of western Canada is on fire, whether it's coal, lumber—despite their problems on the export side—transportation, potash, or uranium. They are all going extremely strongly, so it is a problem across the sectors.

The biggest challenge for us right now is that it's not just one slice of the industry, not just skilled labour; it's right through to professionals, right through to municipal infrastructure, the whole piece. I think the number one thing—and you'll hear from the sector councils today—is that we need to get the federal government, the industry, and the provincial governments to recognize that the commodity cycle is probably in for a long and positive run, and we need to structurally reorganize how we look at some of these jobs. The province has stepped up. With 10% of the population, we produce over 25% of the apprentices in Canada. We need to expand and diversify that, but I think that's going to require both levels of government, and industry as a whole, just to increase the numbers.

Immigration may have a small role, but our view has always been that you hire local first, you hire within the province second, and you hire from Canada third. After that, immigration may have a role, but it is at the margins.

Mr. Charlie Penson: Mr. Alvarez, what if people in other parts of Canada don't want to move to where the work is? What if they'd rather stay in their community and collect EI?

Mr. Pierre Alvarez: That's where we are very active. We're very active on the new accelerated immigration for specialized trades. Fort McMurray is accessing that quite a bit. We are labour-short; we are skilled-short. Immigration is a piece of it, there's no doubt about it.

I think overall we're also going to have to look at how we get more young Canadians back into the resource industry. They got obsessed with the dot.coms. We'd like to see a few of them come back.

Mr. Charlie Penson: A few years back, I was saying the same thing to the mining industry, that they were regarded as an old industry and nobody would be too interested in them. It was all the new technology industries that had the buzzwords. It's very strange how things have switched now. The resource industry is doing very well. The point made by the mining officials was that they are a high-tech industry, and I know you would regard yours in very much the same way.

Mr. Pierre Alvarez: We do indeed.

It makes me smile when I see a large leading paper talk about Alberta leading the country's R and D spending spike: "Energy boom has companies freeing up cash for R and D". That's the kind of thing that brings young people back into the industry.

Mr. Charlie Penson: Thank you.

The Chair: Thank you, Mr. Penson.

Mr. Bouchard.

[*Translation*]

Mr. Robert Bouchard (Chicoutimi—Le Fjord, BQ): Thank you, Mr. Chair.

Thank you to each and everyone of you.

My first question is directed to the delegate of the Calgary Opera. You talked to us about the benefits music bring and the fact that music is a perfect means to converse with the audience. You also said that the support of the Canada Council was vital for the development of music and that it fostered the development of talents in Canada. As your colleague did, you also said that 5 \$ per capita would be a relevant amount. Have you thought about alternative funding methods?

Of course, grants may be preserved. I think of tax credits which would accrue to a business who buys a creation, since we are talking about arts. It could be a work of art, a theater play, an opera or a painting or another type of creation. The business or the individual that acquired such a work would be entitled to a tax credit. This would necessarily create a state-oriented momentum that would foster links between people interested in arts and businesses.

•(0925)

[*English*]

Mr. Bob McPhee: Thank you very much for the question.

I think it's fair to say that all of the arts sector has considered other aspects of achieving funding sources from the private sector. Indeed, the Canadian Arts Coalition has done a great deal of advocacy in terms of the rate for tax-deductible charity donations. It's a much broader issue than just the arts community, though, when you start playing with tax benefits from charitable contributions, and it crosses over into health and into education and all religious donations, everything. I think that's an issue that has been addressed many times through umbrella organizations of the arts, but to limited success, because it opens a huge area within the whole tax aspect of this country and the government.

In terms of corporate support to the arts and, as you referred to it, buying or sponsoring aspects of our production, I think that's something we very much work constantly on achieving from the corporate community. The reality is, statistically in Canada, corporate support to the arts is on a decline. One can ask, why is it on a decline at a time when some of our corporate community is showing its greatest profits ever? In many cases it's on a decline because of the pressures that are being put onto those corporate communities to fund charitable aspects of the health and education parts of society.

We're seeing that the growth in charitable giving now is from individuals; it is not from the corporate community. With all respect, we appreciate their support, but it is not a growth area for any part of Canada at this point.

So we turn to the individuals and look for their charitable contribution to our art form. Again, it comes into the tax issue we

deal with nationally. A charitable contribution of \$200 only reaps about 29% in terms of a real tax benefit. It's something we're advocating, but it's a far broader issue than just the arts community; it's a health issue, it's an educational issue, it's a philanthropic issue in our whole country.

•(0930)

[*Translation*]

Mr. Robert Bouchard: Thank you.

I will now direct my questions to the Edmonton Symphony Society's representative. You have mentioned that the support coming from the Canada Council is not increasing, that the funding has been capped at 25 per cent for years and that you received a very small increase of \$2 000 . Obviously, you are asking for more funding from the Council.

I represent a semi-urban riding outside the major centers in Québec. A number of organizations have brought to my attention the fact that more money goes to the main centers. I would say your company belongs to a major center and receives government funding.

Do you think we should support the companies who work in the opera, musical comedy and artistic sectors or rather assist bigger groups like yours, which could go on tours, as you mentioned?

[*English*]

Ms. Elaine Calder: Thank you for the question.

I should do a little bit of clarification. Twenty-five per cent of our budget comes from all levels of government; in fact we receive 10% from the Canada Council, 10% from Alberta, and about 5% from our city. In the Edmonton Symphony's case—I'm referring back to your question to Mr. McPhee—we get another 25% of our budget from the private sector, from the kind of sponsorship and individual support you so thoughtfully suggest should be a part of our activity and would provide another source of revenue for us; we are doing that. Then 50% of all our moneys we actually earn by selling tickets to our concerts, so it's 50% earned, 25% from government, and 25% from the private sector, from individuals and businesses. Ten per cent of it all comes from the Canada Council.

I absolutely understand what you're saying on behalf of the organizations in your semi-urban region; they look to the larger centres. We in the west tend to look east and see, we think, a disproportionate amount of money being spent in the two central provinces. We all look at one another and say, he's getting more than I am.

I think one of the great advantages of the \$5-per-Canadian increase to the Canada Council is that it would provide sufficient money for the council to adequately support all organizations it is currently supporting. The increased funding would go not just to the Edmonton Symphony or Calgary Opera but to smaller companies right across the country.

The one thing I go out on a limb and say is that we do not need to increase the number of companies and organizations. We have created in this country over 50 years a very healthy infrastructure of companies in every region, working in both languages and reflecting multicultural diversity. If we keep creating new companies, we have less money for arts and we spend far too much money on buildings and insurance and operating costs and all that kind of thing.

So it's money for art and money for all regions.

● (0935)

[*Translation*]

Mr. Robert Bouchard: My last question will be for the representatives of the Canadian Association of Petroleum Producers. You know that the hydroelectricity industry is a major sector in Canada, especially in Québec, where it developed more than in other provinces. This industry does not get any support as opposed to the nuclear energy, gas and oil industries who get government subsidies. The federal government seems now interested in supporting alternative energy, like wind power.

Are you in favour of the federal government granting subsidies to alternative sources of energy, like wind power, since oil reserves will eventually be depleted? Everybody knows that at some point there won't be any more oil. Of course, I don't want to minimize the importance of the oil industry. I think this is a major industry and I know that a million Canadians work in this area. However, I would like to know what you think of the other sources of alternative energy.

[*English*]

Mr. Pierre Alvarez: Merci beaucoup, Monsieur Bouchard.

For those who are interested, there is an interesting article in today's *Calgary Herald* about Quebec oil production. There is a small producer that is creating a little bit of a stir in Quebec. So we now have members in the province of Quebec as well.

As a point of clarification, the industry does not receive subsidies. Those days are over. It's behind us, Mr. Bouchard. We've filed, and I'm happy to send to you again, a submission that we did some time ago. The days of subsidies are over. So I'll set that aside.

As far as alternative energy is concerned, the oil and gas industry members are probably the biggest investors and developers of alternative fuels, not only in Canada but in the world. The majority of wind production in western Canada is by either oil and gas companies, pipeline companies, or coal companies. We're already there with very significant dollars. We greatly encourage investment in alternative fuels, because if we can find alternatives to consuming all our own product, we'd love to do that and sell it to third-party customers.

So in regard to R and D, with a focus on renewables and alternative forms, absolutely, but the one qualifier we have is that we'd prefer not to see that introduced where it is a subsidy in the marketplace. We think the consumer should be facing the real costs of the products. So I think it is important the way that government support flows, but we are not at all concerned. In fact, we would encourage the development of new technologies, and we'll be the first consumers.

● (0940)

The Chair: Thank you, Monsieur Bouchard.

Mr. Holland.

[*Translation*]

Mr. Mark Holland (Ajax—Pickering): Thank you very much, Mr. Chair.

[*English*]

I want to thank the delegates for coming today and for their presentation.

I'm new to the committee, but I have had opportunity to review some of the documentation, in particular the submission being put forward by the Canadian Arts Coalition that three of the delegations are supporting today. I'll address that quickly, if I could. I do have some questions.

Let me start by saying that in general I'm very supportive of the notion of extending \$5 a person across Canada. I think a tremendous benefit can be gleaned from that. I hear regularly from my father-in-law, who is a cinematographer, why it needs to be done.

I have a quick thought on that before I move to a question. You mentioned in your presentation that for every dollar the government puts into arts and culture, it returns about \$6 into the economy. One of the things that I think would be helpful—maybe it's there and I simply haven't seen it, but you'll have to excuse me if I haven't, as I am new to the committee—is the opportunity to leverage those dollars and exactly how that would manifest itself. Making that a little clearer, I think, would help your submission greatly. People would have a clearer understanding of not only the benefits to the arts community but the benefit it would have more broadly in the community and how that multiplier effect actually plays out in real terms.

The first question I have has to do with income splitting. I know you're requesting it. You may not be able to answer this, but the first thing that comes to my mind is, what's the cost of that? Obviously, as Mr. Penson was mentioning, the applicability of this, then, to other sectors would be very difficult. It would be very difficult to apply it to one group of self-employed people and not to others. I guess probably even more so than its cost to your industry would be the cost of the application of that across the board.

It's an interesting notion. I can certainly sympathize with the reasons for it. Being self-employed can often be a boom and bust affair.

I'd be very interested in those figures. I don't know if you have anything on that, or perhaps that's something I'll leave for another time. I'm not seeing anybody jumping forward with an answer.

Mr. Duval Lang: I don't have any figures. I think there has to be a distinction between self-employed creators as determined by Revenue Canada with regards to individuals who work in the arts, cultural creators.... The measurement tool does not apply to workers in the cultural sector as it is applied to a self-employed individual who is a carpenter, for example. I don't have any figures, but in my opinion, there should be a distinction between the cultural sector and the private sector, if you will, with regards to self-employment.

Mr. Mark Holland: That makes sense. I'm only saying there may be specific applicability of different provisions for those who are in the arts and culture sector. I'm simply making the point that if we're going to apply it to self-employed people, then we're going to have to do something for other people who are self-employed as well. As that is such a growing segment of the people who are employed or who work generally, there may be significant ramifications for that.

I think we have to fully think that one through before I could indicate support one way or another.

To the petroleum sector, again, thank you for your presentation. Perhaps I could go to a couple of questions, and I am cognizant of the fact that I don't have a lot of time because there are other colleagues who have questions.

On the oil sands, I get a lot of conflicting information about at what point the oil sands become economically viable, given today's technology. I recently heard that per barrel oil prices being what they are today, you have sort of achieved a point at which now they are in fact viable. The question would be, if they're economically viable today, and you're talking about the need for enhanced research and development, essentially, enhanced research and development would be driving additional profitability at today's level, would it not?

Mr. Pierre Alvarez: Mr. Holland, to give you some idea of the economic viability, capital investment in the oil sands would be somewhere between \$4 billion to \$6.5 billion a year for each of the past few years and expected to continue. That will see production go from one million barrels a day to over two million barrels a day in the next ten years. So I would say viability is there. If you're looking for rule of thumb on fully upgraded barrel of oil sands production, let's say the break-even is in the mid-twenties, depending on gas prices.

The big issue on research and development is twofold. One, the actual oil sands reserve is about three trillion barrels in place. We've only booked 175 billion barrels of that, because that's the limit known technology and economics would allow you to develop. So we have a lot of room on that side. I think the second big piece on the research side is to continue to improve our environmental performance. We'd like to greatly reduce the amount of energy we consume, thereby the emissions we release per barrel of oil production. We'd like to continue to reduce the footprint, we'd like to continue to reduce water consumption, and those kinds of things. Yes, it's partly on the economic side, but I think just as much it's on the operating and environmental side.

• (0945)

Mr. Mark Holland: That next area I think is very important, and it leads me to the next question I want to go to.

I know you referenced the unusual circumstances that were driving the higher prices in commodities this year. Probably the

reality is that we're going to have fairly robust activity in the commodity sector, as you recognize in your presentation, and we're going to see higher oil prices for some period of time. Obviously there are some gyrations there, but the general view is held that the farther out in time we go, the more expensive oil is going to be.

One of the things I'd be interested in is the importance of productivity. You touched on it a little bit, but I'd be interested in your expanding upon it, because I think it's critical, and I'm glad you referenced it. I think it's very important, and I think it's very important to members of this committee. I think you'll be seeing it in the budget document that's tabled.

Beyond the three factors you hit upon on how to increase productivity, sustainability is obviously a very big part of productivity. It's important to get our consumption of petroleum to a level where it is in fact sustainable—not just in terms of environmental sustainability, but also in terms of sustainability of the resource—because ultimately we have to guard against a world that uses up all of its reserves.

I'd be interested in what your association is doing in that regard, given the fact that the further we go out—and you said this in your presentation—obtaining new oil reserves becomes more and more difficult, technically challenged, and expensive. What are you doing in the area of sustainability, if you could address that, beyond the couple of points you addressed briefly?

Mr. Pierre Alvarez: Sure. Regarding my comment on commodity prices, I would argue that while many people see oil going up, I think if you talk to copper, potash, uranium, coal, and others, you see a commodity growth here, not just in oil—although we certainly do attract our share of the attention.

Sustainability is a hugely important issue that we're focusing on. As we become more and more busy, the impact on the land and on community increases, so we have to be mindful of that. We are very focused on minimizing the footprint in a whole range of areas, whether it's reducing the size of seismic line; or flaring in the province of Alberta, for example, which is off by over 70% over the last five years; or 95% of water is recycled in the oil sands; and things like that.

It may interest you that one of the things we do is publish an annual stewardship report on the environmental performance of the industry as the whole. We collect and benchmark data on water use, safety, air quality, flaring, reclamation, remediation. We do that not only to inform the public and the communities we're involved in, but so companies can benchmark themselves against one another. In fact, our program has now been adopted by the world petroleum industry as the benchmarking standards they will be adopting around the world.

It's a big job. The markets are calling for more supply, and I think we're up to that. But you're right, we have to do it in a sustainable way. I think we're up to that as well.

Mr. Mark Holland: I really want to underscore that point.

I do agree that natural resources in general, and petroleum and oil specifically, are going to be a big driver of growth in Canada over the next while, and I think that's a good thing.

We're talking about huge revenues, and you said \$100 billion this year, with 90% going back to the economy. But roughly a little more than \$10 billion is engaged elsewhere that we're going to need your continued help on. I think it's a pervasive concern because the temptation is...., We talk a lot about higher gas prices, and obviously those concern us all. They have a very real and meaningful impact on people at the pumps.

But getting real long-term relief to higher gas prices is going to require substantively changing the way in which we address energy and utilize fuels. Again, we're going to need your help on that. I know it's an important issue for the government, and I wanted to underscore it.

● (0950)

Mr. Pierre Alvarez: I would add to both your points, Mr. Holland, that the biggest challenge we have in this country is consumption. Energy demand—not just oil but natural gas, electricity, everything else—has gone up by 1% to 2% each year in the last number of years. The greatest growth in consumption in Canada is domestic transportation use. We have a real challenge here. I think industry is part of it, but we all have to get our hands around it. It's about basic consumption, and we'll be happy to work with you on that.

Mr. Mark Holland: There's no question about that.

As a very last comment, Mr. Chair—I know you have other people to go to—that's precisely the point. I'm working very closely with General Motors in my area, the Toronto area, trying to develop ethanol capacity in their entire fleet, and to do other things.

So it's sectoral, and every sector has to do its part, but I wanted to underscore its importance.

The Chair: Thank you, Mr. Holland.

Ms. Ambrose.

Ms. Rona Ambrose (Edmonton—Spruce Grove, CPC): Thank you, Mr. Chairman.

Thank you to the presenters for being here today. It's wonderful to be back in Alberta and to see all of the pioneering and entrepreneurial spirit of Albertans. I know that's alive and well, particularly in the arts community in Edmonton.

I have a question for each of you, but I'm going to show my bias as someone from Edmonton and go straight to Ms. Calder. Thank you for being here and for being such a champion of the arts community in Edmonton.

I also want to commend our mayor, Mayor Mandel, because I know it's a priority for him as well.

I know you're asking for a \$5 per capita increase, and we've heard that before, but I have a few specific questions for you in relation to how this affects our community. I'd like to know, first of all, how much that equates to in total funding. I'd also like you to explain to me if per capita funding through the Canada Council for the Arts is the best way to fund the arts community—in our region at least, because I know there is a difference. I know you were talking about the importance of strengthening Canada's international role, but I also think about just our regional role. In our local arts community a lot of people see the opera almost as something elitist, as something that doesn't belong to them or something they don't have access to because they have to travel to Edmonton or Calgary. As you said, it would be nice to be able take the orchestra or the opera to different places around Alberta; that's really important for our youth. I know Mr. McPhee talked about health and education, but arts is just as important a component.

It's obviously a vicious circle. You're saying that their corporate community is contributing, but you need individuals to be aware. How are they going to be aware if we can't get the arts into their local communities? So what is the best way to get that funding? Is it per capita funding, or is it through other granting mechanisms?

I've looked at some of the funding on a regional basis, and I'm by no means trying to point out any western alienation here, but there is a lot more funding going to other regions than to the west. Why is that? Is it because we don't have an arts community that's as vibrant, or is there some other reason? I wonder if you could address those issues.

Ms. Elaine Calder: I'll try, and I'll maybe work backwards.

It's certainly not because our arts in the region are not as vibrant. I think we demonstrated that in Ottawa with the Alberta Scene festival.

I am quite new to Alberta. I lived in Ontario for many years and always looked at Edmonton in astonishment, at the amount and quality of the arts work going on in the community there. It's extraordinary. So it's not because we're not vital.

But yes, we are 10% of the population and we are not getting 10% of the national funding at present. I think there are complex reasons for that. Perhaps this is not quite the place to go into it, but I'd love the chance to talk to your further.

Increased funding of \$5 per capita for the Canada Council would translate into about \$150 million, which would effectively double the Canada Council's budget for arts funding.

Is it the most effective means of supporting the arts across the country? It's certainly been in place for 50 years. There's an established mechanism for evaluation, for assessment, and for the criteria used to evaluate who should get what and how much. I think it probably is the most effective means.

Ms. Rona Ambrose: So the \$150 million would be the total, but do you know how much our region would receive? You were saying that we don't necessarily receive the amount we're supposed to now, for other reasons.

• (0955)

Ms. Elaine Calder: Alberta represents 10% of the population, and it's not receiving 10% of Canada Council funding. Canada Council does not simply take 10% of its budget and say, this is for Alberta. So we have to compete with companies across the country within our own discipline.

Ms. Rona Ambrose: How much do we receive, do you know?

Ms. Elaine Calder: We get about 8% of Canada Council funding.

Mr. Bob McPhee: I think some of the issues in the imbalance are historical. The companies in existence 50 years ago when the Canada Council was initiated with a \$50-million initial appropriation have historically been getting that chunk. We're young companies out here and haven't had significant increases from Canada Council to make those adjustments historically. It's not strictly a per capita slice that comes to our province.

So you have the 50-year-old Edmonton Symphony competing against the 100-year-old Toronto Symphony, which has been receiving funding at a certain level. Yet the pool hasn't grown, so there's no way to redirect funding without taking away from someone else. Do you take away and hurt a company to help a new burgeoning company? That's the balance issue.

Ms. Elaine Calder: Right. And the \$5 per capita would not say there are three million people in Alberta so there's \$5 a head for them; it's \$5 a head for all of Canada that goes into the pool and is then distributed.

The historical imbalance is something we will be arguing very strongly: that we need to bring our younger companies up to the level of the—

Ms. Rona Ambrose: That is the point I wanted you to make, because I think the committee thinks this means it is per capita funding and that it's distributed that way, but it's not. There is an imbalance, and it has existed. So we—

Ms. Elaine Calder: And we want to see that addressed.

It also gives us a chance to leverage with, in our case, the Province of Alberta, which has not increased funding to the arts really in 18 years. If there's a tremendous infusion of support from Canada Council saying, "Our country recognizes the value of what you are doing", it becomes harder for the province to ignore the contribution we are making to this region.

Ms. Rona Ambrose: Thank you for making that clarification. I think it's important.

The Chair: Ms. Ambrose, Mr. Lang would like to—

Mr. Duval Lang: I just want to add to what both Elaine and Bob have said about historical inequities.

Having sat on several Canada Council juries, I can say it always comes down to the crunch, that we would like to be able to correct historical inequities if we had more money.

Ms. Rona Ambrose: Do I have more time?

The Chair: Yes.

Ms. Rona Ambrose: I want to direct a question to Mr. Hansen and Mr. Alvarez.

You talked a bit about this report that came out recently outlining that two-fifths of the total tax take from Alberta's oil sands, in particular, is going to go to the federal government. That's obviously a great deal of money contributing to the economy, and we see a lot of economic power shifting to the west now. I think this is a really important point to make, because I think it dampens some of the rhetoric going on that pits region against region.

I think you very succinctly said sectors are working together. I think it's really important politically that we work together as well, and this is one of the ways we can do it: making sure that all the regions understand the contribution your sector is making to the... I think the report I was reading was showing that what will go into the economy over the next 20 years equates to 41% of the total \$123 billion, between the years 2000 and 2020. This obviously goes to Ottawa. It goes into all kinds of good social programs, important social programs for all Canadians, and through the equalization formula.

One of the arguments and criticisms of the industry is that we do not collect enough royalties and that enough money doesn't stay in Canada compared with the case in European countries such as Norway and Sweden. I wonder if you could address that. Obviously you're contributing a lot to the economy, but there is this argument as well.

Mr. Pierre Alvarez: I'd be happy to address it.

The second study we referred to, the J.S. Herold study, does a third-party one- and five-year benchmarking comparison in terms of ultimate return to industry from their investments in Canada versus other parts of the world. It shows that we are in the bottom third of that list. So it is very clear that this is a very tough place to do business. You can't compare a 10-well-a-day program in Alberta to an average production well in a 10,000-, 20,000-, or 30,000-barrels-a-day project in many parts of the world—in the offshore, the Middle East, and places like that. So I think there's a really important case to be made about understanding how these work.

When it comes to the oil sands in particular, I think the point people have missed is that the fiscal regimes are designed for a very low royalty at the front end until projects hit payout. When they hit payout, the royalty jumps to 25% of revenues. That's a huge jump. You will see over the next couple of years federal tax revenues and provincial tax—both royalty and tax—make very significant jumps into the billions-of-dollars range, as those oil sands projects will have now paid out.

The one nice thing about high prices is that we've paid out a whole lot sooner than anybody ever thought we would.

There are a couple of reports out, if the committee is interested. I'd be very happy to provide those to you.

• (1000)

Ms. Rona Ambrose: Thank you.

I've read that the municipalities over the next 20 years will reap \$16 billion in benefits, and provincial and territorial governments almost \$12 billion as well. So I know what you're talking about.

I have another question for Mr. Lang.

The Chair: No.

Ms. Rona Ambrose: No more time?

The Chair: No more time. Thank you, Ms. Ambrose.

Ms. Rona Ambrose: Thank you.

The Chair: Ms. Calder, here's a quick question.

In your brief you state that a lot of the money goes toward paying your utility bills, insurance costs, and things like that. If you were to get more money from the Council for the Arts, what would happen? Would that actually make you go out and get bigger premises, or would there be a decline in ticket prices? I'm just trying to understand how that would benefit and where the benefits would go.

Ms. Elaine Calder: The point I was trying to make is that utility costs and insurance costs we can't really argue with, and we would turn the temperature down a little bit on the thermostat. Those are—

The Chair: Like we do here.

Ms. Elaine Calder: Yes. Those are things we've simply had to absorb.

What has been hurt is both the artists and our employees, who have had their wages frozen, and our audiences from whom we're asking more and more. A 15% price increase over four years speaks to Ms. Ambrose's statement about the arts being seen as elitist. You have to travel, and when you get there it's expensive.

One of the things many of us are doing is looking very hard at our pricing and saying we have to bring those prices down. We want people to come often. We want them to feel that it's affordable for everyone. Increased funding through the Canada Council and the other levels of government would help us do that.

The Chair: So the money would go overall to the artists and to having lower ticket prices?

Ms. Elaine Calder: It would help sustain our company so we wouldn't have to put that kind of pressure on our audiences.

The Chair: Where are the locales you rent? Is it in a municipal building, or is there any way of getting some municipal subsidies?

Ms. Elaine Calder: For our building?

The Chair: Yes.

Ms. Elaine Calder: We are located in the Winspear Centre, which Mr. McPhee actually—

The Chair: I'm directing the question to you, but I'm asking about the industry overall.

Ms. Elaine Calder: It's a combination across the country. Some people are in municipal buildings, getting hit with very heavy increases as municipalities pass on insurance and utility costs. Some

of us own our own buildings and have to deal with the cost of operating them ourselves. Some people rent. It's a mixture across the country.

The Chair: So you don't see there being any municipal tax breaks there.

Ms. Elaine Calder: No, although I think we all work very hard with our municipalities. Those of us who own our buildings have succeeded in having property tax-exempt status in our municipalities.

The Chair: So that's already being done.

I have a quick question for CAPP.

In your presentation, page 6, you have: "Encourage and enhance the value of spending on research and development in oil and gas. Ensure transparency and clarity in the eligibility of costs for the Scientific Research and Experimental Development Tax Credit." What is it exactly that you're asking here?

Mr. Pierre Alvarez: It's something we're working on very closely, not only with the revenue department but with other sectors.

The way the scientific credits work, Mr. Chairman, is that they have historically—back to historically—focused on bench-type research, high-tech, pharmaceutical kind of research.

Our industry research is in the field, with big equipment. It's in part the guy with the white coat, but in addition to that there are large components of that. A lot of the research our companies do is simply not captured and does not qualify. We're involved in quite a bit of work with the federal government, and the forestry industry in particular, to say, look, the program is not bad, the intent is good, but we need to make sure the program criteria actually cover the kind of diversity of research that is done in the resource sectors. It's a clarification of the rules that's really required.

The Chair: So right now a lot of your research and development costs are not being considered—

Mr. Pierre Alvarez: A lot of companies have just stopped applying, because of the compliance costs. It takes too long, it's too much effort. We'd like to try to fix that.

• (1005)

The Chair: On a final note, there's the trust issue. Again, I think the question is directed more towards Mr. Hansen. The finance department is asking for clarity on the way trust funds are being handled. That wasn't addressed in your brief. I know it's not part of the pre-budget consultation, but we see it in the business papers. You don't have an opinion on that?

Mr. Craig Hansen: CAPP, of course, represents trusts and companies that are obviously not trusts. I think ultimately we need to work to a level playing field, so that dividends and income distributed by trusts to the unit holders have the same tax effect. In the end, I think we are looking for a level playing field, so that there is no discrepancy between different structures. This will be all addressed at the end of the year, I assume, and maybe next year after the briefs.

The Chair: What would that level playing field be? What would your association recommend?

Mr. Craig Hansen: It relates to the dividend tax credit, and double taxation, and lower corporate tax rates.

The Chair: We've been hearing a lot of that, lowering the dividend tax rate, but by how much or to what level? Have you come up with a number?

Mr. Craig Hansen: I think there will be some briefs presented for the year-end submissions. I think we should look to those for—

The Chair: So that hasn't been done yet? You haven't submitted your brief yet?

Mr. Craig Hansen: No.

The Chair: Okay.

Thank you for your presentations. Thanks to all the groups.

It's tough sometimes. This was actually one of the better sessions because we had a little bit more time, but sometimes the members don't even have five minutes to ask questions. So consider yourselves lucky, I think.

Thank you. The meeting is adjourned.

Published under the authority of the Speaker of the House of Commons

Publié en conformité de l'autorité du Président de la Chambre des communes

**Also available on the Parliamentary Internet Parlementaire at the following address:
Aussi disponible sur le réseau électronique « Parliamentary Internet Parlementaire » à l'adresse suivante :
<http://www.parl.gc.ca>**

The Speaker of the House hereby grants permission to reproduce this document, in whole or in part, for use in schools and for other purposes such as private study, research, criticism, review or newspaper summary. Any commercial or other use or reproduction of this publication requires the express prior written authorization of the Speaker of the House of Commons.

Le Président de la Chambre des communes accorde, par la présente, l'autorisation de reproduire la totalité ou une partie de ce document à des fins éducatives et à des fins d'étude privée, de recherche, de critique, de compte rendu ou en vue d'en préparer un résumé de journal. Toute reproduction de ce document à des fins commerciales ou autres nécessite l'obtention au préalable d'une autorisation écrite du Président.