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## Wednesday, November 2, 2005

## Chair

**Mr. Massimo Pacetti**

# Standing Committee on Finance

**Wednesday, November 2, 2005**

● (1540)

[*English*]

**The Chair (Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.)):** Good afternoon. I just want to thank everybody for coming by and taking time out of your day. It's important for us to hear your testimony and briefs.

We're here, pursuant to Standing Order 83.1, for the 2005 pre-budget consultations. The way I would like to work it is to allow you seven to eight minutes for your opening statements or presentation.

Without further ado, we'll begin with the Amalgamated Transit Union, Canadian Council. Mr. Foster.

**Mr. Kenneth Foster (Canadian Director, Amalgamated Transit Union - Canadian Council):** Thank you.

I would certainly like to thank you for giving us a chance to appear before the committee. You have our brief, which we had already sent in, but we have a few speaking notes here that we'd like to refer to.

We are asking the federal government to change income tax regulations and legislation to make transit benefits, whether in the form of an employer-provided pass or in the form of individual ticket or pass purchases, a non-taxable benefit in order to redress the issue of social exclusion. This is crucial to economic sustainability in Canada.

The current tax regime discriminates against those who cannot afford the use of a car to travel to a present or potential employer. Labour mobility is a fundamental right and a key to sustainable development. In order to attract and maintain personnel, particularly in urban centres, Canadian employers will need incentives such as tax exempt transit benefits. Such a move by the federal government will exemplify an investment in human capital in terms of facilitating the mobility of Canadian workers within the labour market. This is particularly important for workers in those sectors of employment at the low end of the wage scale.

In Vancouver, Victoria, Calgary, Toronto, Niagara Falls, and Halifax, transit provides access to tourism-related employment for younger and lower-income workers. In the Niagara region the need for this transportation was strong enough that tourism operators contracted for a special transit service to allow them to access potential employees in nearby communities. This mobility enables Canadian workers to travel to employers offering better wage rates and hours, to travel to educational institutions for skills development, and to have access to quality child care centres.

Tax exempt transit benefits also help employers to attract and retain employees, particularly those earning a low or moderate wage. In Canada, low-income riders with less than $20,000 in annual income in 2002 represented 63% of riders in small transit systems, 51% in medium-sized transit systems, and 41% of riders in large transit systems.

In Ontario, the Premier's Leaders Forum on Strategic Growth report cited the need to change auto use through incentives such as road pricing, increased gas taxes, and transit pass deductibility for low-income workers in order to ensure the long-term economic viability of the rapidly growing Golden Horseshoe area.

It is much cheaper for an employer to increase non-taxable employee benefits than to offer added taxable income to retain or attract workers, which is an increasing issue in a tight labour market. If the employer is able to expand employment without adding more parking spaces or to otherwise avoid the cost of building, leasing, or maintaining parking spaces for workers, capital cost savings can be significant, which in turn makes business more productive. Sustainability is enhanced in that it permits the expansion of the economy in the long term without using up natural capital for current growth at the cost of long-term growth.

Tax exemption would redress the inequity suffered by transit commuters, who receive no benefits, while 80% of Canadian employees enjoy free or heavily subsidized parking. Transit service, particularly in the form of paratransit service, is also essential for those who are too young, too ill, or too old to drive. The present system is inequitable to this significant proportion of the population. Some employees are unable to drive for reasons including illness, infirmity, or addiction. Tax exemption for the transit benefits ensures that these employees can gain to the same extent as those employees who receive parking subsidies.

Although local and provincial governments can develop transit systems and control land use, fiscal incentives are essential for effective transportation demand management, or TDM. Any TDM policies implemented at the local and provincial levels will be approximately 20% less effective without tax exempt transit benefits. The Transportation Association of Canada, the Federation of Canadian Municipalities, and transportation planners emphasize that the changes in federal tax policy are critical for successful TDM.

As both the Sierra Club and Transport 2000 point out, any investment in public transit needs to be complemented by measures to encourage its use, such as providing transit benefits that are tax deductible.

The Canadian Urban Transit Association has illustrated that the best evidence for the potential success of tax exempt transit benefits comes from the U-Pass programs in universities, where choice commuters are offered substantial discounts to use public transit. The most startling example of such a program occurred in St. Catharines, Ontario, where Brock University students have taken advantage of a discounted tuition-based pass since September 2003. In the last year without a discounted tuition bus pass, 329,000 Brock students used St. Catharines transit in 2002-03. In the 2004-05 academic year, 1,714,448 students rode the bus. This is over a 500% increase in ridership due to the introduction of the discounted tuition-based pass.

● (1545)

Building new transit facilities, purchasing new vehicles, and adding additional roads will not in themselves dramatically increase ridership; it would be better utilized through the introduction of tax exempt transit benefits. Whether it is in the form of an employer-provided pass or a percentage of the individual's expenses on public transit, tax deductibility is essential to increasing transit ridership and ensuring environmental and economic sustainability.

In conclusion, there is an idea that the federal government is already subsidizing public transit, through the new deal for cities and communities program and the 2005 budget amendment of $800 million, which makes their role a completely short-sighted one.

Our union also recommends that the government extend the additional $400 million per year in funding from the federal gasoline tax, included in the 2005 budget amendment, beyond its two-year timeframe on an indefinite basis.

Thank you.

**The Chair:** Thank you.

I have a quick question. Who do you represent? Is it the union for transit?

**Mr. Kenneth Foster:** Yes, we represent drivers for the majority of the urban transit properties in Canada in inner cities. We have about 25,000 members.

**The Chair:** Thank you.

From Export Development Canada, Mr. Poloz.

**Mr. Stephen Poloz (Senior Vice-President and Chief Economist, Corporate Affairs, Export Development Canada):** Thank you, Mr. Chairman.

Mr. Chairman, honourable members of the committee, thanks for inviting me to address you today.

● (1550)

[*Translation*]

Good day everyone. I will be making my presentation in English, but feel free to put your questions in French.

[*English*]

I am delighted to have this opportunity to talk to you about productivity and its relevance to the long-term success of Canadian companies.

Productivity is an extremely complex subject, and in the time I have available I will focus on only one aspect of it for you today. Accordingly, I'll concentrate on what I think is the most promising route to higher productivity in Canada, and that is the globalization of our companies.

There was a time when international trade was a pretty easy thing. Geographic and cultural proximity made trade a very natural thing between neighbours. But today the world is much smaller than it was before, and international competition is much greater. As a consequence, the business of international trade is changing very fundamentally. Specifically, production is being globalized; by that I mean when companies divide their products into their individual components and then have those individual components made in the location—some other country perhaps—that makes the most sense.

When we decide to manufacture a new product in Canada, we would never dream of making our own nuts and bolts from scratch in order to put it together. Those are just commodities that someone else makes very efficiently; we just buy them. The globalization of production extends this thinking up the value chain to improve efficiency.

What this process of division accomplishes is to match worker skills and pay levels with the demands of the underlying task. That means increased worker specialization and higher productivity. It's the same principle that we're familiar with in Henry Ford's assembly line, but today the assembly line transcends geography and cuts across countries.

One of the implications of the globalization of production is that a lot of goods are traded more than once. We have to move the parts around the world to some final assembly point and then make our final product, and then we distribute it worldwide, which is trade again. So for the same item we may have traded twice or sometimes three times. This is why trade is growing much faster than global GDP, and it's why trade matters more and more to all of us every day. Trade in both directions, in and out, is penetrating our economies much more deeply with the passage of time.

It is also why cross-border investment is growing even faster than trade: companies usually have to invest in factories or joint ventures with other foreign companies to build those global supply chains that create the trade to allow them to make these efficiency gains. For this reason, at EDC we've called this new trade model “integrative trade”. It integrates traditional export sales with foreign sourcing and investment into one package that maximizes the company's productivity and, not coincidentally, its profitability.

There are a lot of examples of this already today in Canada, and they all have one thing in common. It is that companies are using international trade, both outbound and inbound, not just to expand their sales territory but to become more productive and more competitive. They use trade as a tool.

To some, integrative trade seems tantamount to exporting domestic jobs to foreign economies. This simply misses the big picture. The company that fails to maximize its productivity through international trade could end up closing altogether, and all the jobs will be lost, whereas a successful globalization will mean a sustainable and growing company that generates new jobs.

Fortunately, Canadian and especially American companies have been globalizing steadily for over 50 years. Just by way of illustration, Mr. Chairman, back in 1955—the year I was born, by the way—one in three U.S. jobs was in manufacturing, and today it is less than one in ten. As a matter of fact, today there are one million fewer workers altogether in the United States manufacturing sector than there were in 1955.

This didn't happen in the past couple of years; it took 50 years, in fact in a straight trend through all that time. During those 50 years, the productivity of U.S. manufacturing workers has increased by a factor of six. And how was this done? Well, among other things, by using international trade to increase specialization in U.S. factories.

International trade today is four times as important to the U.S. economy as it was 50 years ago. That's a key driver behind what we call the U.S. productivity miracle. Were jobs lost as this took place? Absolutely. But many more jobs were created, as we know well from the U.S. example. Anyone who claims that the past 50 years have been bad for the U.S. economy is obviously missing the big picture.

● (1555)

By way of comparison, international trade is only about twice as important to the Canadian economy today as it was in 1955. It is in this respect that we have some catching up to do. Our manufacturing workers are about five times as productive as they were in 1955, so that's the difference—between five times and six times.

We've already taken a big step here in Canada with the premise that international trade is good for prosperity, regardless of its direction. The government has endorsed this concept of integrative trade in the international policy statement. To make that happen, we must encourage and support our companies in expanding their global reach through market expansion, direct outbound investment, and the development of these global supply chains.

This could take a variety of forms; I'll just mention a few. We can work hard to advance free trade in various jurisdictions, whether multilateral, regional, or indeed bilateral. We can negotiate investment protection agreements—very important for foreign direct investment—with low-cost developing markets. We can put more people on the ground in developing markets to help Canadian companies do the matchmaking they require, whether they're buying or selling. We can ensure financial and risk management tools are available to companies, regardless of how small they are.

Canada's productivity performance has been lagging in comparison to other economies, but I think we will do some catching up during the next couple of years. After all, one of the reasons U.S. companies globalized so aggressively in the past few years was that their currency was so strong. This put a lot pressure on U.S. companies to adjust and to increase their productivity, while at the same time lowering the cost of making the foreign investments they had to make.

While the U.S. dollar was strong, the Canadian dollar was weak. This meant Canadian companies had a lower incentive to integrate—not because they were lazy, but because the weak Canadian dollar made imported technology very expensive and made it extremely expensive to invest abroad. Now those conditions have reversed, and there are signs Canada's manufacturing sector is responding. To cite one data point, the volume of machinery and equipment imports into Canada is today growing at a 16% annual rate, suggesting that companies are investing heavily. Indeed, despite the dismal productivity we're used to hearing about, the manufacturing sector in Canada has productivity up by over 5% in the past year. That's a sterling performance that is being masked by weak productivity in some other sectors.

My bottom line is this: the ingredients for a Canadian productivity upturn are already there, and the beginnings are already visible. The right kinds of investments in re-equipment and global supply chains will yield tangible productivity dividends. We can do more to encourage this for our companies. To achieve the productivity to compete globally and domestically, Canada needs to look beyond its traditional role as an exporting nation; it has to look at becoming a trading nation.

Thank you very much for your time. Merci.

**The Chair:** Mr. Poloz, where did you get the 16% increase in the purchase of machinery and equipment?

**Mr. Stephen Poloz:** That is from Statistics Canada's "The Daily: Canadian international merchandise trade", Mr. Chairman. Imports of machinery and equipment are rising at about a 5% or 6% rate, but because of the higher dollar and the lower price of such machinery—and that's what I'm referring to—the volume, the actual quantity of machinery, is coming in at 16%.

**The Chair:** Are those the latest statistics?

**Mr. Stephen Poloz:** August, I believe, or maybe September.

**The Chair:** What was the productivity number? Did you say 4%?

**Mr. Stephen Poloz:** It is over 5% for the manufacturing sector. That's for the second quarter, year-over-year growth, so it's to the middle of this year.

**The Chair:** Thank you.

From the Ontario CAPC/CPNP Coalition of Projects, we have Ms. Clarke.

**Ms. Brenda Anne Clarke (Chair, Ontario CAPC/CPNP Coalition of Projects):** Good afternoon. I'm Brenda Clarke, here today representing the Ontario Coalition of Community Action Program for Children and Canada Prenatal Nutrition Programs.

There is no national association representing CAPC and CPNP. However, over the last several months I've had an opportunity to speak with a number of colleagues across Canada in an informal way, and I'm confident that my remarks accurately reflect the national landscape.

I appreciate having this opportunity today to address the committee in this 58th panel of the pre-budget consultations, and I certainly admire your patience and fortitude in listening to so many of us.

Since 1993, Ontario and the rest of Canada have benefited from the community action program for children and the Canada prenatal nutrition program. I'm going to refer to them as CAPC and CPNP from here on in. These are two federal programs formerly funded through Health Canada, but now they're funded through the Public Health Agency of Canada. Across Canada, the federal government has committed almost $80 million annually through grants and contributions to fund 464 CAPC and 900 CPNP programs that offer services for pregnant women and families with children six years of age and under.

The two programs focus on the most vulnerable in our communities. The families that need us most are geographically and socially isolated. They make less money. They have less education. They're new to Canada or they live in other conditions of risk. We serve pregnant women who are at risk of delivering a baby with low birth rate or with fetal alcohol spectrum disorder. What does that mean? What's so special about CAPC and CPNP programs? Why are the programs a good federal investment, and how do our program activities lead to more productivity for Canadians?

I'm going to spend my last six minutes answering those questions. CAPC and CPNP are special because we offer the right help, right here, right now, in communities across the country. Services are direct and appropriate. Imagine that you're a recent immigrant living in Scarborough. You only speak a few words of English. You're pregnant, you have no doctor, and you have gestational diabetes. Growing Healthy Together, a CPNP program, is the only prenatal nutrition program in Scarborough that offers interpretation services in any language required, and as with other CPNP programs, it offers food and vitamin supplements, links to health services, and an information and social network. Later on, when the baby is born, if you still need support, Baby's Best Start, a CAPC program, can provide you with a home visitor who speaks your language and can support you as you try the challenge of parenting a child in your new country.

CAPC and CPNP are special because they work with more than 6,000 partners across Canada, and through their leadership they're able to leverage provincial, municipal, and corporate funding. This is also what makes CAPC and CPNP a good investment. Not only do programs leverage in-kind support like food, staffing, space, and equipment valued at almost $7 million a year, they also reduce the drain on the health care system. Preventing one child from being born with FASD in Yellowknife or in Ste. Hyacinthe saves the health care system a minimum of $1.5 million in direct health care expenses. That's a good investment.

Imagine you're a first-time mother with a six-week-old infant in Medicine Hat. You're suffering from depression, you live far from other family, and your husband works out of town for weeks at a time. The Building Blocks CAPC program would coordinate mental health services for your depression, give you parenting information, help you with transportation to get to the weekly drop-in program, and refer you to other appropriate community resources. By investing a small amount of funding now, many mental health, child welfare, and health care dollars are saved later.

CAPC and CPNP lead to more productivity for vulnerable Canadians. In North Vancouver, parent community developers are trained and hired by CAPC as part of a pre-employment program to offer support to isolated families, and they end up developing their own skills in the process. In Montreal North, Portage la Prairie, Stony Plain, Miramichi, and other locations, CAPC and CPNP program graduates have gained the skills and confidence necessary to apply and be hired as staff of their local CAPC and CPNP programs.

Our children too are given opportunities in our program to develop intellectually and socially. Imagine, if you can, that you're a four year-old-child in Haliburton County who's never had the opportunity to socialize with other children and whose parents are functionally illiterate. They didn't have good experiences in school, so entering kindergarten is scary for you. Bright Starts CAPC will get you enrolled in School's Cool, help you feel confident and excited about school, and raise your language, reasoning, self-help, and social skills so that you're entering school on a level playing field. Whether it's School's Cool or a different program like ABC for Kids or Tick Tock Time, or whether it happens to be in Grand Prairie, Burnt Church, or Portneuf, children benefit from early learning programs, which, without exception, involve parents in the learning process.

But CAPC and CPNP are not special just because of the parenting programs, supports to expectant mothers, or for the early morning activities they offer to Canadian families, including aboriginal, Métis, and Inuit families. Community action programs are true to their name. They are about communities, making choices and taking action according to local needs. That's why in addition to other support, the Parenting for the Future CAPC in Stony Plain and Spruce Grove offer one of their parents and tots programs in five different seniors residences throughout the area.

The seniors benefit from attending the program, often using the singing and movements for their own recreational therapy. Lately, the parents and the kids have been going on their own to visit their new friends. What an awesome multi-generational program that grew out of a simple need for program space.

The parents, families, and children involved with CAPC and CPNP across the country know these programs are special. This pile of paper I have in front of me represents the handwritten thoughts and feelings of participants from the District of Algoma. There are about 200 in the pile. These letters, along with over 5,000 others, have been sent directly to Minister Dosanjh's office. Copies of the 5,000 letters have also been sent to the local member of Parliament—where the project is located—to members who aren't here today, Mr. Bell, Mr. Hubbard, Ms. Wasylycia-Leis, Mr. McKay, and Ms. Minna.

I've spoken with CAPC and CPNP project staff from each of your ridings and know with certainty that your offices have all received copies of letters from your constituents that have also been forwarded to the minister's office.

Parents from CAPC and CPNP projects from coast to coast, in British Columbia, Manitoba, Nunavut, the Northwest Territories, Ontario, New Brunswick, Newfoundland and Labrador, and Prince Edward Island have written letters to the minister sharing their personal experiences with their local CAPC and CPNP programs. In East York and elsewhere across the country the words of our participants echo: thank you for being there.

Mr. Pacetti, Ms. Ambrose, Mr. Pallister, Mr. Penson, and Mr. Solberg, I've spoken to CAPC and CPNP staff in your communities, and I know these programs would be pleased to speak to you in person about the innovative work happening each day in your own community. Last month alone, we served 65,000 participants in CAPC programs. Last year, CPNP provided services to more than 165,000 pregnant and breastfeeding women living in conditions of risk.

By ensuring families who are vulnerable get information and support, build skills and competence, and are connected with resources, CAPC and CPNP reduce reliance on the health care and social services system and build healthy and confident children who will one day govern this land. This is becoming increasingly difficult for us because CAPC programs are receiving exactly the same funding in 2005 that they received in 1993. But by mobilizing communities and providing adequate funding and resources, CAPC and CPNP ensure the sustainability of programs in small and large communities for a fraction of the cost.

We're all known and judged by how we treat our most vulnerable in our population, our children, our elderly, people with special needs, and those struggling with special circumstances. You have the ability to make a difference in the daily lives of vulnerable Canadians and to show that Canada values every one of its citizens. CAPC and CPNP are powerful vehicles to do just that. Use our national network to maximize the federal benefits that began in 1993, CAPC and CPNP. We give real help, right here, right now, for families who need it most.

● (1600)

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

From the Retail Council of Canada, Ms. Brisebois.

● (1605)

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

It is a pleasure to be here once again this year to present the views of the Retail Council of Canada on the 2006-07 federal budget.

I know that members are familiar with RCC, so I'd like to provide just a quick overview of our membership. RCC members operate businesses in all of your constituencies. We represent more than 9,000 retailers with over 30,000 locations across Canada. Our members represent all types and sizes of retail operations, and 90% of our membership is comprised of independent merchants—in other words, single store owners.

**UNKNOWN UNKNOWN:** At year end 2004 the total of retail sales in Canada exceeded $346 billion. However, what is not commonly known is that the retail trade made investments across Canada of close to $7 billion last year alone, in areas such as new store construction, distribution and logistics systems, technology, marketing, and much more. These investments continue to be made in our industry to increase productivity, innovation, efficiencies, and price competition.

While gross sales have increased over the years, most retailers will tell you that those sales have come at a price, so to speak. This industry can only grow, provide jobs, increase wages, and invest more in our communities if the federal government develops fiscal policies that support an increase in Canadians' disposable income levels on a long-term basis.

I appreciate the fact that, as elected officials, you understand the need for our citizens, your constituents, to increase their ability to buy, to save, to build families, and to improve their standard of living. Mr. Chairman, as you and the committee are aware, our industry's present and future growth relies heavily on Canadians' ability to buy goods and services. Our mutual constituents, be they small, mid-sized, or large retailers located in every community throughout the country, are providing local jobs, are making significant local investments, and are most often the first to pitch in when the local community needs support. Retailers want to continue working with you to increase jobs, wages, and opportunities for young people and new Canadians entering the job market in this country. However, to do so we must escape the temptation of providing band-aid solutions and short-term fixes. RCC understands the many demands on you as government representatives—we've heard that throughout the day—especially in a minority Parliament, but we sincerely hope you will recommend long-term fiscal policies that will return money to Canadians in a substantive and meaningful way.

Why is this so important? From 1990 to 2004, real per capita disposable income rose at an annual rate of only 0.3%. During this same period, federal revenues rose more than five times faster, by 1.7% annually. Canadians rightly look to their national government to set the conditions for prosperity, but during the past fifteen years, as the figures show, their standard of living has not significantly improved. While purchasing trends seem to contradict this statement, one has to only look at Canadians' increasing debt load to understand that their future ability to sustain growth in spending is on shaky ground.

RCC commissioned a simulation by Statistics Canada on the impact of federal tax and income transfer policies on the incomes of Canadian households. The federal tax take rose dramatically from 1990 to 1997, eased off a bit, and then rose again. We know this is of great concern to you, as it is to the retail community in Canada. Canada's retail industry relies not only on Canadians' ability to buy, it also relies on consumer confidence, a strong economy, and growing export and import markets. For these reasons, RCC urges you to support a multi-year commitment to significantly reduce the government's tax demands on Canadians.

Mr. Chairman and members of the committee, I have focused many of our remarks on our main recommendation because it demands a strong commitment by the government. Fiscal policy must be designed to support the well-being of Canadians for many years to come.

The retail industry is often referred to as the canary in the mine shaft. Our members are the storefronts of the Canadian economy. They do not benefit from short-term fiscal policy. They can, however, increase community investments, provide jobs, increase wages, and grow and prosper if you support long-term fiscal policies that increase the disposable incomes of Canadians.

RCC has also recommended a couple of smaller changes to government policy in our submission that I sincerely hope you will consider. These changes relate to the jewellery excise tax, capital cost allowances, and a national harmonization of sales tax. RCC would be pleased to provide additional information if required, and obviously, as some of you may have noticed, a substantial amount of data to support our comments is included in our submission. I hope it will be of assistance.

Thank you very much.

● (1610)

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

From the Toronto Board of Trade, we have Mr. Hutchison.

**Mr. Robert Hutchison (Chair, Toronto Board of Trade):** Thank you, Mr. Chair.

My name is Bob Hutchison. I'm chair of the Toronto Board of Trade. With me is our president and CEO, Glen Grunwald. We want to thank the committee for hearing our submissions. We've filed written submissions and are going to elaborate on them in our comments.

As committee members know, the Toronto Board of Trade is the largest chamber of commerce in Canada. We represent over 10,000 members. Our mandate from our members is to act as champions for a competitive and vibrant city.

Toronto, as I think you know and as the federal government has acknowledged, is without exaggeration the economic engine of Canada. This city contributes over $20 billion a year in tax revenues to the federal government alone. There's no other comparable region that makes that kind of contribution. So it's important for not only Toronto, but Canada at large, that Toronto remain competitive and healthy so that it continues to make that contribution and assist in the needs of Canadians across the country.

However, the board is concerned—and we've expressed this view before—that Toronto's competitiveness and its strength are at risk. This not only puts Toronto and Ontario at risk, but also the well-being of Canada at large. There are a number of reasons for this, but certainly some of it is relevant to the federal government.

Federal tax revenues from Toronto taxpayers have been growing much faster than federal expenditures in Toronto for more than 10 years. These revenues are also growing faster than Toronto's GDP. The cumulative result is that in 2004 the gap between what the federal government collected from Toronto taxpayers and what it reinvested in the city had grown to $6.7 billion, almost $7 billion. These are the federal government's own figures. The problem isn't imaginary; it's real. It is getting worse, and the Toronto Board of Trade is concerned that it be addressed in a responsible way by all relevant governments, including the federal government.

Our submissions this year are in some ways Toronto-centric, but we make these submissions with respect to Toronto because of its significant national role.

I'm going to get Glen Grunwald to comment on the details of our submissions, and then I have one final comment, Mr. Chair.

● (1615)

**Mr. Glen Grunwald (President and Chief Executive Officer, Toronto Board of Trade):** Thank you, Bob, and thanks to the committee for allowing us this opportunity.

If Toronto and our nation are going to remain internationally competitive, the federal government must make new investments in cities and people, in particular in three areas: public transit, affordable housing, and education.

As you know, an effective and efficient transportation system is a vital element for a vibrant and competitive city region. The federal government has begun to demonstrate its recognition of this fact by sharing a portion of the federal gas tax revenue, and our board salutes the government for this important step forward.

However, this revenue sharing is only for environmentally sustainable infrastructure. It is unclear how much will actually fund transportation and transit. What Canada requires is an ongoing reliable source of funding, as well as a nationwide plan to meet its transit and transportation needs. That is why we recommend a national public transit strategy supported by a dedicated $1-billion-per-year public transit infrastructure fund.

Secondly, affordable housing is also a major factor in creating attractive, liveable, and competitive cities. It is an important issue for the business community because of our need to attract and retain employees. Unfortunately, Toronto's and Canada's supply of affordable housing is quite simply inadequate. We call for a national coordinated housing strategy, involving all levels of government and the private sector, to alleviate homelessness and increase the availability of affordable housing.

The third focus for investment in cities should be in the workforce of tomorrow, to help us maintain our current competitive advantage today and in the future. The federal government and Canadians must invest more in all aspects of post-secondary education—universities, colleges, apprenticeships, and career colleges.

More resources are needed to better integrate new immigrants into the workforce even as we move towards fairness in immigrant settlement funding.

Finally, we need the federal government to modernize the tax and student assistance systems to make it easier both for people to pursue post-secondary education and for people to invest in institutions of higher learning.

In addition to increased investment, the federal government can enhance Canada's competitiveness by taxing smarter. For example, a 2004 Finance Canada study found that for every dollar a company saves through higher capital cost allowances, there is an economic gain of $1.40. The same study found that reducing capital taxes also produces more activity. A $1 reduction in capital tax would result in an economic gain of 90¢. Cost allowance rates should be in line with the economic life of the asset; and capital taxes, which unfairly target capital-intensive industries and hinder productivity growth, should be eliminated in the 2006 budget.

While we're on the subject of taxation, we wish to repeat and enforce our support for the May 2005 memorandum of agreement with the Province of Ontario to harmonize corporate tax collection and administration. This is a very important issue for businesses, both large and small. If done properly, harmonizing corporate tax administration could result in a de facto tax reduction for Ontario businesses, saving them between $76 million and $130 million per year in compliance costs.

Another important taxation issue desperately in need of reform is the federal government's unreasonable airport rents, which are an unfair tax on competitiveness. Under the new rent structure, Toronto's Pearson International Airport will pay 63% of all airport rent in Canada, while handling less than 40% of the air traffic. This is contrary to the recommendations of the House of Commons Standing Committee on Transport, it is contrary to the need for Toronto to provide a competitive airport hub, and it is contrary to simple fairness. Toronto receives absolutely nothing in return for the $160 million a year it pays in airport rent. This tax needs to be substantially and equitably reduced.

Finally, I would note that businesses also require a degree of certainty in the tax system. The federal government must ensure the tax system remains both internationally competitive and predictable. Thank you.

● (1620)

**Mr. Robert Hutchison:** We have one final comment. We make this respectfully, but it's something that we thought should be recorded.

The federal government has made a number of positive and important announcements with respect to the city of Toronto. It promised new investment in waterfront revitalization, immigrant settlement, harmonization of corporate tax, corporate income tax reductions, and others. Unfortunately for both Toronto and Canada, a number of those, for a variety of reasons—good reasons, perhaps—haven't been implemented. But I think we want to make the point that it's very important for Canadians, Canadian taxpayers and business taxpayers in particular, that the commitments the federal government makes through the process of the budget and spending announcements be followed through.

Business requires some degree of certainty. We're competing internationally for business investment. One of the worst possible messages that Canada can send abroad to businesses that may be looking for investment opportunities in Canada is to have uncertainty, wavering, and, frankly, broken promises.

We don't make this comment just to be critical. We want to impress upon your committee and the government that this is vitally important for investment decisions in Canada. Capital is mobile. People are mobile. Technology is mobile. If we don't provide the sound footing for those investments in Canada, Canada simply won't have them. That's the strength of future economies.

We appreciate you having us, as usual, Mr. Chair and committee members. Thank you.

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

From the Toronto Real Estate Board, Mr. Collins.

**Mr. Michael Collins (Member, Government Relations Committee, Toronto Real Estate Board):** Thank you, Mr. Chairman and members of the committee.

My name is Michael Collins. I'm here representing the Toronto Real Estate Board, or TREB, for short. I'm also a realtor who works in the GTA with my clients.

With me today is Mr. Tim Lee, from the Ontario Real Estate Association. We're both here on behalf of the Canadian Real Estate Association, which has already made a presentation to you on what we believe are some very important issues. I will briefly provide a local perspective on these issues, and then Mr. Lee will provide you with more provincial information.

Realtors are proud of their contribution to the Canadian economy. A study recently prepared for the Canadian Real Estate Association by Clayton Research indicates that each housing transaction generates close to $25,000 in spinoff spending, contributing $12.4 billion to the economy, and that's over and above the sale of the house. Realtors are equally proud of the work they do for the betterment of their communities. Whether it's supporting minor sports or organizing charity fundraisers, realtors are always at the forefront of their communities.

Simply put, we care about our communities. That's why TREB is concerned with the Department of Finance proposal that we believe will hurt the greater Toronto area. Specifically, proposed changes to the Income Tax Act that restrict the deductability of interest and other expenses will have significant negative consequences in the real estate markets. We believe that ultimately this will undermine the social and economic well-being of the greater Toronto area.

As you may know, this proposal was first tabled in 2003, at which time realtors from across the country raised concerns with the federal government. We were pleased when the 2005 budget acknowledged these concerns and committed to addressing a more modest legislative initiative. Unfortunately, based on recent discussions between the Canadian Real Estate Association and the Department of Finance, it appears that only slight modifications will be made. This means the deductability of interest expenses will be limited to situations where the taxpayer can show that the expenses were incurred for the purpose of earning a net income from a business or a real estate investment.

Simply put, the key to deductability will be the taxpayer's intention to have a positive annual income stream from the investment. Intention to receive a capital gain will no longer count in this determination. By excluding capital gains, the Department of Finance is ignoring the fundamental reality that most real estate investment decisions are based at least in part on this expectation of a capital gain. Many investors choose to invest in real property knowing that the rental stream may not exceed the ongoing expenses. This is especially true during the initial stages of an investment. They proceed on the basis that the capital gain they expect to earn at the time of sale will offset this expense.

We have a number of concerns with the effect that this proposal would have if implemented, but none is more important than what we believe it would do to the government's urban agenda, and more specifically to the government's efforts to ensure adequate affordable housing. The greater Toronto area is one of the least affordable regions in Canada in which to live. That's why housing affordability has been a priority issue for Toronto's realtors, who have taken it upon themselves to address this problem.

We've done everything from raising funds for charitable organizations to working with governments to help find solutions, but ultimately the best long-term way to address these issues is through the private sector. Investors in residential property are among the most significant providers of rental housing. Every day realtors help small investors purchase properties that end up in the rental market. Whether it's a basement apartment, a single family home, or a triplex, these investors provide a crucial component of the affordable housing mix. However, these investors are also very vulnerable to small changes in cost. By making it more difficult to finance investments and offset expenses, the Department of Finance proposal will deter the creation of new rental properties and the upkeep of existing ones.

The Canadian Real Estate Association has previously outlined to you various other concerns with this proposal. We urge you to revisit this issue and take up a position in opposition to the Department of Finance proposal in its present form.

Now I'd like to hand it over to Mr. Lee, who will give you a provincial perspective.

● (1625)

**Mr. Tim Lee (Chair, Government Relations Committee, Ontario Real Estate Association; Toronto Real Estate Board):** Thank you, Michael.

By way of a brief background, the Ontario Real Estate Association is a non-profit trade association founded in 1922. It represents the interests of over 38,000 realtors active in every community in Ontario.

Over the past few years, our association has become increasingly concerned about the imbalance in the federal government's equalization and transfer programs and the fiscal gap that has resulted in Ontario taxpayers sending some $23 billion more in taxes to the federal government than they receive in services.

I know you have all heard about this gap, and I'm sure many of you have an opinion on the issue. It is not my purpose today to argue about the size of the gap, whether federal transfer programs are fair, or whether the government's new-found asymmetrical federalism is good or bad for the country. I will leave those questions to economists and others more knowledgeable than I. But discussions about transfer payments and fiscal gaps are important, because the current imbalance is having a direct, negative effect on Ontario and its ability to deliver quality health care and education, to fix our crumbling infrastructure, and to upgrade social services.

In addition to the gap itself, there appears to be very little transparency or accountability in terms of how transfer funds are allocated and what their impact is on both receiving and contributing provinces. What happens to the Canadian federation if Ontario becomes a have-not province? What happens to Atlantic Canada if transfer payments are dramatically cut because Ontario does not have the funding it needs to remain Canada's main engine of economic growth and federal taxes? We think the federal government should be looking at these issues with a view to ensuring they do not kill the goose that is laying the golden eggs.

Sadly, there is a growing feeling among Ontario residents that our tax dollars are being used for short-term political gain rather than for funding projects and policies that will in fact help those less fortunate provinces improve their financial situation. Members of all three political parties in Ontario have expressed these concerns to the federal government, but it appears no one is listening, including the Liberal MPs elected in the province of Ontario.

We recommend that the federal government immediately sit down with the Province of Ontario to find a balance that serves the needs of Ontario as well as the rest of Canada. Mr. Chair, Ontario has always helped to support other provinces, and we do not suggest we should stop. We do ask for a good faith effort from the federal government to adjust this fiscal gap and act to restore a better balance between taxes paid and services rendered.

Thank you very much.

● (1630)

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

Mr. Penson. We'll go for six minutes.

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

I'd like to welcome the panel here—good presentations again this year.

I do want to start with Mr. Poloz from EDC, maybe because he's saying things I like to hear and because I have similar views.

I want to explore them a little more fully, if I can, Mr. Poloz. When you talk about integrated trade, I know what you mean. I was in a Honda factory in Alliston where the main components came from Japan, were assembled in Alliston, and sold in Mexico and the United States. That's just a simple example of it, but we see it all the time. I know that's a very important aspect of Canadian companies as well—the need to globalize.

I'm sure you support the liberalization of trade around the world, reducing barriers to trade. The Doha round seems to have bogged down a little bit but may see some movement here shortly. The main objectives are in the agricultural area, where there are some $350 billion of world subsidies a year, I believe. Their objectives are to reduce export subsidies, reduce barriers to market access, and reduce domestic support or subsidies.

There are a lot of Canadian farmers, including at my place in the Grande Prairie area, who would like to see some movement here. We believe we can produce on the basis of production with those people around the world, but we can't produce against the treasury of the European Union or the United States.

I'm wondering if you have been following this, if you see any movement there, and what we might expect in this round.

**Mr. Stephen Poloz:** Thank you very much for the question.

I'm not all that optimistic about the likely progress in this, although in the last few weeks there have been some encouraging signs, suddenly. We're at the point now where participants begin to look bad because there hasn't been much progress, so there's increased pressure on them to show some flexibility.

I remain hopeful, but those sorts of multilateral negotiations are painstakingly slow. The kinds of distortions that are in trade are so large, as you've described them, that people have to adjust a very great deal in order to eliminate them.

In contrast, the integrative trade model relies less on concerns of free trade—that is, eliminating tariffs, etc.—and more on investment protection agreements. So if a Canadian company needs to make an investment in Mexico, the beauty of NAFTA is that it's given equal treatment, and that is more important to today's growth of trade.

It would be a delightful outcome if we were to free up the global agricultural system—and I hope with you—but I'm not very optimistic.

**Mr. Charlie Penson:** Let's just explore the investment agreements that are needed. I thought Canada had a number of bilateral investment agreements. Is there some shortfall there? Is there some need to go further?

● (1635)

**Mr. Stephen Poloz:** It would be nice to have more of them, and IT Canada is working hard on several fronts, so that's to be encouraged. You would need, I think, to ask them whether they are short of resources, given the demands from Canadian companies. My sense is Canadian companies have under-invested in the world because of those risks they are concerned about, whether it's intellectual property or just the matter of the potential for tax law change that might damage the value of their assets out there at a future date. EDC is there to help with those things—help with financing and insurance vehicles—but the framework is provided by negotiations—

**Mr. Charlie Penson:** Mr. Poloz, I'm sure Maude Barlow would love it if we embarked on another round of talking about the multilateral agreement on investment, because she seems to have done pretty well with her organization in trying to drag that down last time. I agree with you that investors are looking for some protection worldwide when they make investments. They want to be assured their investment is not going to be nationalized and is going to be treated fairly.

I wanted to explore a couple of other things with you. You said it looks as though a lot of Canadian companies have turned the corner on investments. You see increasing productivity as a result of that. The Canadian dollar is high, so they should be able to use that as an opportunity to get maximum value in their investments, but won't a rise in interest rates drive the Canadian dollar higher and tend to hurt Canadian exports?

**Mr. Stephen Poloz:** I think not. By the way, we've just today released EDC's latest global export forecast, which may be of interest to the member.

Our feeling is that interest rates will not need to go up very much to keep inflation under control. There are already signs of slowdowns in many sectors, so as a result, I think the market already has priced in the interest rate cycle, as we were expecting. Therefore, the Canadian dollar is unlikely to go higher from here for that reason. The reason it might would be a further rise in oil prices. That's the main thing—

**Mr. Charlie Penson:** Would the interest rate cycle you're talking about take into account the difference in the overnight rate of 1% with the United States?

**Mr. Stephen Poloz:** Yes. In fact, we would expect to see, over the next year or so, some closing of the gap between Canada and the United States, a narrowing of that gap, but I believe the market has priced that into the dollar already. They're actually expecting the same thing we're forecasting, so the dollar probably has already fully priced that policy response.

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

Monsieur Loubier is next.

[*Translation*]

**Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ):** Thank you, Mr. Chairman. My question is for Mr. Poloz.

You mentioned earlier that you were in favour of Canada signing bilateral agreements. You stated that with respect to investments, multilateral agreements take some time to hammer out. However, doesn't a multilateral approach provide a guarantee of sorts that regardless of the country for which our investments are destined, at least all of these nations will abide by a given multilateral framework? That's my first question.

Secondly, regardless, it's important that each country comply with the terms of these agreements. We've noted that the United States in particular and Europe, albeit to a lesser degree, do not always uphold the terms of the agreements, whether bilateral or multilateral, that they have signed, even when rulings have repeatedly been in Canada's favour, as in the case of softwood lumber, for example.

There have been other cases over the past twelve years. The Americans always wield considerable authority. I have a question for you about the US government that subsidizes parties that lodge complaints and that continues to subsidize them until they win their case, something that we do not see here in Canada. For example, when you represent a particular sector and have a complaint to lodge against an American party for unfair competition, either you or your sector must assume all related legal costs. I'd like to hear your comments on the subject.

Subsequently, I will have a question for Mr. Foster.

**Mr. Stephen Poloz:** Thank you for your questions. I will answer in English.

[*English*]

On the question of trade agreements, you're absolutely correct. In fact, the ideal outcome is when we have multilateral agreements that provide a framework within which everyone operates; however, what we see is that the bigger the multilateral attempt, the more difficult it is. You may have 150 or 160 countries around the table that have very great difficulty agreeing on much of anything.

This is where I think there is still a role for bilateral initiatives by Canada. What happens is they demonstrate that trade liberalization helps both parties. The more examples of bilateral agreements that work—for example, Canada-Costa Rica or Canada-Chile.... Those agreements have demonstrably helped both countries. Those signs of success will encourage people to be less fearful of liberalized trade. So it has a role in the broader context of multilateralism.

As for your second question, you're absolutely right that there is no point in having an agreement if both parties don't respect the agreement. Nevertheless, I don't necessarily make the leap from there into the disputes we have within our agreements with the United States. Only about 4% of our trade is under any kind of dispute—we have a very successful framework—and the roots of the disputes that we have are much deeper than just the free trade agreement. Of course, I would prefer that they be resolved more quickly and that we could do business in a fair and a more certain manner, but I understand also that from the practical point of view, it's a very complex issue.

I hope those address your questions.

● (1640)

[*Translation*]

**Mr. Yvan Loubier:** Mr. Poloz, do you think it's normal that when a party in the US lodges a complaint against Canada, the government subsidizes the legal action whereas in this country, when Canadian citizens know that they are being treated unfairly by a U.S exporter, they receive no government assistance to defend their position?

Consider softwood lumber producers. They have spent $5 billion in countervailing duties on this case. However, we mustn't forget all of the attendant legal costs that have been borne by Canadian citizens, whereas parties in the U.S who lodge complaints are subsidized. This has made the process easier and led to an increase in the number of complaints filed.

If we talk about innovative bilateral or multilateral agreements to ensure that each country is treated equally and has the same recourse options, we can't have the plaintiff in one country being subsidized while the party in the other country is left to defend himself all on his own. That is not fair trade.

**Mr. Stephen Poloz:** I agree with you completely.

[*English*]

In fact, the situation is very complex. I don't profess to know how we can resolve it. It is the most bizarre outcome in trade, probably, in history, but it shows that there are many people at the highest levels in the United States government who really don't understand how they benefit from international trade and how much it costs them to distort trade in this way.

But that is easy for me to say, sir. I'm sorry I don't have anything really concrete to offer on that question.

[*Translation*]

**Mr. Yvan Loubier:** That's true.

I have a question for Mr. Foster.

Currently there is a private member's bill on the table sponsored by my colleague, the Member for Longueuil. The bill proposes that all public transit users be eligible for a tax credit after submitting proof on an annual basis that they use public transit.

To your way of thinking, is this an effective proposal or should it be set aside? Should the bill be voted down, or should we support this initiative that has been implemented in a timely fashion elsewhere in Canada? This proposal has had some measure of success, even in the United States. The possibility of a refundable tax credit has gone over well on university campuses where demand for public transit from students has increased or with other specific groups of workers.

[*English*]

**Mr. Kenneth Foster:** Thanks for the question.

We're fully aware of Bill C-306, and we certainly have been talking to Madame St-Hilaire on it—and we're naturally on her e-mail list—offering our support at any time. We also realize that the Bloc was one of the first parties, I guess, that brought in such a proposal, and we welcome it.

With respect to the part of the question regarding the receipt aspect, we have no problem with it. That, to me, poses no problem. The difference between our proposal and the Bloc's is that we are looking for the current legislation as it is now in the United States. But if the government is uneasy with that, we'd certainly welcome, if they wanted to go just a little smaller than that and proceed similarly to the early U.S. legislation, the introduction of an employer-provided tax exempt pass.

● (1645)

[*Translation*]

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

[*English*]

Mr. Angus.

**Mr. Charlie Angus (Timmins—James Bay, NDP):** Thank you, Mr. Chair.

Madame Clarke, thank you for laying out the important work that CAPC does.

I can say from my own riding in Timmins—James Bay that the work that's done is front-line work. It's vitally important work. We have Healthy Babies, Healthy Children in Timmins; Kelly Wakeford and the Brighter Futures for South Cochrane District; and in Kirkland Lake we have Children Matter, the nutrition programs there. This is very, very important work. I will fully support ongoing efforts to maintain these programs.

What I'd like to ask you is, for a typical rural or northern region program, what kinds of funding dollars come into the operation, and how would they use that—just a typical example?

**Ms. Brenda Anne Clarke:** I come from Sault Ste. Marie. That's the project I'm in. Our area covers the district of Algoma, which is 50,000 square kilometres. It takes about eight hours to drive across our area.

We have a budget this year for CAPC of $340,000, of which we have to set aside 10% for national and provincial evaluation purposes.

For CPNP, we have $100,000 in our budget. That's just new. Actually, we did receive an enhancement just in the last budget year because we had almost the lowest per participant rate in the province.

We serve approximately 450 women a year on $100,000 because the public health units give us the time of their public health nurses to help with the prenatal education, and the dietician from the health unit helps us. We have one dietician for our entire area, but she does a great job of helping to at least get us the information we need.

We have nine paid staff out of $300,000, so they're not getting paid a lot of money. In some ways, they're women in jobs that are fairly marginalized. They often work part-time. We often have to lay them off and close our programs in the summertime. As the years go on, we have not been able to operate our programs 12 months of the year, because 1993 dollars don't go as far in 2005.

**Mr. Charlie Angus:** Thank you very much.

**Ms. Diane Brisebois:** You can use my statistics if you want. They'll help you.

**Mr. Charlie Angus:** Mr. Foster, public transit where I live is a bus that runs once every two hours on a Saturday up to the local mall, but my brother drives the Bloor-Danforth line in the morning, so I'm very partial to your issue.

Being that we're in Toronto, I'll focus on Toronto transit and where we're at. Are we winning or losing the battle for developing and expanding public transit in the GTA?

**Mr. Christopher Byford (Director, Research and Communications, Amalgamated Transit Union - Canadian Council):** I think there's a temptation, with the recent influx of cash through the new deal for cities and communities, Toronto getting a relatively healthy chunk of it, and with the NDP budget amendment—thank you very much—of $800 million for two years directed specifically at transit, which also gives us this impression, to say that we're winning.

To some extent, yes, we've made some small gains. But when you look particularly at the TTC, which has a very old fleet of buses, many 25 years old, a lot of that initial cash from both of those sources is simply going to be eaten up in replacing rolling stock. You're not going to see any expansion at all.

The unique thing about Canada is that it's never really had the planning and funding of personal transport. The federal government has never really been involved in that, unlike other countries. I think this has changed with the recent funding, but I always liken it to the film *Field of Dreams*: just because you build it doesn't mean they'll come. Even with new buses and a few new other types of infrastructure, such as stations and things like that, you have to encourage people to use them, and I think tax deductible passes are the way to encourage them to get the bodies out of the automobiles and into the subways and buses.

● (1650)

**Mr. Charlie Angus:** We worked so hard to get some transit money. I find it disturbing that we're going to be basically playing catch-up for the aged stock of the bus and subway fleet. Looking at the TTC and transit in the GTA, we've really fallen behind. We got the light rapid transit in and we got the Sheppard line in, but is there any coordinated plan for the larger GTA, given the massive population increase that's happened over the last 20 years?

**Mr. Kenneth Foster:** Not that we've noticed. There was a group formed a number of years back with the GTA. I believe Mr. Tonks was the head of it at that time. We were on that particular committee as well. It just did not seem that we could get the different municipalities to work together; it always seemed to be a power struggle. I certainly didn't relish Mr. Tonks' position at the time, trying to bring all the municipal politicians together to reach a consensus. But over time, we've seen that a lot of the politicians now are more familiar with public transit, whereas they weren't before. I think that has helped greatly.

But you're right, concerning the amount of money the federal government and the provincial government have put in, it's a shame it took so long to do, because as you say, the current stock is in such disarray I don't believe we'll ever get caught up. I really don't.

**Mr. Charlie Angus:** I have one more question. I'd like to put it to the Toronto Board of Trade.

It seems to me that if I were setting up a business in Toronto today, given the density of population and the fact that our subway system has really not caught up with where we're going, and given the growing congestion in the GTA.... Has the lack of planning or the lack of steady investment in that area affected the city's ability to compete?

**Mr. Glen Grunwald:** Yes, and I know the current provincial government intends to announce the formation of a greater Toronto transportation authority. We're unsure exactly what role and powers and authority it will have, because it hasn't been announced yet. We have always encouraged a regional planning body, and we think it needs to not only do some planning, but also have the financing authority to work along with the federal government so that we make the right investments in transit and transportation in the GTA.

To follow up on your point, yes, we really appreciate the new federal funds that are flowing to help with transit, but again, it is underfunded. Our statistics and our report say we'll receive in Toronto approximately $120 million per year as our share of gas tax revenue. But to maintain a state of good repair and deal with normal system growth requirements—not necessarily expansion—requires $750 million a year. So notwithstanding that these funds are flowing, we're still creating a further deficit, in terms of the state of repair of our transit system in the city.

That's why we encourage the federal government to fund those amounts faster than in the five-year plan that's already been announced, and also to adopt a national transit strategy that would fund transit to the tune of $1 billion per year across the nation.

**Mr. Charlie Angus:** Thank you.

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

I have just a few quick points.

Mr. Foster, do you have any idea what it would cost for this transit pass? We had the same issue with the Ottawa transit, I think it was. There's no real information on the money, on how much it would cost. All we're looking at is issuing savings on passes if people were to purchase them on a yearly basis. I'm wondering if you have any numbers. It's a difficult calculation, but I think that's the challenge Finance has with it. If there's anything at all that you have or can work on, so you can provide us with some figures....

**Mr. Christopher Byford:** I think traditionally that is the challenge Finance has had with it—trying to cost it out. It's difficult to do. There are some statistics in the U.S., but they're scattered and it's not always an accurate comparison with what we'd do here.

I think our point, which is why we focused on sustainability both in environmental and economic terms, and we focused on those in our society who are at the lower end of the wage scale, is that for us, whatever the cost, it will be offset essentially by increasing the ridership.

● (1655)

**The Chair:** I think the problem is that if it's too low, they won't do it, and if it's too high, they won't do it because it costs too much. That's the kind of scenario you're caught up in.

Mr. Poloz, I haven't heard a specific recommendation that your organization is looking for. I understand you want the ability for Canadian companies to make more foreign investment. How do you propose we do that? What is the recommendation you're looking for?

**Mr. Stephen Poloz:** Mr. Chairman, what we're seeking to do is to help everyone understand better what Canadian companies really need. I don't think they need expensive programs to help them boost productivity. They need improved access to the world. That can come in a variety of forms, such as the investment protection agreements we were talking about. That requires perhaps additional people to be able on the ground to work those things out. They need access to more matchmakers, that is, Canadian trade commissioners on the ground perhaps in the precise markets where they need to make those investments, who can help them find the right place, the right partners, and set up these linkages. What that does is create a lot of trade between Canada and those developing markets.

Markets that are growing at 8% to 10% per year are the markets we need to be in to grow both our export sales and improve our competitiveness at the same time.

**The Chair:** Would signing more free trade agreements work?

**Mr. Stephen Poloz:** Absolutely it would—a difficult task in the kind of world we live in, but always worth the investment.

**The Chair:** Ms. Clarke, you mentioned that I haven't met with any of the organizations in my area.

**Ms. Brenda Anne Clarke:** I didn't say you hadn't; I said you could.

**The Chair:** Okay. Can you give me some names? I pretty well know most of the social groups. I grew up in my riding.

**Ms. Brenda Anne Clarke:** Fondation de la Visite is one in your area, I think.

**The Chair:** We can discuss it after, because I haven't even heard of them.

Mr. Hutchison, who do you work with? Are you part of the Canadian Chamber of Commerce?

**Mr. Robert Hutchison:** We're with the Toronto Board of Trade itself, which is affiliated with the Canadian Chamber of Commerce and also the Ontario Chamber of Commerce. We're the biggest chamber of commerce.

**The Chair:** The reason I ask is that some of the issues you brought up are similar to what the Montreal Board of Trade came up, and when we were in Vancouver, I think they had some of the same issues. I'm wondering if your voices are heard through the Canadian Chamber or whether it's totally different.

**Mr. Robert Hutchison:** In part, but to be honest, the urban agenda focus has been carried primarily by the majors of Vancouver, Montreal, Calgary, Toronto, and one or two others. We certainly participate with the Canadian Chamber, but they have a much broader mandate, and the urban issues are recognized as being distinct to a degree.

**The Chair:** Thank you.

You can see the varied issues that we have to deal with, but that's our challenge.

Again, thank you for taking time out of your day.

The meeting is adjourned.

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