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## Standing Committee on Finance

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**Tuesday, November 1, 2005**

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**Chair**

**Mr. Massimo Pacetti**

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• (1200)

[Translation]

**The Chair (Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.)):** People will please enter quietly. I'd like us to start and, as far as possible, to respect the time limits. Otherwise, we'll be running late all day and we'll run out of time at the end.

Good morning, everyone. Thank you for coming to make your presentations. We are meeting today pursuant to Standing Order 83.1 in the context of the pre-budget consultations 2005.

I'm going to allow you a period of seven to eight minutes. As one of the groups is absent, we may be able to gain a little time. I would nevertheless appreciate your presentations not lasting more than seven or eight minutes. I don't want to interrupt you, but it should not be forgotten that committee members will want to ask questions. We can now go to the first group, Quebec Festivals and Events.

Ms. Trudel.

**Mr. Camille Trudel (President, Quebec Festivals and Events):** First, we would like to thank you for allowing us to present our brief to this committee.

My name is Camille Trudel, and I've been the volunteer president of Quebec Festivals and Events for 20 years. During that time, I've seen festivals develop in the four corners of Quebec. I think I can discuss this topic in full knowledge of the facts.

Founded in 1975, Festivals and Events Quebec represents more than 190 events across the Province of Quebec. Its purpose is to promote them and provide services that will promote their development. As a sectoral association, we advise our members on a number of issues and make submissions to various authorities.

Now I would like to introduce my general manager, who has also been in his position for 20 years.

**Mr. Pierre-Paul Leduc (General Manager, Quebec Festivals and Events):** Apart from Festivals and Events Quebec, I'm going to talk to you about a Quebec organization called Regroupement des événements majeurs internationaux, REMI.

In the event you would like to ask specific questions about that organization, I would point out that we are here accompanied today by its executive director, Luc Fournier. REMI represents 22 organizations that produce major international events, most of which are also part of Festivals and Events Quebec. The members of REMI cooperate in debating common situations and problems and in promoting the economic importance of this industrial sector.

In the fall of 2004, we also took part in the creation of the Canadian Festivals Coalition, the main purpose of which is to defend the interests of festivals with a single voice before the Government of Canada. The Coalition's members include Festivals and Events Quebec, the Regroupement des événements majeurs internationaux du Québec, Festivals and Events Ontario, the Calgary Folk Music Festival and the TD Canada Trust Vancouver International Jazz Festival.

**Mr. Camille Trudel:** The request we're putting before the committee today is definitely, by its nature, an entirely legitimate form of representation. In view of the current economic context, Festivals and Events Quebec and all organizations related to the Canadian event community are seeking a program with a budget of \$50 million a year. That would make it possible to support some 600 or 800 events across Canada. In fact, this kind of program was introduced in 1996 and subsequently modified somewhat. It is no longer in existence.

We were very happy to learn from the media in early July that Ms. Frulla, the Minister of Canadian Heritage, intended to renew efforts to establish a program for supporting events. As Ms. Frulla acknowledges, the cancellation of the Sponsorship Program has resulted in serious funding difficulties for many events across Canada. Those effects, together with the end of the Sponsorship Program and the impact of the Tobacco Act in Canada have put a number of organizations in a delicate financial situation. That situation has also contributed to the increased scarcity of financial resources.

The unpredictability of funding from government and other sources creates a precariousness and instability that make it difficult for events to grow.

**Mr. Pierre-Paul Leduc:** We're taking the liberty of making a request of this size because our networks generate impact. The economic and tourist impact, jobs created, improved quality of life and the sense of belonging to one's region are only a few examples of the benefits of events. Events are major economic players in communities. A support program would help increase their effects across Canada.

First, I'll tell you about the economic and tourist impact. Festivals generate significant socio-economic activity, the impact of which has been demonstrated by a number of studies. Economically, the members of our network represent a total operating budget of more than \$170 million. Moreover, economic impact studies conducted by the Regroupement des événements majeurs du Québec showed, in 2004, that 81.4 percent of the revenues of REMI members were generated by members' activities; that 18.6 percent of revenue was generated by the levels of government as follows: 5.6 percent by the federal government, 11 percent by the provincial government, 1.8 percent by the municipal governments and 0.2 percent by regional governments.

Twenty-one participating events represented annual economic activity of \$395 million from tourist spending and their operating budgets; 10,362 persons/years and over \$55.5 million in federal revenues (including incidental taxation). Those studies were conducted in 1999, 2001 and 2004 and show progress in all areas — economic activity, jobs, number of visitors — as a result of support obtained by the Government of Quebec. The number of jobs, among other things, declined from 5,420 in 1999 to 3,362 in 2004.

Festivals and Events Ontario also conducted an economic impact study in 2003, which showed that the 14 national and international events evaluated generated economic impact of \$310 million. In addition to being an industry that has major economic impact, events are an essential part of tourism supply, since they are one of the main reasons why tourists travel. Tourists do not travel to see hotel rooms, but rather to take part in various activities. For example, Quebec events such as the Festival Western de Saint-Tite and the Mondial des Cultures de Drummondville have, by their very existence, become tourist destinations.

In addition, the REMI study established a relevance indicator, which shows the reason-for-travel percentage that can be attributed to the events. In the 2004 study, that indicator was 81 percent for regional visits and 63 percent for foreign visitors. In the context of preparation of a national tourism strategy in 2003 directed by Industry Canada, Canada set the following objectives: to preserve its position among the top 10 destinations in the world and to grow annual tourist revenues by 50 percent over the 2002 level to \$75 billion in 2010. By their attraction for visitors, festivals and events are one of the factors that will make it possible to achieve that objective. To do so, they must be able to develop their product. They need support that will enable them to face international competition and help them position Canada in the world tourism industry.

● (1205)

**Mr. Camille Trudel:** Now let's talk about social impact. Festivals and events also have high social impact. These are organizations that are rooted in their communities. They highlight the assets and values of those communities and create a sense of belonging among citizens. The quality of life of those citizens is raised by the cultural and entertainment diversity provided by events in their community. Festivals and events make it possible to develop disciplines and products specific to their regions, such as music in the case of the Festival international de musique actuelle de Victoriaville, tennis in the case of the Rogers Cup in Toronto and Montreal and forest heritage in Abitibi, in the case of the Festival forestier de Senneterre.

We should not forget one of the main social impacts that stems from the organization of festivals, the involvement of volunteers. More than 40,000 volunteers take part in festival organization in Quebec. This contribution is rarely included in impact calculations, but it is a vital factor. The commitment of these people makes it possible to develop numerous skills in the regions, both in terms of event organization and various disciplines and trades. We believe they should focus more on the development of their events and less on their survival and fundraising.

There is promotional impact as well. Earlier we mentioned that Canada wants to remain in good position as a world tourist destination. To do that, it must project a positive, strong and dynamic international image. Events can undeniably serve as a brand image for promoting our cultural diversity around the world.

Consider, for example, the City of Montreal, which attracts a large number of tourists and that, for a number of years, has positioned itself as a city of festivals.

In conclusion, to ensure the vitality of this sector, its importance for the tourism industry and its international competitiveness, funding for the design and promotion of original products must be secured. This is a cost-effective way to create and maintain products with international appeal.

Thank you. That completes our presentation.

**The Chair:** Thank you, Messrs. Trudel and Leduc. If you've worked in the voluntary sector for 30 years, that means you started at the age of five.

**Mr. Camille Trudel:** Thank you, you're very kind.

**The Chair:** I turn the floor over to Ms. Cooke, Director of Interactive Cultural Initiatives (Through the Arts).

**Mrs. Jennifer Cooke (Director, Interactive Cultural Initiatives (Through the Arts)):** Thank you. My name is Jennifer Cooke. I'm here as the representative of a Quebec organization. However, a lot of organizations in Quebec and Canada are in the same situation as we are and are headed by professional artists who create organizations by discerning a social need in the communities.

I am the Director of Interactive Cultural Initiatives (ICI Through the Arts). We are a non-profit organization in Saint-Jerome located in the beautiful Laurentian region of Quebec. The Laurentians extend, from the south to the north, from the river of the Milles-Îles until the zec Petawaga, Le Sieur, Mitchinamecus, Normandie and Mazana, north of Mount-Laurier and, from west to east, from the boundaries of the Outaouais until those of the Lanaudière and Coeur-du-Québec, on a surface of almost 22,000 km<sup>2</sup> with a population of more than 500,000 inhabitants.

Our organization works with children and youth through educational, social and community arts. Many of our youth have, until now, encountered difficulties with integration and self-worth. Through communication and implication of the arts, we lead them to self-discovery and self-knowledge, which in turn leads them to develop tools and skills supporting their reintegration into their community, labour market and/or studies.

Their participation in these projects encourages them towards their future, allowing them to overcome the many difficulties of everyday life and supporting their recovery by giving them new skills, with which to develop pride, a sense of community and deeper self-esteem.

We work with schools and communities integrating activities of an artistic nature into the pedagogical or social program, encouraging children and youth to develop their intellectual faculties by learning through the arts. Consequently, it is also fundamental to forge partnerships which gather the children, youth, artists and organizations dedicated to arts, schools and communities together.

Presently, we are collaborating with five school boards: de la Rivière-du-Nord, des Laurentides, de la Seigneurie-des-Milles-Îles, Sir Wilfrid Laurier and Pierre-Neveu, as well as Lionel-Groulx College, the CEGEP of Saint-Jerome and the PREL (Partenaire de la Réussite Educative des jeunes dans les Laurentides), which supports projects to counter school drop-out. We also are supported by the Conference Régionale des Élus (CRÉ).

The mission of ICI Through the Arts is to encourage individuals, through artistic activities, to take a larger role in the life of their communities. The organization prides itself on the dialogue and cooperation of individuals, whatever their origin, age or economic condition, and supports a variety of artistic activities.

Further, in order to contribute to the improvement of economic life in municipalities less supported by tourism, ICI Through the Arts strives to participate in the social economy by assisting young people of these municipalities to acquire competencies necessary for integration in the social and economic life of their neighbourhood.

Learning through the arts. The projects are created to support the participation of young people in a range of subjects - social studies, languages, history, culture and even mathematics and sciences. The study of these subjects is paired with a project based on one or more artistic discipline: visual arts, literature, dance, music or theatre. The final result is the development of our young people and teachers through the medium of arts.

We are also connected to larger national initiatives that are attempting to create change to the health and well being of children and youth in Canada. In our case it is involvement with the Arts Network for Children and Youth, the National Art Smarts program and the National Art and Learning initiative.

ICI Through the Arts was appointed by the Canadian Conference of Arts in the name of the J.-W. McConnell family Foundation to supervise the coordination of the artistic projects of ArtsSmarts carried out in the territory of the Laurentians. ArtsSmarts is a national initiative which mobilizes more than 185 000 young people, 2 800 artists, 5 000 teachers and members of the community and more than 500 volunteers across Canada and this, in both French and English.

The program was launched to increase the opportunities to benefit from artistic activities within educational circles. The program was created for the development of young people as well as increasing the opportunity to learn to communicate between themselves. When the young are encouraged to explore their imagination and their faculty of creation, they open up on all plains.

●(1210)

During the 10 last years, the government of Quebec devoted nearly one half-billion dollars to the fight against school dropout, particularly in the underprivileged communities. However, the results are far from brilliant. The drop-out rate in Quebec - one of highest in the country - is still increasing. Each year, 1 young person out of 4 - or more than 18 000 people - turn their back on education before they have received a diploma. In the disadvantaged regions, and in particular the area of the Laurentians, where the rate is one of the highest in Canada, we are speaking of about one young person in three. We must link ourselves to fight situations such as isolation, poverty, dropout, vandalism and suicide in young people. Economic poverty is inevitably accompanied by a lack of proper cultural expression.

Art creates bonds in society while also expressing the singularity of the individuals. Within art, there is an art that often speaks about people. It is often institutionalized, frequently used to profit only the minority. It is always a witness of its time—a key to open the world and to recreate itself. However, in spite of these evolutions, artistic and cultural education has not yet found the place it deserves.

The need is blatant but the means are insufficient. The absence of valuable projects for young people currently leads them to a sort of forced marginality. More despairing is to see the debate on school drop-out now becoming little more than an exchange of speech—where each camp keeps its position without advancing the debate. For an organization like ours, working in community, social and art education, the various ministries concerned turn us away, one after the other, ultimately rejecting their own social responsibility.

Incidentally, when you're a socialist or other kind of artist, you don't want to take charge of culture; we don't work just with professional artists. Other departments often associate us with culture. That's a battle the departments are engaged in.

We encourage the Government of Canada to continue its support of Canadian Heritage and the Tomorrow Starts Today Program which has an effect on organizations like ours.

We ask the government to support the social and community art sector such as it is, as a whole, unfragmented and categorized in a simple and healthy way and we recommend that the government supports organizations from this sector financially in their administrative obligations.

●(1215)

[English]

Here we're speaking of core funding and infrastructure for these organizations.

Thank you.

[Translation]

**The Chair:** Thank you, Ms. Cooke.

For the information of my colleagues who live in English Canada, the Laurentians are located 15 minutes from downtown, aren't they?

[English]

**Mrs. Jennifer Cooke:** It's on the other side of Laval, then it goes from—

[*Translation*]

**The Chair:** So from downtown, it takes 15 to 30 minutes to get to the Laurentians.

I turn the floor over to the next group. We'll be hearing from Ms. Hébert from the Mouvement pour les arts et les lettres.

**Ms. Lorraine Hébert (Delegate, Mouvement pour les arts et les lettres):** Thank you for receiving us this morning. My name is Lorraine Hébert, Director of the Regroupement québécois de la danse and an active member of the Mouvement pour les arts et les lettres. My colleague will speak after me.

The Mouvement pour les arts et les lettres was established in 1999. It is a coalition of professional artists seeking a substantial increase in public funding for the arts. We represent 14,000 artists. Within the coalition, eight national organizations represent professional artists in the fields of music, dance, visual arts, media arts, theatre, crafts and literature. Eleven regional cultural councils are also members. In other words, the Mouvement pour les arts et les lettres has branched out across Quebec.

Since 1999, we have nevertheless managed to have the Conseil des arts et des lettres du Québec, Quebec's equivalent of the Canada Council for the Arts, to increase the grants for the artists we represent by nearly \$27 million. However, without the appropriations of the Canada Council, our situation would not be what it is today. Here I'm talking about many success stories, extraordinary international outreach, artists like Robert Lepage, Edward Lock, Marie Chouinard, Suzanne Jacob and many others.

We're here today because we're involved in the establishment of the Canadian Arts Coalition, which you no doubt heard about last week. The coalition is making a very specific demand: that the budget of the Canada Council for the Arts be increased from \$150 million to \$300 million. The objective here is to support growth in the artistic sectors we represent, to integrate new artists, who are rapidly emerging and are really very dynamic, and to maintain the position that all these artists of Quebec and Canada have achieved on the major stages of the world.

I'll now hand over to my colleague, who will explain the situation in detail, citing examples and figures.

• (1220)

**Mr. Bastien Gilbert (Delegate, Mouvement pour les arts et les lettres):** Good afternoon. My name is Bastien Gilbert and I'm the general manager of the Regroupement des centres d'artistes autogérés du Québec, which is a member of the Mouvement pour les arts et les lettres. Artist centres are places where contemporary art is produced and disseminated. In fact, instead of artist centres, I should say non-profit art galleries managed by artist collectives. Similarly, artists have established production centres for the various sectors of the arts, media arts, video, film, sculpture and so on. There are approximately 60 of these artist centres in 25 Quebec cities. If there weren't any artist centres in those 25 cities, contemporary art would not be disseminated in Quebec, because only four Quebec cities have private contemporary art galleries.

I distributed a black and grey sheet from the Canada Council entitled "The Council Index on the Arts". I'll be using it a little to emphasize the importance of our demands. As Ms. Hébert said,

we're asking the federal government to double the funding paid to the Canada Council, from \$150 million to approximately \$300 million. In the next few minutes, we hope to convince you of the validity of the reasons for that request.

The Canada Council supports what is called creation. It supports artists in all areas — dance, music and so on, as was explained a little earlier — who need time and money to imagine, create, write and produce their works. The Canada Council takes part not only in that creation, but also in the production and dissemination of those works.

The sheet I distributed to you a little earlier states that culture in Canada represents approximately \$40 billion. We're in the habit of saying that that's more than mining, farming and forestry together. So this is an extremely important sector. What part does the Canada Council's little \$150 million budget play in that? The claim is made that it's the equivalent of research and development. R&D has to be done in art, in the same way it has to be done in science and industry. You need sectors that do research. Similarly, research has to be promoted in art. The Canada Council does that for all of Canada.

There's obviously the Conseil des arts et des lettres du Québec as well. Incidentally, we claim that Quebec is doing its share to support the arts, but not completely because we have other demands we want to make of the Quebec government. However, considering the Canadian picture as a whole — as we've said on a number of occasions — Quebec is shouldering its responsibilities. We're asking the federal government not to replace Quebec, but to support it, to be a partner for Quebec in developing Quebec culture and, of course, Canadian culture.

It must be kept in mind that artists travel more than athletes do. In fact, athletes travel within their country. They compete against other athletes from Montreal, Ottawa, Vancouver and so on. Artists go around the world. When an artist travels and is introduced, they say that artist is Canadian. The word "Canadian" is pronounced. How many times in a year will the word "Canadian" be said in reference to an artist, Edward Lock, Jeff Wall in Vancouver, who is a start international photographer, or Atilla Richard Lukacs? We could name tens and hundreds who travel.

So the Canada Council is extremely important with regard to support for this culture and the international dissemination of the work of Canadian artists.

•(1225)

We're trying to convince you that it doesn't cost Canada very much to support the Canada Council. We're talking about \$5 per capita, whereas the average support for the arts in the G8 countries as a whole is \$10. Our favourite example is England — not the United Kingdom — where very citizen provides \$24 in support of the creative arts. With \$5, we in Canada are way off the mark. If we doubled that amount, we could easily double the Canada Council's budget. The budget of England's arts council, for a virtually equivalent population, is \$800 million a year. Here it's \$150 million. A very major effort must be made, one that could be rewarding for Canada.

**Ms. Lorraine Hébert:** The Canada Council for the Arts has been and still is a exemplary model for supporting development of the various disciplines. It is based on the English model. And the comparison is interesting. On the world's major stages, particularly in dance, our artists and theatre arts compete with artists who are supported by England's council of the arts. You have no idea of the differences in terms of resources, virtuosity, promotional means, whereas our artists here are just as strong and powerful as they are.

The challenge for Canada is to provide more support for artists who are competing with European artists who are very well supported. If we want to stay the course and maintain Canada's international reputation, the Canada Council must make an effort, and the federal government must substantially support an increase in funding.

**The Chair:** Thank you, Ms. Hébert.

We now move on to the Union des consommateurs.

Ms. Latreille, over to you.

**Ms. France Latreille (Director, Consumers' Union):** Good afternoon, my name is France Latreille, Director of the Union des consommateurs. I'm going to hand the floor over to Ghislaine Beaulieu, who is coordinator of the ASEF Estrie and member of the policy, social and budget committee.

**Ms. Ghislaine Beaulieu (Coordinator, Association coopérative d'économie familiale de l'Estrie, Consumers' Union):** Good afternoon.

The Union des consommateurs is a non-profit organization encompassing nine family economy cooperative associations as well as individual members. The mission of the Union des consommateurs is to represent and defend consumers, with a special focus on the interests of low-income households.

We appreciate the fact that we've been invited to present our recommendations as part of these public hearings. They focus primarily on the second theme: investments in human capital.

The Union des consommateurs believes that a better distribution of wealth is necessary. Fighting the deficit has been a priority for the government since the 1990s. To achieve its goals, the government cut transfers to the provinces and tightened the criteria for employment insurance. Combined with a deep recession in the early 1990s, this campaign against the deficit contributed to widening the gap between the richest and poorest members of our society. The economic growth of recent years has not managed to

reduce this gap as governments have opted for tax reductions, which benefit higher income earners, rather than for reinvestment in social programs. In 2002, the gap between the average income of the richest 10 percent of families with children and that of the poorest 10 percent of families with children was \$171,500.

Consumption taxes are a regressive way of funding the government and its programs. Low-income households pay a higher proportion of their income in sales taxes on essential commodities than do the better-off. A study published by Statistics Canada in 2000 shows that the poorest households in Canada spend approximately 10 percent of their income on heating, electricity and telephone service, compared to only three percent of incomes for the richest households. The GST rebate mitigates the regressive impact of this tax, but this correction is manifestly insufficient.

Now let's talk about tax evasion. We are delighted to hear that the government intends to combat tax havens. Last March, Statistics Canada revealed that, between 1990 and 2003, Canadian assets in countries considered tax havens increased from \$11 to \$88 billion. The financial sector alone has transferred \$72 billion into those tax havens. This tax evasion deprives the government of billions of dollars in taxes. The government must put in place measures to prevent the use of tax havens as soon as possible. This is a matter of fairness to all taxpayers.

In this area, the Union des consommateurs recommends that income tax constitute the basis of the Canadian tax system, that the amount of the basic exemption be raised significantly and that this measure be implemented starting this year. Rather than cut taxes, as is currently being proposed, the Union des consommateurs recommends that the GST be abolished on essential goods and services, specifically on electricity, heating fuel and basic telephone service, children's clothing and school supplies as well as food and health care products. We also recommend that the government revise its debt to GDP ratio objective of 25 percent.

The Union des consommateurs recommends that tax benefits that are particularly advantageous to high-income earners be substantially reduced; that opportunities for tax evasion that favour corporations and high-income individuals be eliminated; that the tax base be broadened so that all corporate profits are taxed; that a tax be levied on financial transactions; and that a substantial proportion of the budget surplus be applied to social programs.

As regards health, an agreement was reached between the federal government and the provinces in September 2004, providing for stable federal funding for health care over the next 10 years. We can only applaud this additional financial contribution, which will substantially alleviate the problems of access to health care. This contribution of additional money, however, beneficial, must not be viewed as the only solution to eliminate all the problems we face in the area of health care. The Romanow Report invited the provinces to renew their commitment to a universally accessible, government-funded health care system.

•(1230)

It proposed to build the future on universal government health care services, to promote the right to health and to enunciate the values of equality, social justice and solidarity. However, the 10-year agreement signed in September 2004 does not address the issue of the privatization of health care, which jeopardizes the integrity and viability of the public health system.

The Union des consommateurs recommends that the federal government ensure compliance with the five principles set out in the Health Care Act and prevent the privatization of health care.

I'll now hand over to Ms. Latreille.

**Ms. France Latreille:** A number of changes made to the employment insurance system since 1996 have considerably reduced access to benefits. The tightening of the eligibility conditions in large measure explains the fact that employment insurance coverage of the unemployed has dropped from 75 percent in 1990 to 38 percent today.

The Standing Committee on Human Resources Development, Skills Development, Social Development has recommended, in particular, that the eligibility period be 360 hours, regardless of regional unemployment rates and the type of benefit; that the rate of benefit be fixed on the basis of the 12 weeks during which pay was highest; and that the benefit rate be increased from 55 percent to 60 percent of the average insurable weekly pay.

Unfortunately, the government chose to maintain the eligibility conditions, which is why the Union des consommateurs recommends that the government significantly improve benefit coverage by establishing 360 hours of work as the number required for eligibility for benefits; extending the benefit period to a maximum of 35 weeks; setting the percentage of insurable earnings at 60 percent of earnings; and abolishing the provision that disqualifies people who leave their employment voluntarily.

As regards the Canada Social Transfer and the Child Tax Benefit, despite continued economic growth and a declining unemployment rate, the poverty rate in Canada remains dramatically high. Over a million children are living in poverty. Since being employed does not always mean access to a decent income, it is imperative that the government invest in social programs, increase the level of federal funding via the Canada Social Transfer, together with a rise in the Canada Child Tax Benefit.

According to the Canadian Council on Social Development, social services and postsecondary education will receive \$8.3 billion in 2004-2005, compared to \$9.10 billion 10 years ago. At a minimum, we must therefore return to the level of 1994-1995 in constant dollars. The Union des consommateurs recommends that the maximum child tax benefit be raised to \$4,900 a year within three years. We also recommend that the federal government reinvest at least the same amounts as were invested in 1994-1995 in social services and postsecondary education.

Access to affordable, quality housing is an essential need which, regrettably, is increasingly denied to a sizeable segment of the population, namely those on low and modest incomes. In Canada, one of out of five families with children is living in affordable housing, that is to say where rent consumes over 30 percent of total

family income. To alleviate the housing crisis, the government has again begun to invest, but these measures remain hesitant.

In August 2005, passage of Bill C-48 provided for the investment of \$1.6 billion over two years in low-rent housing. We recommend that the number of social housing units be increased considerably. The Canada Mortgage and Housing Corporation is currently running a major surplus. That surplus should be allocated to social housing development. We also recommend that the \$1.6 billion allocated for new social housing projects be freed up as quickly as possible.

We would like to say a brief word about the perverse effects of rising energy costs. The recent surge in the price of oil poses a number of immediate problems for the most vulnerable households. The government has established a program to assist low-income families affected by the increase in energy costs. This is a good idea, but some people have been overlooked, namely those who have no children and are living on low incomes.

The government must act decisively to reduce our dependence on oil, by adopting measures to promote changes in behaviour, specifically by investing massively in public transit and in rail freight and passenger transportation.

We are making these recommendations to you in the hope that the government will make the right choices to promote greater fairness within our society.

Thank you.

•(1235)

**The Chair:** Thank you. I want to inform the witnesses that every member has five minutes to ask questions and hear your answers. So if you could provide brief answers, it would be very much appreciated. In that way, the members can ask more questions.

Mr. Prentice.

**Mr. Jim Prentice (Calgary Centre-North, CPC):** Thank you, Mr. Chairman. Welcome and thank you for your efforts. We've read your briefs and heard your testimony.

My first question is for Ms. Hébert and Mr. Gilbert. In your brief, you referred to a cultural deficit. On page 2, you say that other G8 countries have spent approximately \$10 per capita to fund the arts.

Can you tell me the source of that information?

•(1240)

**Mr. Bastien Gilbert:** No, I can't tell you here.

**Mr. Jim Prentice:** You say \$10 per capita.

**Mr. Bastien Gilbert:** Well, it's a figure that may come from the Canada Council. We'd have to see. However, the Canadian Arts Coalition recognizes it as an objective. I don't have the document we had, stating the funding bar, here with me. Perhaps you received it?

**Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ):** I think it comes from UNESCO.



**Mr. Jim Prentice:** Also, on page 6 of your brief, you say that Canada Council funding has made it possible to support 2,100 organizations and artists, but, at the same time, the applications of 12,000 organizations and artists are turned down every year. Is that true?

**Ms. Lorraine Hébert:** Yes. Those are the Canada Council's figures. Every year, it updates the number of applications filed and the number of applications granted. That comes from a study and strategy published last June. What also emerges is that, since 1998, there has been a significant increase in the number of organizations and artists, which has had this effect on the Canada Council.

**Mr. Bastien Gilbert:** With your permission, we see from these figures that the Canada Council is unable to meet the demand. In fact, its response rate, depending on the sector, is between 10 and 18 percent of organizations and artists that apply, whereas the norm, if I can use that term, at other councils is around 30 percent in supporting one creator or one agency out of three. Currently, the Council is unable to do that and therefore has to turn down projects of considerable value.

**Mr. Jim Prentice:** I'd like to ask Messrs. Trudel and Leduc a question.

You mentioned in your brief that Ms. Liza Frulla acknowledged that the disappearance of the Sponsorship Program had resulted in a real shortfall for many artists.

Did you talk to Ms. Frulla about this \$50 million you refer to in your brief?

**Mr. Camille Trudel:** Yes, she agreed. That was eventually supposed to be part of the last budget. However, we all got the same surprise: there was no mention of it in the budget. We can understand that the timing perhaps wasn't right.

**Mr. Jim Prentice:** But Ms. Frulla supported the proposal?

**Mr. Camille Trudel:** Yes.

**Mr. Jim Prentice:** Thank you, Mr. Trudel.

**The Chair:** Thank you, Mr. Prentice.

Mr. Loubier.

**Mr. Yvan Loubier:** Before putting my question to Mr. Gilbert and Ms. Hébert, I'd like to tell you a little story.

Last year, we were going through quite a tough period in Ottawa and we were all tired. One morning, my colleague and friend Maka Kotto told me in grave tones that he had met the MAL. I asked him what the MAL had told him, and he answered that he wasn't pleased. I knew that Maka had a certain penchant for the cabalistic sciences, so I didn't make much of it, until I learned this afternoon that the MAL was your movement.

You make a demand in your brief, but, historically, you've made a number of them. For example, you request that artist incomes be averaged, that there be a tax exemption for creators on lending rights, that there be an increase in the budget of Radio-Canada to maintain regional broadcasting, and that the GST be abolished on books, which is another of your concerns.

So you're making this demand because you feel it's the most important one and you emphasize that. However, you're not dropping the other ones.

● (1245)

**Mr. Bastien Gilbert:** The MAL, the forces of MAL, if you will, has established a coalition for the sole purpose of increasing the budget allocation to the Canada Council. First, we work with Quebec's council, and now we're working with Canada's.

Because of the enormous amount of work caused by the introduction of this coalition, we can't deal with the other issues. And other organizations are mandated to do that. The mandate we've set ourselves, the Canadian Arts Coalition and the Mouvement pour les arts et les lettres, is this objective of increasing the budget of the Canada Council.

**Mr. Yvan Loubier:** I see.

There was some confusion last year, but we've always supported you in your demands. I wanted to tell you that.

**Mr. Bastien Gilbert:** That's correct. Moreover that's been the case for two years now.

**Mr. Yvan Loubier:** In fact, I've been told that MAL was not pleased because there had been a lack of clarity on our part, but we support the \$5 per capita increase for the Canada Council, which would double its budget. So you can count on us.

Mr. Trudel, we're definitely living in quite extraordinary circumstances, especially today, with the publication of the Gomery Report. It's hard to talk about sponsorships, but I imagine that, one day, we'll talk about them again. We've always said we supported a federal government support program without corruption or any other problem.

Most, or at least many, of your festivals are held during the summer. How many months do you have to prepare for them, in terms of funding and the communication plan, and so on, from the moment the budget is tabled in April or May, for example? What situation does that put you in?

**Mr. Camille Trudel:** For every major festival, whether it's held in summer, fall or winter, if it's the slightest bit important and a product has to be developed, and therefore programming, we need at least eight months to a year. Consequently, the budget as such, presented at the time of the next election, will be for 2006.

**Mr. Yvan Loubier:** So it's over for 2005.

Are there any festivals that have been put in doubt because of the lack of federal government participation?

**Mr. Camille Trudel:** Put in doubt, no; but made very precarious and fragile, yes.

You can imagine that, at one point, with the circumstances surrounding tobacco and the situation of the sponsorships budget, some organizations simply had to alter the quality of their product, because of a shortfall.

Take the Jazz Festival, for example, which has become an event accessible to everyone, at no cost, or virtually no cost. If at one point we decide to invite international artists — and there are many — and we have to rely or not rely initially on tobacco advertising or on federal subsidies, which are nevertheless limited — you saw that as I did — that compromises programming and thus product quality.

**The Chair:** Thank you, Mr. Loubier.

[English]

I'm going to Mr. Holland and Mr. Solberg, then Monsieur Bouchard.

[Translation]

**Mr. Mark Holland (Ajax—Pickering, Lib.):** Thank you very much, Mr. Chairman.

[English]

To continue on the line of questioning Mr. Loubier had, it deals with the question of utilization of funds that might be allocated through a federal budget process for the 2006 festival season. I'm wondering if you could comment on that, because you thought it would be possible to use that. If we had a budget that came out somewhere around February and was adopted shortly thereafter, would those funds essentially be able to be put into effect for the 2006 summer festival season, when most of the festivals are occurring? Or would it be mostly utilized for the 2007 season?

[Translation]

**Mr. Camille Trudel:** Do you want me to answer in French or in English?

**Mr. Mark Holland:** You may answer in French.

**Mr. Camille Trudel:** If we're talking about February, that would definitely be good for us. However, if there's an election in April, we're talking about delays.

Currently, the federal government isn't giving out any money. So we'll make submissions at the appropriate time. As Mr. Loubier said a little earlier, now isn't the time. When the sponsorship scandal dies down, we'll request funding consistent with what is actually used and what meets the needs of the festivals. It'll be a lot less and will be much closer to the \$50 million we're seeking.

• (1250)

[English]

**Mr. Mark Holland:** For the *Mouvement pour les arts et les lettres*, we've had a number of presentations on increasing the money that is given to the Canada Council; to double it is something I'm supportive of, and I certainly appreciate your bringing that forward. We've heard from a lot of deputants in that regard. If it's okay, I'll probably move on from there, other than to say that I'm supportive.

For Nancy Neamtan and for the *Chantier de l'économie sociale* on the issue of social housing.... I'm sorry, Nancy wasn't with us, so it would have been either Ms. Latreille or Ms. Beaulieu. You talked about the need for the federal government to increase dramatically... for the amount that was increased for social housing, you said there is a need to inject money that was not only introduced in the last budget process, but it could do more. One of the things I am concerned about is the integration of social housing. And one of the things that I wouldn't want to see us do—and I don't think you would

either—is to put it into social housing projects, as it were. You talked a little bit about where you would see this funding being used, what direction social housing would take, and how specifically the federal government could help facilitate that.

[Translation]

**Ms. Ghislaine Beaulieu:** Currently in Quebec, funding is allocated for social housing as such and for housing coops. We think that's a very good solution.

For a few years now, we've funded what's called affordable housing. Unfortunately, the cost of affordable housing doesn't always correspond to the incomes of low-income individuals and families. Let's take our region as an example. Affordable housing can cost \$500, \$600 or even more per month, whereas a family's income from welfare is approximately \$1,200 a month. That represents more than 50 percent of the family's income.

I'm talking about a region like Sherbrooke, but it's even higher in Montreal, and that's the case elsewhere in Canada as well. Affordable housing doesn't always meet our expectations.

However, we understand that we especially don't want to create ghettos. So social housing should be integrated into the various types of housing built in a region or city.

[English]

**Mr. Mark Holland:** I think all of us share a concern at the growing international trend of the disparity between the richest and the poorest among us. It's a trend that is accelerating in most OECD nations. If you could enumerate one or two key things that you feel are the most important things the federal government could do to address that trend inside Canada, what would it be?

[Translation]

**Ms. Ghislaine Beaulieu:** There was a proposed increase in the Canada Child Tax Benefit and family support. That's very important in our mind. The biggest problems for families right now are those affecting single-parent and immigrant families and those with persons with disabilities.

As the Campaign 2000 organization did, we recommend that the Child Tax Benefit be increased to \$4,900 within three years. We're currently putting a lot of effort into integrating immigrants and immigrant families. There's a definite problem when we can't improve the lot of the children of immigrant families. We see this in Montreal and Toronto, where there are problems with street gangs. Immigrant and single-parent families need to be supported. Income is very important.

• (1255)

**The Chair:** Thank you, Mr. Holland.

**Ms. France Latreille:** I would add, since you refer to the gap between the richest and the poorest people, that we've made a number of recommendations concerning the tax system that could result in fairer sharing.

**The Chair:** Thank you, Ms. Latreille.

Mr. Solberg.

[English]

**Mr. Monte Solberg (Medicine Hat, CPC):** Thank you very much, Mr. Chairman.

I have a few questions for the witnesses from the Consumers' Union. We have a group of independent economic forecasters who come before our committee and provide us with data on government revenues and expenditures, sizes of surpluses, and that sort of thing. They appeared the other day and told us that corporate revenues were actually on the rise, that in fact they're now at the highest point they've ever been and are going to go higher; they were projecting that they would go much higher in the future.

That doesn't seem to square with what you have in your written submission. Would you care to comment on that?

I think this is important, too, because as you know, the government is contemplating reducing corporate taxation. I think they are hoping to replicate the results of a jurisdiction like Sweden, for instance: Sweden has dramatically cut the effective corporate tax rate, and the result has been more revenues coming in for that country. I wonder if you'd comment on that.

[Translation]

**Ms. France Latreille:** Businesses currently aren't paying their fair share of tax. Figures made public last week, particularly in Quebec, showed a net increase in tax paid by individuals compared to that paid by corporations. Based on those figures, the gap is growing, and the percentage of tax paid by individuals is increasing. We're asking that businesses pay their fair share of tax.

**Ms. Ghislaine Beaulieu:** Businesses enjoy tax carry-overs, which can lead people to believe they pay a lot of tax. However, if you consider carry-overs of tax paid by businesses less the 20 percent — 10 percent to the federal government and 10 percent to the provincial government — you can conclude that a number of major businesses are not paying based on their profits.

[English]

**Mr. Monte Solberg:** One thing I noted was that according to the independent forecasters who were before us, at this time—I think they said in the last quarter—corporate revenues grew at about 12%, which is a huge jump.

The other thing I note is that when you talk about personal income tax revenues, partly what you're talking about, of course, are the dividends people collect. If they've invested in a corporation, they of course have to pay tax on dividends too, when they pay their personal income tax. As you know, revenues through corporations are actually taxed twice—once as the corporation, and then again if you happen to be a shareholder in that corporation and are paid a dividend—or if you realize a capital gain, then it's taxed as a capital gain. Really, in effect, corporations are taxed twice that way.

I'm challenging this assertion you're making, because I'm not certain it's really supported by the facts.

[Translation]

**Ms. Ghislaine Beaulieu:** As regards businesses, that's where tax shelters and tax evasion come into play. That's very important; we emphasized it in our brief and we talked about it earlier. A lot of

work remains to be done in this regard and we think it's being done very slowly. Canada definitely has to do this work together with other countries, but I believe it could act as a leader in this regard. That's very important.

We're currently seeing corporate profits rise. Oil company profits are amazing. In view of the current economic situation — we're in a period of economic growth — it's probably time to make businesses contribute and reduce child and family poverty. We're convinced that there is wealth in Canada, but that that wealth is poorly shared.

• (1300)

**The Chair:** Thank you, Mr. Solberg.

Mr. Bouchard.

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

Thank you and welcome, every one of you. My question is for the Union des consommateurs.

You talked about employment insurance. You recommend broader eligibility, but you didn't talk about the possibility of the employment insurance fund becoming independent. A number of groups are advocating that the employment insurance fund should be managed by workers and contributors.

Are you in favour of that idea?

**Ms. France Latreille:** That would obviously be a very good solution. A surplus of more than \$45 billion in the employment insurance fund is not going back into contributors' pockets because a very small percentage of them have access to employment insurance. So we support the idea of an independent fund.

**Mr. Robert Bouchard:** Thank you. You also propose that the GST be abolished on certain essential consumer goods and services, such as telephone and hydro. You also mentioned clothing and other things. In a few words, could you tell us what positive effects this measure could have on poor and low-income families?

**Ms. Ghislaine Beaulieu:** As we see it, this concerns children with families. We're talking about clothing for children and school supplies. We think it's important to improve the lot of families because children are the future of our society. Parents of course have duties and responsibilities to their children, but all Canadians have a social responsibility to them as well.

It should be noted that we're talking about basic telephone service. By reducing the cost of essential goods and services, we'd be improving the lives of families and, thus, those of single individuals.

**Mr. Robert Bouchard:** Thank you, I'm finished.

**The Chair:** Thank you. That's good, not because you've finished, but because we're going to save a little time.

Before thanking you all, I have two brief questions to ask you. The first is for Mr. Trudel and Mr. Leduc.

You're seeking funding for festivals and events. Is there an organization that manages tourism from which you could seek subsidies? Have you tried approaching the Department of Industry or an organization that manages tourism?

**Mr. Pierre-Paul Leduc:** Are you talking about the federal government?

**The Chair:** Yes.

**Mr. Pierre-Paul Leduc:** It's not an easy matter. There is the Canadian Tourism Commission, but it does very little for product development and has no specific program for festivals. Economic Development Canada has a festival support program. There was a very slight increase in the envelope for Quebec last year — \$2 million. However, that has been the only increase in festival funding. Canadian Heritage obviously supports festivals for cultural development reasons. As regards product development and the importance of festivals for the economy and economic development, whatever there is is at Economic Development Canada.

**The Chair:** What would your suggestion be? Would it be to allocate more money to tourism, to give more to Economic Development Canada or Canadian Heritage? Should we create three envelopes, subsidize events or find another solution?

• (1305)

**Mr. Camille Trudel:** We suggest cleaning up the existing program and making it healthy and efficient. We would remind you that our association...

**The Chair:** Yes, but that goes through the Department of Public Works, if I'm not mistaken.

**Mr. Camille Trudel:** That used to be the case.

**The Chair:** Yes.

**Mr. Camille Trudel:** Canadian Heritage would be the most practical solution. It would be preferable to expand its mandate to include events.

**The Chair:** There's a problem: Canadian Heritage is the cultural component. We caucus members like the tourism component and the possibility of attracting people not only from Canada, but from outside Canada as well. We like Industry Canada and Economic Development Canada because their actions are taken more at the regional level.

Does that pose a problem?

**Mr. Pierre-Paul Leduc:** Not at all. You heard our argument a little earlier. We're relying on economic arguments which, without taking anything whatever away from what currently exists, in particular Canadian Heritage in the area of festival support...

**The Chair:** We've received applications for zoos, aquariums and other similar things from Western Canada.

**Mr. Pierre-Paul Leduc:** In our mind, that's another issue. We're in the field of tourist attractions.

**The Chair:** I know, but this nevertheless affects everyone, and if we could include that in a regional component, the regions could decide where to invest the money, based on their priorities.

**Mr. Pierre-Paul Leduc:** I believe that, based on the approach we advocate, the money could very well go to Industry Canada and, in Quebec, to Economic Development Canada.

**The Chair:** That's perfect.

Ms. Cooke, what does the Tomorrow Starts Today initiative mean for your organization?

**Mrs. Jennifer Cooke:** It doesn't mean anything for us, but it's different for the other organizations that are putting policies in place...

**The Chair:** Does the funding from the Tomorrow Starts Today initiative represent 40 or 50 percent of funding?

**Mrs. Jennifer Cooke:** That depends on the organization. It's still very vague because it's innovative. There may be a theatre that works with young people and does that where other groups don't go. That depends where you come from. A network of youth organizations headquartered in Toronto receives money to do research and continue establishing a cross-Canada network.

[English]

**The Chair:** But is it project by project? Do the programs really work?

**Ms. Jennifer Cooke:** Yes, it's always project by project, and that's always a problem, because artistically you create a project, and then the project may be extraordinary—

**The Chair:** And the funding stops.

**Ms. Jennifer Cooke:** It stops, and it's on all levels.

**The Chair:** Okay. But more or less, when there is a project and it is accepted, how much funding does the organization get? Is it again dependent?

**Ms. Jennifer Cooke:** It depends on the organization.

[Translation]

**The Chair:** Mr. Gilbert, I know there are a lot of figures, but can we assess what will happen if we double the amount granted to the Canada Council? Will there be a return on the investment? I know your figures show \$40 billion, or something like that, but will there really be a return on the investment? Some say there won't be with regard to the artist.

**Mr. Bastien Gilbert:** Would the same thing be said about scientists?

**The Chair:** They say that for everyone.

**Mr. Bastien Gilbert:** We claim that would make it possible to increase artists' incomes. On the black sheet I distributed to you, the figures show that artists earn \$23,000 a year. However, those figures don't say how artists lead dual lives in order to earn that. They do their work as artists, and they lead another parallel life to earn vaguely suitable incomes, if you call that kind of income suitable. The first return on investment would be for the artists. The second return on the investment would come from the fact that creation is the heart of cultural production. That doesn't mean that cultural production would increase to \$80 billion — that would be dreaming in Technicolor — but it would definitely improve certain creative areas and have more or less long-term effects. More artists would do this work, they would live better, their children would live better, and they would be better housed.

•(1310)

**The Chair:** Thank you, Mr. Gilbert, and thanks as well to the other witnesses.

**Ms. Lorraine Hébert:** I'd like to give you an example. The Canada Council grants \$200,000 to the Compagnie Marie Chouinard, which generates an operating budget of \$2.4 million. It would be interesting to see what an additional \$50,000 or \$100,000 could generate.

**The Chair:** That's what I wanted to hear.

**Ms. Lorraine Hébert:** In co-productions, in particular, when you put up \$25,000, your European co-producer puts in twice that amount.

**The Chair:** Other organizations have asked us to give them a little more money so that they can pay their hydro and phone bills.

**Ms. Lorraine Hébert:** Here we're talking about small and medium-size businesses that create jobs. We're also talking about artists who develop products and earn money internationally in the form of fees, co-productions and so on. This is a very interesting economy to analyze.

**The Chair:** Thank you. We've exceeded our time limit. Thank you for your presentations.

The meeting is adjourned.

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