



House of Commons  
CANADA

## Standing Committee on Finance

---

FINA • NUMBER 016 • 1st SESSION • 39th PARLIAMENT

---

EVIDENCE

**Tuesday, September 19, 2006**

—  
**Chair**

**Mr. Brian Pallister**

Also available on the Parliament of Canada Web Site at the following address:

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

## Standing Committee on Finance

Tuesday, September 19, 2006

• (1540)

[English]

**The Chair (Mr. Brian Pallister (Portage—Lisgar, CPC)):** I now call today's meeting to order.

The House of Commons Standing Committee on Finance is mandated by the House of Commons on an annual basis to consider and make reports upon proposals regarding the budgetary policies of the government. This continues our process. This year, the theme of our consultations is "Canada's Place in a Competitive World".

We are looking forward to the presentations you are bringing us today. We'll ask you to keep your comments to five minutes or less to allow time for questions from our committee members.

We will begin with the Federation of Medical Women of Canada. I understand Madam Beck is here. I will invite you to start your presentation, please.

**Dr. Gail Beck (President-Elect, Federation of Medical Women of Canada):** Thank you.

Mr. Chair and members of the committee,

[Translation]

My name is Gail Beck. I work as a physician in Ottawa and I'm the President of the Federation of Medical Women of Canada.

[English]

The Federation of Medical Women of Canada represents Canada's women physicians, and we are honoured to have been invited to participate in your pre-budget consultations.

For this budget we are asking that the committee consider some recommendations that will fall into the realm of preventative medicine. We know you're interested in productivity, and we feel that preventing illness is the way to keep people well and able to do the tasks to which they're best suited.

In the brief we have prepared, which I am assuming is in your kits, our first set of recommendations relates to public health measures. One is for an education campaign directed toward young people regarding healthy lifestyles to combat the epidemic of obesity in Canada's children. We are looking at the very successful campaign, the anti-smoking campaign, that the federal government had. There is evidence that this was effective in convincing young people not to smoke, so we believe a similar campaign asking them to look at healthy lifestyles will also have an impact on their health in the long run.

We also know that at this time the immunization program is up for renewal, so we are asking for federal funding of vaccines, and in particular, new vaccines. We've been discussing in particular the release of the vaccine against human papillomavirus, and I want to read an excerpt from our president-elect, Dr. Janet Dollin.

I feel privileged to be a family medicine practitioner at this time- to be a witness to the beginning of the HPV vaccine program. I feel that this will ultimately be another medical revolution that will change the face of cancer and of medical services in Canada and internationally. Cervical cancer is the second most common cancer in women worldwide, and HPV is implicated in over 99% of these cancers.

While the need to suppress secondary effects of HPV vs the need to eradicate HPV altogether will be debated, I would caution us to address this infection as one that is important to both men and women, thus the need to include both in any strategy. Clearly we need a national strategy which is informed by our diversity.

Our second set of recommendations is a request to recognize gender as a determinant of health.

[Translation]

We are asking that gender analysis be an integral part of all new Health Canada program development.

[English]

Such analysis ensures that projects reflect the needs of all Canadians from the get-go.

Finally, we have seen how the House Standing Committee on the Status of Women and the expert panel on accountability mechanisms for gender equality have both made recommendations for Status of Women Canada that have never been operationalized. We are asking the Government of Canada to fund these recommendations. Our brief explains our recommendations more fully.

I am happy to address any questions you may have, either now or at a later date through the office of the federation.

Thank you.

• (1545)

**The Chair:** Thank you very much for your presentation, Madam Beck.

We will continue with the Canadian Association of Railway Suppliers. Mr. Fisher, you have five minutes.

**Mr. Glen Fisher (Executive Director, Canadian Association of Railway Suppliers):** Honourable members of the House of Commons Standing Committee on Finance, good afternoon. I am pleased to be here with you.

The Canadian Association of Railway Suppliers is the association of companies that make the trains, the rolling stock, freight cars, track maintenance machinery, all the hardware, including some of the noisy stuff that causes the railways a little problem at railway crossings. We're working very hard on improving those products, so bear with us and you'll see the results of our developments in the next few years. Our companies provide things like nuts and bolts, as well as big freight cars, and I'll talk a little bit more about freight cars in a minute.

We believe our industry is on the brink of big expansion because of the growth in the economy and because of the changing fuel costs. Railways, as you may know, are about five times as fuel efficient per tonne moved as road trucks are. And of course movement of freight through railways requires some innovative planning on the part of the railways and innovative planning by our members to come up with the cars and rolling stock that will achieve those gains, albeit with lower freight rates and economies of scale for the size and length of trains.

Government decisions that affect legislation on finance and budgets have a great impact on the rail industry and its ability to provide service to Canadians. Unlike other countries that Canada's producers compete with, particularly on issues like grain transportation, we have to move grain 2,000 kilometres to a port, whereas such competitors as Australia only move it a few hundred kilometres. The United States is a little bit smaller in girth, so again, it's easier for them. We have to be just that much more efficient to help our customers, the railways' customers, compete internationally.

The railway suppliers have about 60,000 employees in Canada. There are about 500 companies altogether, and that group makes a big footprint in Canada's economy. People are familiar with the railways because they see the trains, but if you stop and think about it, what you're looking at is the products of our members.

We want to see the railways invest in cleaner technology, but they need predictable, long-term funding to write off old technology and fund the new technology.

We need to see investment in environmentally sustainable transportation. The railways have come a long way in the last 25 years with greater fuel efficiency of their locomotives, and again, it's our members that have done this work for the railways.

We welcome the renewed Canadian strategic infrastructure fund, and we strongly recommend that the rail infrastructure remain an eligible item under the CSIF program.

We also support the Railway Association of Canada's submission to create a rail technology development fund from the proceeds of fuel tax collected from Canada's railways—about \$75 million annually—and that this fund would be accessible to rail technology developers and manufacturers to create a more competitive environment in developing and marketing new technologies, which, in accordance with the last 15 years, do in fact reduce harmful emissions through fuel reductions and cleaner emissions from the locomotives.

We also recommend that investments be made by the federal government for commercialization of research so that innovative technologies can more easily enter the marketplace. An avenue for

that has been the Transportation Development Centre, which has been Transport Canada's agency to provide funding for useful and productive research. Our members cooperate with TDC to access that funding, but it really is minimal at the present time. We need to go back to what it was 15, 20, or 25 years ago. One tends to think that these things increase with time, but actually there's one that has unfortunately diminished drastically.

**The Chair:** Mr. Fisher, we're past our five minutes now, so I'd ask you to wind it up, if you would.

**Mr. Glen Fisher:** Yes. I have just one last thing.

We are very concerned about the inequality in capital cost allowance between our U.S. competitors and ourselves. One of the fallouts from NAFTA is that the railways can now buy or lease railcars from the United States, but the U.S. suppliers, manufacturers, and U.S. railroads get 30% capital cost allowance, whereas the Canadian leasing companies and Canadian railways just can't compete with that, with 7% capital cost allowance. So we need to level the playing field. That really is a serious issue for our members that manufacture the freight cars and rolling stock.

Thank you for this opportunity to talk with you.

• (15:50)

**The Chair:** Thank you very much, Mr. Fisher.

We'll move now to the Canadian Meat Council representative, Mr. Jim Laws. Mr. Laws, please proceed.

**Mr. Jim Laws (Executive Director, Canadian Meat Council):** Thank you very much for allowing the Canadian Meat Council to present to you this afternoon.

We represent Canada's largest agrifood sector, the meat packers and processors. At the back of our brief, you can see all the member companies we represent.

In fact, for the meat sector in Canada, exports are extremely important. We've made some very specific recommendations under the four specific questions that the committee asked, to be as clear as possible. There are two major issues facing us right now in the meat industry in Canada: the shortage of labour, largely due to a booming economy out in western Canada, and the risks associated with foreign animal diseases entering Canada.

In terms of our recommendations on skills and health, we very strongly encourage the government to continue to invest in the high-calibre veterinarians we need to guarantee our export markets and the health of Canadians. We encourage the government to extend to all Canadians its very progressive tax credit for youth sport registration, which we commend, because obesity is a problem as well. Healthy Canadians means healthy workers who continue to come to work.

We also believe, in terms of competitiveness, that we need to make changes to the foreign workers program. Right now in Canada we need to be able to extend this pilot project to get workers in quickly for longer than a one-year period. We need changes as well in the tax regime, to allow and encourage Canadians to move where the jobs are, to keep them moving.

We also need the government to deliver on its smart regulations promise. We need to move quickly with the introduction of new food products, label registrations, new ingredients, or other food-borne illness issues that we can deal with, that other countries are allowed to use but we can't.

As my colleague indicated, we rely on exports. A lot of meat gets transported across Canada, and we need to make sure that we have efficient transportation systems. We need to have new bridges and very secure rapid crossings into the United States, because they remain our major customer for beef and pork.

We need to widen the agricultural essential services designation for agricultural products. The strike at the port of Vancouver had a serious effect on meat products. We sell fresh pork to Japan, and we can't have strikes at the port of Vancouver affecting Canadian trade.

We need to invest in the future electrical supply source in Canada. We can't have another ice storm or another issue where the power is shut down. We have very time-sensitive products of huge value—\$15 billion—to the Canadian economy. We need to keep this industry moving.

On the actions to secure a prosperous future, we need the Government of Canada to step up and get this WTO deal going. It's very important for us. We need some more free trade agreements that do not exclude agriculture. We have to be aggressive. Canada is an export nation, and we don't want to miss the boat.

We encourage the government to keep with its target to restrain government spending, to ensure that the value for tax dollars is monitored.

We also need the government to commit to a long-term agricultural policy framework that doesn't keep sending these ad hoc income support expenditures. We need secure funding for farmers, but we also need clear policy direction for the long term.

Finally, we do encourage the government to strengthen provincial government accountability by reducing the federal taxes and trimming non-equalization transfers to the provinces.

Our recommendations are all very clear and summarized.

Thank you very much.

●(1555)

**The Chair:** Thank you for that very succinct presentation. I appreciate that.

We move on to Mr. Myers, who is here from the Canadian Manufacturers and Exporters.

**Dr. Jayson Myers (Senior Vice-President and Chief Economist, Canadian Manufacturers and Exporters):** Thank you very much, Mr. Chairman and members of the committee. I'm very pleased to present the Canadian Manufacturers and Exporters budget recommendations for this round.

As you know, Canada's manufacturing and exporting sector represents together around 24% directly of the Canadian economy. For every dollar of manufacturing output another \$2.05 is generated somewhere else in the economy in the services sector and the primary sector. These are the industries and the businesses at the forefront of global competition that are competing every day and expanding business in global markets.

The challenges and changes that are facing manufacturing and international Canadian businesses operating on a global basis are outlined in the report we've distributed, *Manufacturing 20/20*. That's a report of our findings from over two years of consultation with over 3,500 manufacturers and exporters and community leaders across the country about the future of manufacturing and international business in Canada. The report focuses on what should be done to make sure we have a competitive manufacturing and exporting sector in this country. It points out that the success of these sectors really will determine Canada's place in a competitive world, the theme you're looking at this year.

Canada's place in a competitive world, our ability to sustain and increase the economic prosperity and the standard of living of all Canadians, depends on our ability to add value in the economic activities, the businesses, the jobs—all the activities in which we're engaged. Today our customers and our competitors are located around the world. The competition for investment, for market share, for knowledge and technology and skilled labour is pretty intense. Canadians have remarkable assets working in our favour: the richness of our natural resources, a highly educated and highly skilled workforce, our knowledge base, a highly productive business sector, and our well-developed logistics, services, and knowledge infrastructure.

Our future economic prosperity rests on our ability to grow these assets and to create greater value from them. That depends in turn on an investment strategy focused on four priorities: one, investing in technology; two, investing in innovation; three, investing in people; and four, investing in infrastructure. Our budget recommendations reflect those priorities.

To maintain investor confidence, the government must continue to ensure that budgets are balanced, that there are adequate contingency reserves to offset economic downturns, and that unspent reserves continue to be used to pay down the federal debt. To encourage Canadian businesses to invest in value-adding, productive technologies, the government should provide a two year CCA write-off for investments in new manufacturing, processing, and associated information and communication, energy, and environmental technologies.

The put-in-use rule for CCA should be eliminated. Over the long term, the government should not only maintain its commitment to lower the federal corporate tax rate to 19% by 2010, but undertake to reduce it by a further two percentage points, to 17%, by 2012.

To encourage investments in value-creating innovation, the government should improve the SR&ED tax credit system by making the credits refundable, excluding them from the calculation of the tax base, providing an allowance for international collaborative R&D, and extending the tax credit to cover costs for patenting, prototyping, product testing, and other pre-commercialization activities.

To encourage employers to invest more in upgrading the skills and capabilities of their workers, the government should introduce a training tax credit creditable against EI premiums.

To ensure that Canada's infrastructure meets the competitive requirements of the future, the government should focus its investments on the provision of a reliable and cost-competitive supply of energy, further improvements to the security and efficiency of our borders, improved and expanded north-south and east-west logistics networks, more effective support for innovation activities on the part of Canadian businesses, and more effective financing mechanisms for Canadian exporters engaged in new market development around the world.

I would also say we need a much more efficient and much more rapid and responsive regulatory system in the country. We not only encourage the government to follow through with the objectives of the smart regulation initiative, but the one thing this committee could recommend that would have a direct impact on improving the efficiency of regulatory process at the federal level would be to require departments across the government to implement the User Fees Act that was passed two years ago.

Thank you very much. I would be glad to take questions.

• (1600)

**The Chair:** Thank you very much, Mr. Myers.

We'll move on to the Canadian Paediatric Society and Dr. Gary Pekeles. Proceed for five minutes, sir.

[*Translation*]

**Dr. Gary Pekeles (Canadian Paediatric Society (President Elect), As an Individual):** Good afternoon everyone.

[*English*]

Thank you very much for having invited the Canadian Paediatric Society to participate in these pre-budget consultations.

A society's good health is key to its economic growth and sustainable development. Jeffrey Sachs estimated that poor health accounts for about 50% of the growth differential between rich and poor nations.

[*Translation*]

Policies and programs based on effective health promotion strategies are needed to ensure a healthy society. These represent an investment in the future.

[*English*]

Our brief focuses on the starting point of that investment, the health of our children and youth.

Unintentional injuries are the number one cause of death in children, adolescents, and young adults. More children die of injuries than of all childhood diseases combined. The cost of these injuries is staggering, an estimated \$9 billion in Canada in 1995. The potential economic benefits of investing in injury prevention are equally impressive. European data show that one euro, for example, spent on child safety seats results in a saving of 32 euros to the economy.

Canada has certainly made remarkable progress in this domain over the last several decades, but we retain a misconception about so-called accidents. Accidents are not accidents. We can sharply reduce death and disability by providing safer physical and social environments.

The Canadian Paediatric Society recommends that the federal government allocate \$20 million this year for the development of a federal-provincial-territorial strategy on injury prevention, together with a multi-year financial commitment, which would facilitate the implementation and evaluation of related policies and programs.

The disease prevention strategy we know best, and with good reason, is our immunization program. The \$300 million allocated under the national immunization strategy for new childhood vaccines has been an outstanding success, including vaccines against bacteria causing meningitis and serious pneumonia. Almost all provincial and territorial governments now make these vaccines available as part of their routine funded immunization schedules. The result is that parents who may have been unable or unwilling to pay for vaccines can now readily obtain these vaccines for their children at no cost to them. The impact of these expanded programs has already been felt.

Infectious disease prevention is especially important with the threat of an influenza pandemic. The Public Health Agency of Canada estimates that 15% to 35% of the Canadian population will become ill during a pandemic. Sherry Cooper compared the prospect of a flu pandemic with the Great Depression. Infectious disease outbreaks have the potential for huge costs. The Bank of Canada estimated that the 2003 SARS outbreak caused a 0.6% drop in the GDP. While it was devastating to those involved, the scope of the SARS outbreak was very small compared with that of an influenza pandemic.

The CPS recommends that current funding for the provincial childhood vaccine programs be made permanent and that it be reviewed annually to ensure that all Canadians, regardless of where they live, have equal access to new vaccines approved by the National Advisory Committee on Immunization.

Lastly, we recommend the continued allocation of \$10 million annually to the Public Health Agency to ensure that the objectives of the national immunization strategy are achieved.

[Translation]

The costs associated with treating mental illness affecting youth have increased in recent decades. These costs are expected to increase by 50 per cent over the next 15 years. Twenty per cent of children and adolescents are afflicted with emotional, developmental or behavioural problems.

[English]

The cost to the Canadian economy of mental illness is estimated at \$30 billion a year. This includes direct costs to the health and social services as well as indirect costs from family breakdown, poverty, disability, and crime.

In May 2006 the Senate Standing Committee on Social Affairs, Science and Technology released an outstanding report on mental health in Canada called *Out of the Shadows at Last*. Among its findings it concluded that “children and youth are at a significant disadvantage when compared to other groups affected by mental illness, in that the failings of the mental health system affect them more acutely and severely.”

The CPS calls on the federal government to invest the \$536 million annually recommended in the Senate Report *Out of the Shadows at Last*. It had many recommendations, but principally it called for developing a national and coordinated strategy for mental illness and mental health.

**The Chair:** Could you wind up your presentation, Mr. Pেকেles?

•(1605)

[Translation]

**Dr. Gary Pেকেles:** The focus of our submission was Canada's children and adolescents, but we mustn't forget children elsewhere in the world. Each year, 11 million children die before the age of five.

[English]

Canada has much to contribute to improve health in the global community. Helping developing countries strengthen their health systems contributes to our own health and economic security. We

remind this committee of the target of 0.7% of our GNP going towards international aid by 2015. That needs to start now.

**The Chair:** Thank you very much, sir.

We'll move on to the Care of the Child Coalition and Madame Landriault, for five minutes.

**Mrs. Sara Landriault (Care of the Child Coalition):** I'd like to remind you today that I am not an accountant, nor am I an economist, but I'd like to show you what I see as a stay-at-home mother. I appreciate being invited to speak to you today regarding financial benefits to the economy.

My initial thought for this is “fund the child.” “Fund the child” is an idea that many groups and advocates have fought for over the 30 years this has been going on. The idea behind “fund the child” is that the funding must flow with the children. Doing this, the parents would be able to choose their own personal style of child care, whether it is child-caring your own children at home, day cares, or everything in between. The universal child care benefit that is in place right now is showing great faith by funding the child without discrimination. We appreciate that the current government shows equality in the universal child care benefit for all child care choices.

There is still, however, discrimination by other government departments, in this case in taxation, among families and their different child care choices.

I have prepared three scenarios for the basic 2005 taxes with the help of UFile.ca. In these scenarios, I have made up one family with three different ways of child care. For every tax preparation we have for the Simpson family, Homer and Marge have three children—Bart who is twelve, Lisa who is ten, Maggie who is two—with the same amount of salary and income tax deducted. The difference, though, is in the child care expenses and income tax brackets.

The first scenario shows Homer as a father at home who is able to child-care his own children, where Marge is the main breadwinner, working nine to five Monday through Friday and has an estimated salary of \$80,000 per year.

The second scenario shows Homer and Marge both working. They both work shifts to ensure one parent is at home with the children at all times. Homer works four to midnight, and Marge works 8 a.m. to 3 p.m. They have a combined estimated income of \$80,000.

The third scenario shows Homer and Marge both working while using full-time day care for Maggie, who is two; before- and after-school and summer camps for Bart, who is twelve, and for Lisa, who is ten. Child care costs for day care and summer camps for all three children are estimated at \$19,200 a year.

In the first scenario, where there is a stay-at-home parent, they are paying in a 21.5% tax bracket and have no child care expenses, yet Homer does child care in the home. The result of their income tax for 2005 is to owe \$3,534.64.

The second scenario, wherein both parents work and are able to do child care on their own, but which shows a high strain on the marriage, puts them in the 15.4% tax bracket. The result of their income tax for 2005 is a refund of \$1,306.59.

In the third scenario, where both parents work and use outside-of-the-home child care while being able to deduct the expenses, they are also in an 11.1% tax bracket. The result of their income tax for 2005 is a refund of \$4,764.41.

This shows a full discrimination against the single-income family. They are paying over \$8,000 more in income taxes. The second family, with two incomes and no outside day care costs, are also discriminated against by paying over \$3,400 in income taxes. It seems the family that has both parents working and uses centre-based child care is highly favoured through the Canadian tax system.

There is no difference in the child care costs of all three scenarios, except who does the child caring. Each family pays for breakfast, lunch, snacks, outings, movies, toys, etc. Everything the day care does for family number three and similar families, the other families pay the exact same amount to do at home instead. Yet the economy will not recognize this as a child care cost. Therefore, the taxation is discriminating against anyone who does not use outside child care.

This can easily be rectified by income splitting. Income splitting is one way the family, as a unit, can pay taxes. Whether the family unit is mom-to-mom, dad-to-dad, or mom and dad doesn't matter; income splitting will achieve the goal for equalizing the parents' income taxes payable, thereby eliminating the tax bracket discrimination of the individual child care choice.

This still leaves us with a tax reduction for parents who use outside-of-the-home child care. But we did not have time for the full explanation of "fund the child" today, so I shall leave that one for another day.

I have recommendations, as follows.

Since parents are in the best position to decide what their children need, funding support for their decisions shouldn't be contingent on any one choice. Amending the tax code to allow income splitting removes the penalty currently being paid by single-income households that choose to have a parent at home caring for the child.

•(1610)

This measure, along with increasing the choice in child care allowance, would empower all parents, no matter what their choices are. Both are important steps toward a child care policy that allows Canadians to be successful, at home and in the workforce.

The supporting argument is that these two measures also achieve other important goals, including strengthening Canada as a democratic, entrepreneurial nation; enhancing the freedom and privacy of Canadian citizens; reducing the tax burdens that keep families from achieving the goal of home ownership; reducing the tax burdens that can keep Canadian companies from expanding so they can provide good jobs for parents who are working outside of the home; eliminating the cost overruns, diversion of money, and lack of accountability that currently pervade the child care administrations of lower tier governments; enhancing child care quality by focusing on consumer protection through regulation and

licensing; enhancing child care quality by empowering parents and fostering competition among providers; and growing a sustainable licensed child care industry by eliminating barriers to private investments and parents.

I've left background material from associations that represent the child care programs throughout Ontario and Canada that are all in support of this position, of both at-home parents and parents who work outside of the home.

Thank you.

**The Chair:** Thank you very much, Madame Landriault, and thank you all for your presentations.

We'll move to questions now, commencing with Mr. McKay. You have seven minutes.

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

I happen to think it's a huge advantage to be on this committee and not be an accountant or an economist.

My first question is to the Federation of Medical Women of Canada. You recommend that the concept of gender as a determinant of health be embedded in all policies of Health Canada. As I understand it, prostate cancer takes the lives of roughly the number of women that breast cancer claims on an annual basis—I think that's correct, that it's a rough equivalent in terms of death per thousand—yet the research dollars that apply to breast cancer are something in the order of 300% greater than the moneys that would apply to prostate cancer. Would your concept address that inequity between men and women?

•(1615)

**Dr. Gail Beck:** If you look down the second-last page of my brief, the federation's parent organization, Medical Women's International Association, has produced a gender mainstreaming manual. I think gender analysis doesn't favour one gender over another; it favours the equality of gender. So we're asking for a gender lens to be applied to all health care.

I'm a practising psychiatrist. I'm the director of youth in-patient psychiatry for eastern Ontario, and I can tell you that young men have had some difficulty in schools recently and I can tell you that schizophrenia is an illness that afflicts young men more than it does young women.



In psychiatry, my speciality, you often find that the description of illnesses are those that present in women, simply because, in a traditional sense, men are not felt to have, for example, mental illness. It's an old view, but it is something that has happened. So our gender lens, we believe, would assist in ensuring that a disease is considered in terms of not only how it appears in one gender, but how it appears in both.

**Hon. John McKay:** But my question was, would a gender lens create a rough equivalency in terms of available research dollars for both genders, when those diseases are killing roughly the same number of people on an annual basis?

**Dr. Gail Beck:** A gender lens would allow you to look at whether or not a certain program is being looked at fairly from the point of view of both genders. So it's something that ensures equality.

**Hon. John McKay:** I'm taking that as a yes—

**Dr. Gail Beck:** It is a yes.

**Hon. John McKay:**—that in fact, were a gender lens applied to this specific subset of diseases, one would have to conclude that the research money available for male prostate cancer is not nearly equivalent to female breast cancer.

**Dr. Gail Beck:** I have to say, I'm not familiar with the statistics with respect to the two, but I point out in the second-last paragraph that the inter-gender working group of the United States Agency for International Development has actually done studies on the efficacy of using a gender lens in various areas of health. So I think it would be of assistance.

**Hon. John McKay:** Thank you for that answer.

My second question is to the railway suppliers. You ask for an increase of the CCA from roughly 13% to 30%. My recollection of the financial pages of the *Globe and Mail* is that this has been a banner year for railroads, and that profits, particularly at CN, have been very good indeed. In fact, I think Mr. Gates is probably the single largest shareholder in CN. You have a perverse irony here that if we accepted your proposal, we would, in effect, be conferring a tax benefit on the richest man in the world.

**Mr. Glen Fisher:** I think the point is that a lot of Canadians own shares in Canadian National too. I own shares in both railroads, just as a token, because I'm interested in what they do and I like to see the results. The point we were trying to make is that for the manufacturers of the equipment—the rolling stock, the freight cars, for example—the Canadian manufacturers and Canadian leasing companies are at a disadvantage because of the difference in the tax write-off rates between Canada and the United States. A railroad can lease cars from U.S. leasing companies that are U.S.-manufactured more cheaply than they can lease cars from Canada.

This advantage you're commenting on already exists. All they have to do is lease U.S. cars. We would like to see the playing field levelled so that the Canadian manufacturers have an equal chance to do that. This reflects all the way down through innovation, invention, and all of the things that the Canadian suppliers have done quite independently of their competitors in the United States over many, many years.

**Hon. John McKay:** I take your point, but it does produce its own set of ironies. What I've never understood about the railroaders' argument is this. If this differential in the capital cost allowance is

such a disadvantage to Canadian railway companies, why is it that the two Canadian-based railway companies are not only prospering, but they're actually buying and absorbing American-based railway companies?

• (1620)

**The Chair:** Mr. Fisher, unfortunately there's just a very brief time for a response. I'll give you 30 seconds.

**Mr. Glen Fisher:** Because they can get the cars in the United States. It affects the manufacturers and suppliers in Canada more than it affects the railways. Right now, the railways can buy their cars in the United States.

**The Chair:** Thank you.

[*Translation*]

Our next speaker is Mr. Paquette.

You have seven minutes, sir.

**Mr. Pierre Paquette (Joliette, BQ):** Thank you, Mr. Chairman.

I want to start by thanking you for your presentations. I have three questions for our witnesses. The first is directed to the representative of the Canadian Manufacturers and Exporters Association.

I always appreciate your recommendations, even though I may not always agree with them. It's apparent to anyone who reads the newspapers these days that the manufacturing sector is experiencing some serious problems. That being the case, I would imagine that you would like to see reflected in the economy as a whole the will to keep the manufacturing sector strong and that you would like the next budget to include substantial measures to make that happen.

You propose an interesting initiative, one that the Bloc suggested with respect to the softwood lumber crisis. You propose a refundable tax credit. Take the example of Tembec which invests \$80 million in R & D, but has not posted a profit in the past three or four years, which means that it cannot avail itself of the tax credit.

Can you tell us more about your proposal? Furthermore, have you calculated what this tax credit would represent to the federal government in terms of a potential shortfall?

[*English*]

**Dr. Jayson Myers:** If you were to provide a refundable tax credit on the R and D side of the loan, it would be somewhere between \$1.2 billion and \$1.5 billion.

There are a number of companies that are caught in the existing system. There are many companies that are investing in R and D ahead of their profit curve. There are many companies that are simply, because of the economic situation right now, not in a profit position, and, although they continue to invest in R and D, cannot take advantage of the tax credit for that reason. There are a number of companies that are major investors in research and development in Canada that are subsidiaries of American companies that, because of the treatment of consolidated revenue in the American tax law, cannot take advantage of this tax credit either.

The tax credit system in Quebec is a very good example of a tax credit system that works well under those conditions. The federal tax system, because of the lack of refundability, is I think a disincentive for investment on the part of those companies.

[Translation]

**Mr. Pierre Paquette:** Thank you.

I have a question of a more general nature for you. For the past several years, and again this morning, people have been inquiring about the accelerated capital cost allowance provision. Both the Liberals and the Conservatives do not appear to be very receptive to this idea.

Do you have an explanation for their stand? Why, despite the recommendations of the Finance Committee, have successive governments not followed up on the suggestion to introduce an accelerated capital cost allowance provision to promote investments and productivity?

My question is directed to all of you.

**Mr. Jim Laws:** Perhaps it's because the government was finally able to gain more control over the budgetary process. If other options that were not previously apparent now present them, it's time to explore this possibility.

The meat processing industry is a truly North American industry in which there is considerable competition. If the Americans enjoy an advantage over us, for example, when slaughterhouses are located on both sides of the border, then this situation could conceivably encourage them to set up operations across the border. That's why we continue to press. I would imagine it's the same for other industries.

**Mr. Pierre Paquette:** It's unanimous.

I have to ask then why governments have not followed through with this initiative. If you would like to hazard a guess, perhaps the committee could find a more subtle way of getting the government to follow through on a universal request.

• (1625)

[English]

**Dr. Jayson Myers:** There have been many recommendations put forward to accelerate CCA.

I think there are three issues the finance department has to grapple with. The first is an assumption that all investments are the same. I challenge that; I don't think all investments are the same. I think some investments are much more productive than others.

The second issue is an economist's argument that there should be uniform tax treatment across all sectors and that the CCA treatment

of an asset should reflect the economic life of an asset: the length of time the asset is in production. I'd argue that to some extent, the economic life of an asset reflects the tax treatment of that asset.

My third argument is a reluctance to use the tax system as the Americans and many other countries that are our competitors do: as an advantage to promote investment in high-value-adding sectors of the economy.

The Americans adopted a bonus depreciation system in 2002 explicitly because the American dollar was high and because investment in manufacturing was not only dropping, but they were seeing the rapid closure of many manufacturing operations in the United States. We don't have that. To date, the finance department has not seen this to be an important part of tax policy.

[Translation]

**Mr. Pierre Paquette:** Ms. Beck, as I seem to recall, you stated that funding to the Women's Program at Status of Women Canada should be increased by 25 per cent.

**Dr. Gail Beck:** Yes. I can't say which departments exactly are targeted, but the reference was to the Women's Program.

**Mr. Pierre Paquette:** We've heard that Status of Women Canada wants to cut its funding to independent women's groups. I have received many letters from numerous groups.

To your way of thinking, does having groups to promote economic and social well-being have a positive impact overall on women's health? If the federal government ever decided to completely eliminate funding to women's groups, would women's health be adversely affected since there would be fewer programs in place designed specifically for women?

[English]

**The Chair:** *Malheureusement*, I must take that question as hypothetical or rhetorical, I guess.

We have to move to the next question.

The next questioner would be Mr. Del Mastro for seven minutes, sir.

**Mr. Dean Del Mastro (Peterborough, CPC):** Thank you, Mr. Chair.

I'd like to start with a question for Mr. Laws.

Mr. Laws, in your presentation you spoke about the importance of cutting some free trade agreements, bilateral agreements, that would open up the market to Canadian agricultural exports. Could you talk a bit about some of the barriers to entrance for Canadian agriculture? Because often when we talk about free trade agreements, we hear opposition members talk about how we're trying to give away the country. Perhaps you could discuss how important that is to our agriculture.

**Mr. Jim Laws:** Certainly. I'll use the example of Japan, which has a tariff system for pork that requires us to sell at a certain high price. Our preference is for a successful World Trade Organization deal, so that they will have to convert to a much clearer tariff rate, and we want to see those tariffs come down. As well, Korea has some tariffs on pork that we would like to see come down, and both of those markets are very important for Canada.

Right now, there's a lot of pork going to Japan and Korea—in fact, just a bit under the amount we send to the United States.

Those are a couple of examples of what happens, and it's important. However, we're worried about bilateral agreements. Our preference is for World Trade Organization multilateral agreements, because typically under bilaterals, you don't get to deal with issues like the huge American subsidies for their farmers that are affecting everybody's trade. So that's a concern.

We also don't want to see the type of agreement with a country in which they see that maybe they're going along very nicely and decide there's a block in agriculture, so they decide to leave out agriculture and do other non-agricultural agreements. So it ends up that the country benefits from a lot of electronics coming into Canada, for example, but that country doesn't give up any access to agriculture. It's a win-lose for Canada; that's the danger of a bilateral.

• (1630)

**Mr. Dean Del Mastro:** Thank you.

Mr. Fisher, here is just a quick question. You talked about a number of funding needs for the railway. I'm curious: why is the railway infrastructure in Canada not self-sufficient?

**Mr. Glen Fisher:** I beg your pardon?

**Mr. Dean Del Mastro:** Given the demand for rail right now—and I understand that the rail business is booming in Canada—why is the railway infrastructure not self-sufficient?

**Mr. Glen Fisher:** A couple of things have happened. One is that over the last 20 years, to keep freight rates down and keep them going down, we have increased the weight per car. Just in the last five years the weight per freight car has gone up from 263,000 pounds to 284,000 pounds as the new standard. That's almost 35 tons per axle. The European trains are typically 20 to 22 tons, the Russian up to 25 tons. So we're way up there in getting heavy loads on our infrastructure.

One of our problems with this is that although we can change out the rail as it wears and put in a little heavier rail, we have bridges that are 75 or 100 years old. They're well designed, for sure, with lots of room for additional weights and additional loads, but there are something like 3,000 steel railway bridges on each of CN and CP across Canada. If you have to change just one percent of those every year, that's 30 bridges a year, just to do one percent. So there's a constant drain on availability of capital for these kinds of infrastructure upgrades.

**Mr. Dean Del Mastro:** Okay, thank you.

Mr. Myers, you mentioned in your presentation the reduction in corporate tax rates, to 19% by 2010, and your desire for a further reduction in those rates. Often when we discuss this in the House we hear about the notion of giving away dollars to wealthy corporations

and taking away from the poor. Perhaps you could discuss the importance of making manufacturing in Canada competitive through tax rate reduction.

**Dr. Jayson Myers:** I think a very important part of the global economy today is competing for investments in the product mandates we manufacture or that other businesses take on here in Canada. This is no longer an economy where we're looking at domestic production and capital investment that does not move anywhere; this is an economy where we have to compete and where manufacturers and other businesses are all a part of global supply chains. That means companies are looking at the best place—as any investor would—in the world for return on their investment.

We often look south to the United States for a comparison, but the reality is that companies are making investment decisions to locate in Singapore or Sweden or South America or Asia, where tax rates are not only much lower but where all sorts of other incentives are also provided for investments.

There are two issues: keeping the nominal tax rate competitive, and keeping the effective tax rate competitive—because there are all sorts of other taxes that are paid by business as well. The nominal tax rate has to be in at least a competitive range, because on the part of global companies—and these companies are not necessarily foreign companies, but Canadian companies too, looking to make a major expansion—in many cases the first reference they look at is simply the nominal tax rate. That's why, given that countries around the world are all focused on attracting investment in productive assets, many companies are looking at future tax rate reductions.

This is why I think we also have to be competitive, and not just with the U.S. in particular, because the attraction of the U.S. market is going to be a major attraction for investment itself. I would make the argument we have to present something much more competitive to draw that investment and retain that investment capital.

**Mr. Dean Del Mastro:** Thank you, sir.

I have how much time, Mr. Chairman?

**The Chair:** About 20 seconds.

**Mr. Dean Del Mastro:** About 20 seconds; well, that's not a great deal of time.

Mr. Laws, I was interested to hear you speak about the tax credit for kids in sports, and about extending it to older workers as well. It's an interesting notion, and one that I, as a gravitationally challenged member of Parliament, may well present to the finance minister.

Thank you.

●(1635)

**The Chair:** Will I put that on the record, Mr. Del Mastro?

We'll move on to Madam Wasylycia-Leis. You have seven minutes, madam.

**Ms. Judy Wasylycia-Leis (Winnipeg North, NDP):** Thank you, Mr. Chairperson. I'd like to thank all the presenters for an excellent panel.

I'd like to begin with Gail Beck. I found this a wonderful contribution to our deliberations and very timely. You've identified clearly the need for investment in areas to ensure women achieve their fullest potential and have identified the need for gender analysis at all times, at a very time when in both those areas the present government seems to be basically abdicating complete responsibility.

In fact, as we speak, there are national women's organizations that are closing their doors because this government has refused to ensure proper stable funding for some capacity among the women's movement.

I wonder whether you have anything to add to your presentation that would help the government realize the importance of ensuring that you have a national organization to empower women to help themselves.

**Dr. Gail Beck:** I guess I would want to point back to one portion in the brief that responds to a question that was asked before which I didn't have time to answer. It speaks to the fact that gender equality, as it relates to income and influence, has been directly related to health, and in particular to health outcomes.

I pointed out that the inter-agency gender working group of the United States Agency for International Development took stock of some of the health programs that integrate gender. It did this first of all on behalf of the World Health Organization, and the programs they wanted to investigate were... A lot of money was being invested in HIV/AIDS programs in Africa. They went through a number of studies that looked at where gender had been integrated and examined whether that had made a difference. In fact, that research did show that it makes a difference, at least in health.

I can't speak to some of the other areas—I'm a physician, a doctor, so it's not my area of interest. But certainly, as it applies to women's and men's health, integrating gender shows better health outcomes. I think that's what's important.

**Ms. Judy Wasylycia-Leis:** Fair enough, but I think it is important to point out that your organization, the Federation of Medical Women of Canada, is recommending that Status of Women Canada's funding for its women's programs be increased so that there is some stability in the whole field.

**Dr. Gail Beck:** Yes.

**Ms. Judy Wasylycia-Leis:** Let me go to Dr. Pekeles. You also have raised some important issues that are often dismissed as unimportant to the whole issue of the economy and competition and productivity, so I'd like you to have a chance to emphasize your point—I could pick any number of your points—particularly around mental health issues. Because it would seem to me that first of all, Canada does not have any kind of national mental health strategy,

which we pay for dearly in terms of lost productive hours, and I would think that would have a direct impact on our ability to be competitive.

And then I'd like to hear from Mr. Myers, since none of these issues are mentioned in your report. What does it mean for you in terms of increasing productivity and being competitive when workers are not able to get access to mental health resources, or women are not able to get access to day care centres? How, in fact, do we build up the necessary skilled workforce in the absence of such investments?

Mr. Pekeles.

**Dr. Gary Pekeles:** I would have to agree with the general thrust of what you spoke about, which reflects my own—namely, looking at our children as our future and the importance of doing everything we can that has been demonstrated to be effective in increasing the likelihood of them growing up healthy and therefore able to lead productive adult lives.

That's almost a cliché, and I must say, as a pediatrician, I sometimes get worried about the cliché that children are our future. Children are also their own present and are an end in themselves and not a means to our end. But clearly, looked at globally, for us as a collectivity, we would be foolish not to invest, and I don't think anyone would argue against investing in those strategies that have been demonstrated to provide the greatest likelihood of the greatest proportion of them growing up healthy and able to contribute to our society. To me it's a no-brainer. We just have to be selective in deciding where to invest to get a maximum bang for our buck. That's why the few I selected here are ones where there is clear data to suggest that the dollar invested in health promotion will pay off manyfold down the line.

**Ms. Judy Wasylycia-Leis:** Thank you.

Mr. Myers.

●(1640)

**Dr. Jayson Myers:** I think you've identified a crucial issue for not only the broad issue of productivity but for competitiveness and what your committee is focusing on today.

Let me start off by asking: In a global economy, where you can buy goods and services and technology and labour services and knowledge from anywhere around the world, what will make a difference in any business? There are two things, I think: leadership and people. Business is just an organization of people, and unless you are able to mobilize those people to achieve successful outcomes, you're not going to have a successful business.

Given that, there are huge issues that companies are facing. We often talk about skill levels and training. I think the most pressing issue is how you mobilize the people in your organization and how you make sure they have the capabilities to work in a productive environment. So the issues about health, issues about education, issues about worker responsibility.... One of the biggest problems that many employers face is the lack of people who come to them with basic employability skills and who are willing to take responsibility for the health and safety of others in the workplace. This is one major reason why they're turned down for employment.

So we have a lot of work to do socially, but also within companies, I think, to respond to these issues.

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

Thank you, Madam.

We'll move on to the second round of questions.

Mr. McCallum, you have five minutes, please.

**Hon. John McCallum (Markham—Unionville, Lib.):** Thanks, Mr. Chair.

I would like to congratulate all the witnesses. In view of my time limit, though, I'd like to focus on a few simple questions for Mr. Myers.

I understand that the manufacturing sector is going through great stresses because of the high dollar and for many other reasons, and that competitiveness is critical.

This is my first question. I would assume that neither the GST cut nor the \$1,200 per child, which were the two major items in the last budget, had a major bearing on the competitiveness of your sector. Is that a fair statement?

**Dr. Jayson Myers:** I think that's a fair statement.

**Hon. John McCallum:** Second, other than the business tax reductions and the CCA reductions in the last budget, which were already committed to under the previous government—correct me if I'm wrong—I can't see anything really major in last year's budget that would have had a positive bearing on the competitiveness of your sector or the challenges you face. Is that correct?

**Dr. Jayson Myers:** I certainly think the commitment to those tax measures in the budget were important. But yes, we do a good job in our tax system of distributing wealth, and we haven't spent much time looking at how to create wealth in—

**Hon. John McCallum:** So that's a yes, because I said other than those business tax measures. Can I take that as a yes?

**Dr. Jayson Myers:** Well, yes.

**Hon. John McCallum:** Okay. So that means that there is nothing in that budget, other than the predetermined measures of the business tax and CCA reductions, that really had any significant positive effect on the competitiveness of your industry. And that budget did spend \$15 billion a year, leaving—according to people like Don Drummond—only \$2 billion per year for the rest of the decade, before we even pay a penny to the provinces on fiscal imbalance.

So let's take one of your measures, which I think is a very attractive one and could have a big effect on manufacturing, and

many jobs depend on that. You want to have a two-year writeoff for all investments in manufacturing and associated information and communication technologies. Do you have any idea of what that would cost per year, approximately? You're an economist, like me. Just give round numbers.

**Dr. Jayson Myers:** In the first year it would probably be around \$3 billion. But over a period of eight years, because this is a cashflow issue and an issue of shifting deferred taxes.... Of course, in the long term it will be revenue neutral.

• (1645)

**Hon. John McCallum:** Well, in the long run we'll all be dead.

**Dr. Jayson Myers:** Especially companies if they can't compete.

**Hon. John McCallum:** To summarize, you're saying that the \$15 billion budget of last year did nothing for your sector, other than the measures that had been pre-committed to by the Liberals. The new budget would appear to have a maximum \$2 billion a year before anything is given to the provinces, and the single measure that would be important to your industry would cost \$3 billion a year. Is that a fair statement?

**Dr. Jayson Myers:** First of all, I think the last budget helped by actually providing some long-term certainty in terms of investors. As you know, that's important.

Looking forward, if your point is whether these tax recommendations are more expensive than we can afford, given some of the tax changes that were introduced in the last budget, I'd argue two things. First, the amount of these tax changes is less than the amount by which we've underestimated the fiscal surplus. Second, if we don't make some of these changes we're not going to have the type of investment we need to continue to distribute the wealth in the future.

**Hon. John McCallum:** I totally agree. My only point is that they've spent all the money on things that are unproductive, and they have no more money left to do these important things.

**The Chair:** I'm sorry, Mr. McCallum, we've run out of time.

Thank you, Mr. Myers.

[*Translation*]

Next up is Mr. St-Cyr.

You have five minutes.

**Mr. Thierry St-Cyr (Jeanne-Le Ber, BQ):** Thank you for joining us.

As I was saying this morning, it must be frustrating not to have more time to address the committee. You can take some solace in the fact that we find it equally frustrating not to have more time to ask you questions.

My question is for Mr. Fisher.

As I understand it, innovations and developments in the railway sector would mean quieter trains in the future. Is that correct? Is it possible that in the near future, we'll be able to reconcile the operation of railways with day-to-day life in residential neighbourhoods? Is that a realistic expectation? What kind of timeline and costs are we looking at? What progress is being made on this front? [English]

**Mr. Glen Fisher:** Thank you, Mr. St-Cyr. I was hoping for a question from you, considering where your riding is. I also live in the Montreal area and am familiar with the area.

There are a lot of things being done. It might surprise you to know that even a deaf person, in every province in Canada and every state in the United States, can have a driver's licence. So it's a little hard to understand why, in 2006, we depend on a loud air whistle to warn people at crossings. That was appropriate in the 1890s when there were horses. But there is a lot of work being done by suppliers; the government's research agency for transport, the Transportation Development Centre; and some of the consultants who work in testing and innovation. I would say that within about three to five years, maybe even sooner, we'll have some very good products on the market that will make it much more peaceful in the residential areas.

[Translation]

**Mr. Thierry St-Cyr:** My second question is for Mr. Pেকেles.

Overall, your submission to the committee is quite interesting. However, I think you're speaking to the wrong people. As I see it, your focus is primarily on issues that fall under Quebec and provincial jurisdiction. Let me just give you a few examples. In your submission, you mention a federal, provincial and territorial injury prevention strategy. That is an area that comes under the exclusive jurisdiction of Quebec and the provinces. The same is true of childhood immunization programs as well as the national mental health and mental illness strategy in Canada. Further on in your submission, you recommend that the federal government get involved in school-based strategies. In my opinion, these recommendations do not take into account the way in which government jurisdictions have been defined in Canada.

Wouldn't it be simpler to address the fiscal imbalance, so that all provinces can meet their obligations? In the process, jurisdictions would be better respected. Instead of recommending that the federal government take action in these sectors and increase the complexity of the administrative structure, wouldn't it be more effective for the provincial government to assume responsibility for these matters, given its expertise in the health field?

• (1650)

**Dr. Gary Pেকেles:** Thank you very much for your question. As a practising pediatrician in Montreal, I spend far more time in Quebec than I do in Ottawa promoting childhood health programs. Without question, health care is a provincial, not federal, responsibility.

A number of joint federal-provincial initiatives have been carried out. The results were far more convincing that if the provinces had acted alone. The provinces have expertise that they can share. We're

talking here about dialogue, about round-table meetings of provincial health ministers.

Take immunization programs, for example. Clearly, the federal initiative has had a significant impact. Each province takes a different approach and a Toronto family relocating to Montreal will have to contend with a different immunization program. A move to harmonize all immunization programs will benefit all children in Canada. That is the approach that we are advocating. We are not suggesting that the government administer the programs directly. However, all provinces can stand to benefit from certain federal initiatives.

[English]

**The Chair:** The final questioner will be Mr. Turner, for five minutes.

**Hon. Garth Turner (Halton, CPC):** Thank you.

Mr. Myers, first I'd like to apologize for my sneaky, underhanded colleague across the table, who was successful in putting a bunch of words in your mouth. I'd like to give you the opportunity to spit them out.

Let's just clarify. Are you actually saying the budget had nothing in it for the manufacturing sector to enhance competitiveness in this country?

**Dr. Jayson Myers:** No, I did not say that.

**Hon. Garth Turner:** And here he is not to benefit from that.

**Dr. Jayson Myers:** I think it was important that the budget made clear that the business tax reductions, especially, were going to be put in place. Companies make investment decisions now for investments that will be put in place five, eight, ten years down the road. So that certainly is especially important.

I think the other thing that the budget did—and this is what I hope will be the main focus of this committee and certainly what I think is an opportunity to really put Canada on the map in terms of our competitiveness position—is the commitment to review the competitiveness of our effective tax rates. I think that's key.

**Hon. Garth Turner:** Quite so. And also, do you feel that our moves towards training and apprenticeship programs and apprenticeship credit, etc., were positive moves?

**Dr. Jayson Myers:** I think that's important as well. I was only talking in the tax sense.

• (1655)

**Hon. Garth Turner:** And do you agree with your CEO, Perrin Beatty, who said, "This is a better budget for business than we've seen in the last five years"?

**Dr. Jayson Myers:** Yes, that was my quote, actually.

**Hon. Garth Turner:** Okay.

Will you call Mr. McCallum later and tell him all of this?

**Dr. Jayson Myers:** If he were here, I'd say it.

**Hon. Garth Turner:** All right, thank you.

I have a question or two to Sara Landriault.

Sara, thank you for being here—we've only communicated digitally before this—and thank you for the contribution you've made online to your cause. It's been very good indeed.

Two questions. First, I'm wondering if you can just characterize the universal child care benefit for us. Is that actually something of substantive value to your cause and to parents who are at home?

**Mrs. Sara Landriault:** It helps. It doesn't cover everything. Of course, I don't think we'd ask for you to cover everything anyway, but it's a comfortable start. It's like they say, \$100 won't keep your home and it won't cover day care, but on the other hand, in the other way, it wouldn't have helped me in my situation at all. I have two children under six, so I get \$200 a month and it goes towards my child care. It won't keep me home, but that added to other things, as I mentioned, is a possibility without paying me fully to stay at home. I don't want you to subsidize me to stay home. I don't want you to pay for me to take care of my own children. I'd like to keep our own money to help go towards child caring my own children, just the same way as a day care would do for their children.

**Hon. Garth Turner:** I'd also like to ask you if you feel that the tax change involving income splitting, in the context of single-income families, is one of the things that you're advocating.

**Mrs. Sara Landriault:** Oh, majorly. If I had to think of everything under funding the child...and this is why I brought it today. It is because income splitting is the most important for me, in my personal situation. As I said, even a double-income family that does not use outside child care is still nailed with this.

**Hon. Garth Turner:** In your own words, why is our current tax system unfair and why should we look at changing it?

**Mrs. Sara Landriault:** Why would you tax somebody else, another family, less than you tax my family when we both make the same amount? I mean, it doesn't make any sense. It really doesn't. You have another family that makes the same as we do, the only difference in what we're doing is in the child care. Therefore, by doing this, you're telling me that financially I can't do what I do because you're not going to help me. So when the government says something to you financially, it generally tells you that they don't want you doing it or it looks down on you for it. And I know you don't, none of you—not the Liberals, not the NDP, not the Conservatives, not the Bloc—has turned around and is going to say that stay-at-home parents are bad, but financially, the way we're looking at it in the tax system, it's hard on us.

**Hon. Garth Turner:** All right, thank you.

**The Chair:** We have time for one quick question, so I'll let Mr. Savage have his one minute.

**Mr. Michael Savage (Dartmouth—Cole Harbour, Lib.):** You're a very kind chair.

When we came here this morning, I didn't think I'd get the opportunity in this committee to discuss one of my favourite topics, the issue of health promotion, twice in one day.

I was delighted to see in the Federation of Medical Women of Canada presentation your recommendation specifically concerning preventative health care and setting aside funding for an educational campaign.

We met for a couple of seconds before this meeting, Ms. Beck, and you mentioned Bill Tholl. I had the opportunity to work with Bill when I was on the board of the Heart and Stroke Foundation of Canada, and we've made a lot of progress on tobacco.

It's widely held by a lot of people now that obesity is the new tobacco. We need to make sure, particularly with our children, that we're promoting healthy lifestyles and healthy choices in schools.

In my own riding—

**The Chair:** Could you ask your question quickly?

**Mr. Michael Savage:** I'll get to the my question very quickly.

I want to ask the same question to Dr. Pেকেles, who mentioned: "The Canadian Paediatric Society therefore recommends that the federal government allocate \$40 million".

Is that number based on a specific initiative you have in mind? That's my question for you.

Perhaps for Dr. Beck, can we tax-cut our way to better health with children, or do we have to invest in our children? I think we have to invest, but I want your opinion.

That's the entire question I have.

**The Chair:** There is no more than 15 seconds for each to respond.

Dr. Pেকেles, please respond.

**Dr. Gary Pেকেles:** The funding is around a notion not of direct delivery by the federal government of services, but of serving as a catalyst for bringing together different jurisdictions to coordinate a national policy.

• (1700)

**The Chair:** Madam Beck.

**Dr. Gail Beck:** As a comparison with respect to the educational campaign, we outlined what the impact of that was, to some extent. I think we would expect from an educational campaign related to lifestyle, and specifically to obesity, that you would probably see the same impact down the line. It would be a savings. It's an investment now, but a savings down the line.

**The Chair:** On behalf of the committee, thanks to all of you for your presentations and responses to questions.

We appreciate your time very much.

We invite you to vacate your seats to allow the next panel to move into them as quickly as possible.

We'll take about a two-minute break.

•(1700) \_\_\_\_\_ (Pause) \_\_\_\_\_

•(1705)

**The Chair:** We'll recommence.

We will continue with our deliberations on the pre-budget consultative process with the presentation from the Child Care Advocacy Association of Canada, represented by the executive director, Monica Lysack.

Madam Lysack, thanks for being here, and thank you all for being here.

Please proceed with no more than a five-minute presentation.

**Ms. Monica Lysack (Executive Director, Child Care Advocacy Association of Canada):** Hi. My name is Monica Lysack. I'm the executive director of the Child Care Advocacy Association of Canada.

The CCAC was founded in 1983 to promote quality, inclusive, publicly funded, non-profit child care accessible to all. The association's membership reaches more than four million Canadians, including parents, caregivers, researchers, and students, as well as women's, anti-poverty, labour, social justice, disability, and rural organizations.

In order for Canada to prosper in the world of the future, it's necessary that we invest in our own potential. It is especially critical that we offer adequate support to ensure that children acquire the foundations for lifelong health, learning, and skill development. As is already recognized in most other developed countries, quality child care programs help build these foundations and also support the ongoing learning, skill development, and labour-force attachment of parents.

Public investments that improve access to quality child care services are affordable because these benefits significantly outweigh the costs involved. As it conducts the 2006 pre-budget consultations with a clear focus on Canada's place in a competitive world, we offer the House of Commons Standing Committee on Finance the following points and recommendations:

First, quality child care services support children, families, and communities, and the economy and will improve Canada's competitive stance with peer nations.

Second is a qualifier. The benefits from child care will only be realized through a focused public investment strategy that ensures that families have access to quality services.

Third, to build the child care system that Canadians want and need, the CCAC calls on the federal government to restore and increase sustained long-term federal funding to the provinces and territories. Federal transfers must be specifically dedicated to improving and expanding child care services based on provincial and territorial plans to advance quality, inclusion, and affordability. The briefing note submitted to this committee, and available on the CCAC website, elaborates on each of these points. I'd just like to highlight a few.

As a society, Canada invests less in child care services than most other developed countries. In fact, there is an OECD study being

released this week in Italy that shows a table with Canada at the bottom with the lowest investment of the countries profiled. That's why our patchwork of services ranks poorly in international comparisons, and most importantly, why it fails to meet children's and families' needs. To address this concern, the federal government has announced a child care spaces initiative, which they indicate will have incentives that are flexible enough to meet the needs of all families and that will work for all sizes and types of employers. This is taken from the universal child care website.

What is the price tag for this all-encompassing initiative? The federal government's website indicates a financial commitment of \$250 million each year over the next five years. On its own, it's a bargain by international standards for achieving such far-reaching objectives. What that website doesn't clearly say is that this \$250 million annual budget replaces previously committed and dedicated federal child care funds of \$1.2 billion, for a net loss, a cut, of \$950 million.

The mismatch between this initiative's goals and financial reality reaches mythic proportions. Although the federal government will provide only 38% of the funds that are flowing to communities now, and 21% of what was committed to communities for 2007, through this initiative the federal government claims it will meet the needs of all families, regardless of their hours of work and whether they live in cities, small towns, or rural areas. It will work with the business community, non-profit organizations, employers, and provincial and territorial governments to ensure that the initiative complements what is already in place.

There is no evidence here to support children's healthy development or to guarantee standards for quality.

•(1710)

With these cuts, \$212 million from Quebec, \$352 million from Ontario—you see the pattern—we're going backwards from what the OECD has recommended.

Therefore the CCAC calls on the federal government to adopt the recommendations in our brief: to restore and increase sustained, long-term federal funding to the provinces and territories, enact legislation, replace the capital incentives for child care spaces with dedicated capital transfers to the provinces and territories, and provide effective income supports for Canadian families.

Thank you.

**The Chair:** Thank you very much.

We'll continue with the Air Transport Association. Mr. Gaspar, please proceed for five minutes, sir.

**Mr. Fred Gaspar (Vice-President, Policy and Strategic Planning, Air Transport Association of Canada):** Good afternoon, and thank you for inviting us here today.



Given the importance of the country's air transportation system to its economic competitiveness, we trust you'll find our comments useful to the theme of your hearings.

I'm speaking today on behalf of my own organization as well as the International Air Transport Association and the Air Transport Association of America. Together we represent every significant passenger and cargo carrier operating in Canadian airspace.

Before getting to our specific recommendations, I would ask committee members to keep a few questions in mind to frame the discussion.

Is fiscal policy for the aviation sector really working, when businesses in our sector continually fail, such as Canada 3000, Jetsgo, Roots Air, Royal Airlines, to name a few?

Are these policies working, when businesses announce that they're forced to scale back operations, as CanJet did, or when the largest business in this sector, Air Canada, is forced into creditor protection, or when international airlines are forgoing new Canadian operations because it is too expensive to operate here?

Airlines today are extremely efficient, having engaged in massive cost-cutting exercises to meet the public demand for high-quality, low-cost air travel.

While we cut costs, however, the federal government continually adds to our tax burden, treating air transportation as a source of tax revenue to fund other priorities, not as a strategic asset to grow business and tourism.

As outlined in our written submission, last year the federal government took an additional \$800 million out of the airline sector through a series of industry-specific tax measures, on top of all the other taxes we pay just like every other business in this country.

This is over and above the actual cost of operating the country's airports and air navigation system, which our customers already pay for through various fees and charges on their ticket.

So respectfully, we're not here looking for a handout. Instead, we are looking for government to get its hand out of our pocket and our customers' pockets.

Fixing this imbalance, we would suggest, is not only the right thing to do but a smart thing to do. How better to encourage stability in this industry and new investment and increased services than to lower the cost of doing business?

Let me offer some specifics. Long-term, the government should eliminate three industry-specific taxes: the \$300 million collected a year from airport rent, the \$100 million collected from the aviation fuel excise tax, and the \$400 million from the air travellers security charge. All add to the high cost of our industry.

In the interest of short-term practicality, however, let me outline our immediate priority: the crippling airport rent burden at Toronto's Pearson Airport.

Pearson is the most expensive airport in the world at which to land a plane. A large part of the blame lies with the federal government, which this year alone will drain over \$150 million from Pearson's

budget through airport rent, costs that are passed along to airlines and passengers through fees and charges.

Let me be very clear. No services are provided in return for that rent. It isn't really rent at all; it is a simple but brutal tax. Pearson has already paid over a billion dollars in rent and will pay another three billion by 2020—more than 14 times the value of that facility when it was transferred by the federal government.

Consider as well that all the investments and improvements at that facility have already been paid for by the users, not by government.

Other airports simply don't have this cost burden, and in the U.S. many of them are actually subsidized.

Last year's rent reform actually changed the way rents are collected, to the detriment of Pearson. They went from paying a flat fee to being put alone in the highest tax bracket of this new progressive rent scheme.

So we have a rent formula that charges airports more as they grow. In a country that needs a critical mass of passengers in one place in order to generate new international travel opportunities, it is the ultimate "penny wise and pound foolish" approach.

How foolish is the notion of charging airport rents? Well, for starters, Peru and Ecuador are the only other countries in the world that do it—not exactly lofty company when we're talking about international centres of aviation.

The practical effect of Pearson's rent bill is dramatic. For an average airline, operating a 747 into Pearson is almost double the cost of Tokyo, triple the cost of Hong Kong, London, Paris, and New York are all cheaper as well.

To compare it with the regional North American hub competitors, the \$24,000 turnaround cost at Pearson compares to \$16,000 in Chicago, \$14,000 in Denver, and \$12,000 in Detroit. If you're looking to hub your flights at an airport in North America, why would you choose Toronto?

You've been presented with a detailed brief on the rent situation at Pearson by the Greater Toronto Airports Authority. We fully support their proposal. Included in our brief is an economic impact analysis of the rent cut at Pearson. It clearly shows that government revenue lost from a rent cut will be more than made up for in increased economic activity, increased annual passenger traffic, and tax revenue for the government. A Pearson rent cut makes sense from a policy point of view and an economic one.

Air policy can and should be used to promote growth and investment and as a strategic asset to enhance Canada's place in a competitive world. But while other countries and regions are building their whole economies around low-cost air transportation, in Canada we are taxing airports and airlines to fund other government spending priorities.

So to answer the questions I posed earlier, Canada's fiscal policy for the aviation sector is simply not working. Airlines are failing or scaling back operations, thousands of jobs have been lost, and our only potential international hub is the most expensive airport in the world. We are simply missing out on tremendous economic potential.

•(1715)

I strongly encourage the committee to act on our recommendations to put aviation in Canada back on a flight plan for success.

Thank you very much for your time.

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

We'll continue with the presentation from Linda Silas, who is the president of the Canadian Federation of Nurses Union.

Welcome. Please proceed.

**Ms. Linda Silas (President, Canadian Federation of Nurses Union):** Bonjour. My name is Linda Silas. I am a nurse by profession, a proud New Brunswicker, and president of the Canadian Federation of Nurses Union.

We represent over 135,000 nurses, in every province except Quebec. Our members work in hospitals, long-term care facilities, communities, and in our homes. We're celebrating our 25th anniversary this year as the national voice for working nurses, and we speak at all levels of government, so here we are.

We tried to base our recommendations on evidence-based policies to improve patient care, working conditions, and our public health care system. We also tried to stay very focused on what we know best, which is patient care, health care, and women's concerns.

We'd like to take this opportunity to thank the committee for this consultation, and we're hoping provincial unions will also be able to meet with you across the country. We'll share with you our views on what we believe should be in the next federal budget or should not.

We outline five needed investments. The federal government must step up to better fund the following: a national pharmacare program; Canada Health Infoway; Canada's health care infrastructure; a pan-Canadian human resources strategy based on innovation, coordination and research; and post-secondary education matched with continuing education.

First, we need federal support for a national pharmacare program. Last year, 396 million prescriptions were written in Canada. Only one out of three Canadians have some kind of protective cap on out-of-pocket drug costs, only 58% of workers. If government wants to put money back into the pockets of Canadians, cover their essential drug treatments.

Second and third, we need federal support for a public health infrastructure and infostructure. Many of our hospitals are older than most of our patients. We need newer and different infrastructure to assist in tackling wait time, such as community care centres to reduce non-urgent care that is clogging up emergency rooms—that's where I used to work, and I guarantee you, you don't want to be there at 3 a.m. We also need investments in computer technology to bring our health care system into the 21st century, as recommended most

recently by Dr. Brian Postl, the past federal wait-time adviser. Canada Health Infoway investment should be doubled.

Fourth and fifth, we need serious investment in our health human resources. Within a decade, Canada will be short 113,000 nurses, and the U.S., one million nurses short. We need to invest in post-secondary education and turn out more health care professionals. In this competitive environment of health care workers, we need to be innovative and coordinate and research the recruitment and retention of health care workers. The federal government can play a strong role in readying this workforce for the future through a pan-Canadian health human resource strategy, innovation, research, and through the use of EI programs such as the current apprenticeship program for building trades. From education to children, a national child care program will also greatly support the health care workforce, most of which are women. We need strong leadership here to build long-term partnerships with provinces and territories.

I will conclude by saying we strongly believe we do not need more tax cuts. In a poll we commissioned last January, 83% of Canadians said we would have a great health care system if only our governments would get their act together. Nurses believe that our five-point plan will guarantee the success of the ten-year plan to strengthen health care and reduce wait times in all sectors. Remember, a healthy population is the key ingredient for a healthy economy.

Merci.

•(1720)

**The Chair:** Thank you very much, Madam Silas.

We'll continue with the presentation from the Canadian Lung Association. Nora Sobolov, who is the president and CEO, is here.

Welcome. You have five minutes.

**Mrs. Nora Sobolov (President and CEO, Canadian Lung Association):** Thank you. Good afternoon.

I'm the president and CEO of the Canadian Lung Association. We are one of Canada's oldest health charities; we were 100 in the year 2000.

We are a partnership of provincial organizations dedicated to improving the lung health and the quality of life for the six million Canadians suffering from lung diseases, such as asthma, pneumonia, flu, emphysema, chronic bronchitis, and TB. We provide patient support programs, rehab, education, and world-class research, and we make an important contribution to the health care system by supporting fellowships in many provinces to ensure access to well-trained respiratory experts.

Please let me also introduce my director of public issues, Mr. Luc Lapointe, who will help me answer questions you may have.

You've asked those who appear before you to answer questions about key measures that could be undertaken by the federal government to effectively serve the economic interests of Canadians.

We believe that health and the economic well-being of Canadians are inextricably linked. The cost to individuals, businesses, and the economy of neglecting lung disease is well documented and sobering. The cost in today's dollars per year, both direct and indirect, of lung disease for the economy is estimated at \$15 billion. This staggering price tag includes direct health care costs related to the rising numbers of emergency room visits for children with asthma. It also includes the cost of lost productivity at work and disability because of chronic and infectious lung disease.

Lung disorders are the leading cause of short-term disability and are one of the top five costs for the health care system. The World Health Organization says that by the year 2020 chronic lung disease will be the third leading cause of death in the world. Yet our approach to combating this increasingly deadly and crippling problem has been neither comprehensive nor coordinated. The amount dedicated to research in this area is a mere 2% of the \$4.6 billion for health research funded by the federal government since 1999. We believe this level of investment cannot produce the needed impact.

As the voice of lung health in Canada, we felt it was our responsibility to take the lead in developing a coordinated strategy to address the burden of lung disease. In collaboration with key stakeholders, including patient groups, physicians, industry groups, environmentalists, experts, aboriginal groups, and government at every level, we asked the question, "What plan or framework would have the most impact on the health and economic well-being of Canadians?" At a stakeholder meeting in late April, these stakeholders gave an answer: we need to coordinate our efforts; we must develop a comprehensive plan of action to direct our efforts in the most effective ways to improve lung health. The proposed lung health framework will provide a clear picture of the state of lung disease in Canada: where the gaps and efforts to combat it exist and how stakeholders can collaborate for maximum impact. The two-year plan will, after clear deliberation and research, propose a coordinated approach to the prevention and management of chronic respiratory diseases.

We estimate the required investment in this strategy by the federal government over the next two years will be \$3 million. This investment will provide a well thought out set of actions that will tell us where to concentrate our joint efforts to improve the health of Canadians and reduce the \$15 billion burden.

The Lung Association has been pleased to work with the Ministry of the Environment over the last several years on air quality indexes and through a variety of programs that work to ameliorate the health effects of poor indoor and outdoor air quality. We feel it is essential that both indoor and outdoor air quality issues form a significant piece of the work of the federal government and of the lung health strategy. We urge support for programs that will substantially address air quality issues, both indoor and outdoor, as they relate to respiratory health.

It's been our experience that one of the key elements of both prevention and appropriate management of disease to prevent costly visits to emergency rooms in particular is evidence-based, easily understood health information. We currently partner with the Canadian Health Network, a program of the Public Health Agency of Canada, to provide this information. We have found this to be a cost-effective means to gather and disseminate important health information to Canadians. We urge continued government investment in this program.

Tuberculosis is another area in urgent need of continued investment. A 2000 study by Dr. Dick Menzies, the Canadian expert on TB control, demonstrated that the cost of treating this disease domestically is an average of \$27,250 versus just \$20 to treat TB in a less developed country. We urge the government to continue to support international tuberculosis control programs.

● (1725)

I have a final word about tobacco control, which we heard a little bit about earlier today. Tobacco is still the number one risk factor in several lung diseases, and the cost to the health care system, the economy, and Canadians has been well documented. Legislation has proven to be the single most effective tool against tobacco. The federal government has jurisdiction over federal buildings to make them smoke-free, and we see no reason why the federal government could not follow the example of several provinces and make these buildings smoke-free zones.

In closing, through investment in a framework process we will be able to integrate recommendations on research, policy, and programs to have a significant impact on the health of Canadians and the economic burden of lung disease. We look forward to meeting with many of you on October 16, when our board, provincial members, patients, senior physicians, and experts will be in town to meet with their members of Parliament to provide more information on these important issues.

Thank you for your time. We look forward to answering any questions you might have.

**The Chair:** Thank you very much for your presentation.

We'll continue with Joseph Galimberti, director of government and community relations for Air Canada.

Welcome, and please proceed.

**Mr. Joseph Galimberti (Director, Government and Community Relations, Air Canada):** Thank you very much.

Good afternoon, and thank you to the members of the committee for granting us this hearing.

I'm here today on behalf of ACE Aviation and its corporate family, including Air Canada and Air Canada Jazz. As a collective, the ACE family of companies provides passenger and cargo service to 75 Canadian communities, 48 U.S. cities, and an additional 56 international destinations, with an ever-expanding fleet of 329 aircraft. Last year we transported over 30 million passengers and were ranked the best airline in North America by Skytrax, an award based on survey results collected from 12 million passengers.

We employ 32,000 people worldwide, the vast majority of those jobs located here in Canada and of the highly skilled variety. We have emerged confidently from CCAA protection with a reinvigorated business plan and a re-energized workforce, and we have begun to show modest profits over the last several reporting periods. In short, we are succeeding.

As it relates directly to your theme of economic competitiveness, despite all of our efforts, our gains in market share, our substantial year over year decreases in unit costs, our record load factors, and all of the huge strides forward we've made, we are not nearly as competitive today as we should be because of government policy.

The continued existence of ground rent obligations imposed by the federal government on Canadian airports is an outstanding example of a policy that limits not only the development of the aviation industry in Canada but also serves to discourage economic growth in communities across the country. By continuing to charge ground rents, as Fred mentioned, Canada joins just Peru and Ecuador as the only jurisdictions where airport ground rents continue to be collected. It is our firm belief that the previous government's decision to impose airport ground rents was short-sighted and ill-advised, and we would urge that this decision be revisited.

At the time of the federal government transfer of airports to local authorities by way of long-term lease arrangements, which included rent payments, the rationale for the imposition of those rents was that the government should receive fair value for the transferred assets, which were then valued at \$2 billion. This value has, by any metric, been recouped; therefore, any further revenues accruing to the government in this regard are in fact taxes without legislative mandate. As a result, in accordance with intended government policy at the time of divestiture, airport ground rents should be eliminated entirely. In brief, there was never any intention for airports, and by extension airlines and airline customers, to be used in perpetuity as sources of incremental tax revenue by the federal treasury. Ground rents were to be a temporary measure to allow the Crown to obtain a reasonable return on its investment.

Now, Fred has already covered the situation at Toronto, but let me just say that I echo his sentiments and would wholly support any solutions specific to the situation at Pearson. As it is our hub, we

bear the cost of that situation more than any other airline in the world.

Another business challenge for the Canadian aviation industry is the federal excise tax imposed on the domestic sale of jet fuel. Originally levied for the express purpose of fighting the federal deficit, the revenues from this tax are presently channelled into the consolidated revenue fund. This tax is imposed on an absolutely fundamental business input, which only serves to unfairly escalate costs and which in turn distorts market and erodes competitiveness. Moreover, this regressive tax places domestic operators at a distinct disadvantage in the global and North American markets, where, by contrast, U.S. carriers have a fuel tax burden approximately one-quarter the size of Canadian carriers. Eliminating the federal excise tax on jet fuel would represent a tangible step towards the reduction of the elevated cost base faced by domestic operators and help to fully unlock the potential of the Canadian aviation industry.

The last limiting factor I would like to address today is the air travellers security charge, which is widely acknowledged to be among the highest aviation security taxes in the world, as well as the panoply of new and ever-increasing security costs assumed directly or indirectly by air carriers, including airport policing, advanced passenger information access, and cabin searches.

As part of the national security mandate, all of these costs should be assumed by the government, not only because air travel is an important driver of our economy, and as such of direct benefit to all Canadians and to the communities in which we live, but also because the guiding principle of the Canadian Air Transport Security Authority Act was to protect the public and not simply protect airline passengers. The government should acknowledge this principle and assume its obligation to this important national security priority. Simply put, if aviation security is indeed a crucial component of our national security, it should be funded out of general revenues, and air travellers and airlines should not be forced to bear the full cost burden of Canadians at large.

These three glaring examples of short-sighted fiscal policy are even more egregious when viewed in the context of the Open Skies agreement Canada has signed with the United States. When implemented, that agreement will permit Canadian airlines unprecedented access to U.S. markets and will yield opportunities for growth that are truly impossible to calculate.

● (1730)

Although our airline is appropriately structured and positioned to compete in the North American market, our domestic taxation framework frankly is not. Only by addressing that inequity between ourselves and our counterparts in the U.S. can we hope to recognize the full potential of our airline and become the powerful economic engine that the ACE family of companies should be for all Canadian communities.

Thank you very much for your time.

**The Chair:** We'll conclude with a presentation from Mr. Dennis Howlett, who is here on behalf of Make Poverty History.

Please proceed, sir. You have five minutes.

**Mr. Dennis Howlett (Coordinator, Make Poverty History):** Thank you very much for the opportunity to make the case for the next federal budget to be a budget to make poverty history.

The Canadian Make Poverty History campaign has the support of over a quarter of a million Canadians and of over 800 organizations that have signed on to our platform calling for more and better aid, trade justice, cancelling the debt, and ending child poverty in Canada.

The next federal budget could make a significant contribution to making poverty history by increasing Canadian aid by 18% annually and committing to a plan to meet the internationally agreed target for aid spending of 0.7% of gross national income by the year 2015.

More than 800 million people go to bed hungry and 50,000 people die every day from poverty-related causes. I know the government has many priorities to consider, but I would really ask you to search your hearts and say whether or not poverty reduction should be at the top of the agenda. How many other things stack up against the kind of death and misery that poverty is responsible for?

It doesn't have to be this way, and that's what makes it so terrible. If we choose, if we have the will to act, we now have in our hands in this world the technology and the resources that would enable us to make poverty history.

Former Canadian prime minister and Nobel peace prize laureate Lester B. Pearson was instrumental in setting the 0.7% of GNI target for international development assistance. This target was reaffirmed recently by the United Nations when it adopted the millennium declaration and the millennium development goals.

Other donors have stepped up, but Canada lags far behind. We are currently giving only 0.32% of our GNI, or less than half of what we should be giving. I would like to note that Prime Minister Stephen Harper made an election promise, during the election campaign, to match the OECD donor performance average, which was 0.42% of GNI in 2005. At a minimum, we believe the next federal budget needs to deliver on this election promise, and there needs to be a longer-term commitment to a plan for how Canada can meet the 0.7% aid target by 2015.

But more aid by itself is not enough. We also need better aid, and that is why the Make Poverty History campaign supports Bill C-293, the Development Assistance Accountability Act. I see that Mr. McKay has just left to be part of the debate today in the House of Commons. We urge the government and members of Parliament from all parties to support speedy passage of this bill.

I also want to note that just increasing our multilateral aid to the World Bank would not, in my opinion, meet the test of better aid either. I was very interested to hear today that the U.K. government has actually announced it will withhold its contribution to the World Bank because of its serious concerns about the quality of aid.

In 1989 the House of Commons unanimously resolved to eliminate poverty among Canadian children by the year 2000. More than fifteen years later and five years after the deadline of the year 2000, what's happened? One in six Canadian children is still poor. We must end child poverty in Canada. The federal government could take a big step towards this goal by increasing the Canada Child Tax

Benefit to \$4,900 per child. In fact, since Make Poverty History established that as a goal, several years have passed, and a number of organizations are now saying it should be \$5,000.

Ending child poverty is an important first step, but ultimately we need to find a way to ensure that no one is poor, and that is why the Make Poverty History campaign in Canada is calling for the federal government to involve groups where poverty is predominant, such as aboriginal people, women, minorities, and youth, in the design and implementation of a domestic poverty reduction strategy.

• (1735)

The governments of Quebec and Newfoundland and Labrador have taken the lead in developing comprehensive poverty reduction strategies, but provincial governments do not have the jurisdiction over all the policy tools required to reduce and eventually eradicate poverty. That is why we need leadership from the federal government working with other levels of government to develop a national poverty reduction strategy for Canada.

The federal government could take leadership in areas of its jurisdiction by implementing a national housing strategy for social housing, implementing a national child care and early childhood education program, improving employment insurance programs so that more of those who really need it can qualify, reinstating a federal minimum wage and setting it at \$10 an hour to ensure that someone working full-time will be able to escape poverty, creating a national pharmacare plan, and implementing the aboriginal poverty reduction measures that were part of the Kelowna accord between first nations and other levels of government.

Investment in poverty reduction and supporting participation in the labour market through positive incentives will yield many economic and social benefits, including boosting productivity, improving population health and lowering the cost of health care, and boosting labour market supply to help address looming labour shortages that could arise from an aging workforce.

**The Chair:** Would you wind up your presentation, sir.

**Mr. Dennis Howlett:** The millennium development goals and the goal of ending child poverty are achievable goals, but these worthy goals will not be realized unless our government stands up and delivers on measures that would help to make poverty history in the next federal budget.

Thank you.

**The Chair:** Thank you, Mr. Howlett, and thank you all for your presentations.

We'll move to questions now and we'll begin with seven-minute rounds and we'll start with Mr. Savage, please.

**Mr. Michael Savage:** Thank you, Chair, and I'd like to thank the panellists. We had a good wide-ranging set of topics here, everything from airplanes and airports to make poverty history.

Let me start with Linda Silas of the Canadian Federation of Nurses Union. I have had the chance to get to meet you a few times since I was elected. You mentioned you're a proud New Brunswicker, and I'm sure the whole committee sends its congratulations to Shawn Graham today in New Brunswick on his big victory yesterday.

Can I get that unanimous?

**The Chair:** Order and relevance, Mr. Savage.

**Mr. Michael Savage:** Nonetheless, you've been a good passionate voice for nurses in Canada and health care in Canada overall.

Since Mr. McCallum usually leads off, he goes into a long preamble—I'm not going to go into a long preamble—but I do want to indicate my belief in the same philosophy that you espoused that tax cuts are not always the answer. In fact tax cuts that don't invest in productivity and particularly, I would argue, tax cuts that disproportionately assist those least in need are not the answer. If we're going to maintain a publicly funded quality health care system, we need to take some of your recommendations very seriously.

I want to ask you about a recommendation in your brief—education and training. Your recommendation is that the federal government provide long-term funding commitments to post-secondary education programs. You talked about how medical schools, nursing schools, a lot of health professional schools were cut back in the 1990s. I can recall that. I recall the argument in my own province of Nova Scotia. We weren't going to need as many doctors. We couldn't afford to have all these places, and the same with other health professionals. But I think it's clear now that we do need more funding for post-secondary education and in your case in the health professional field, specifically, nursing.

When you talk about long-term funding commitments, are you talking about a dedicated education transfer, handing money to the provinces to let them implement, since post-secondary education is primarily a provincial responsibility? Are you talking about direct federal investment perhaps in institutions and students?

● (1740)

**Ms. Linda Silas:** I agree with respect to the tax cuts. I think the public health system has proven itself. It went into difficulties in the 1990s, and we've had Romanow, and we've had Michael Dechter, who were all agents of the cutbacks. I haven't heard Frank McKenna—and I was there in the 1990s—say that it was a mistake to balance the budget on the back of health care. Now we're trying to fix it.

Also, the finance department—I'm trying to recall the year, but it was about four years ago—had P.J. Deveraux do a study of the sustainability of the health care system in the future, on a comparison with the GDP. It's about 10% of it now, and economist Deveraux said it was going to be like that for the next 10 years, the way we were going. So it was stable.

With regard to funding for education, there are two parts to it. Yes, you need to continue helping the provinces, helping the education programs, but I believe you have to give credit where credit is due. The federal government needs to give students notice, in the future of education, that they're giving the money. I'm a true believer, in a bursary system, in showing a student in New Brunswick or a nurse

from Saskatchewan that the money he or she is getting is directly from the federal government, directly from being part of this great country. It's two avenues.

The schools of nursing, the medical schools, and CMA, the Canadian Medical Association, presented to you last year on the \$1 billion fund over five years, and we supported that. We need some kind of initiative, without telling the provinces what to do. They need to be appropriately funded, and then we need this initiative overall to help the humungous shortage we have in health care professionals.

**Mr. Michael Savage:** I agree that the federal government has a role. Mr. Paquette and Mr. St-Cyr may not necessarily agree that the federal government has a role, but I do.

On child care, your recommendation is long-term federal funding to create a not-for-profit child care system for families across Canada. Would that look something like the plan that was introduced under the previous government?

**Ms. Linda Silas:** The previous government made the first step, we believe, and you have the expert here. But as nurses we're still at 93% women in this country, and 75% of our members are mothers. I have a 17-year-old and used to pay \$35 a day for child care in New Brunswick. It is \$70 a day in Ottawa. At 17, I don't need this, and shouldn't—probably a security guard more than child care, but I won't go there. I made a fairly good salary for New Brunswick, but \$35 a day to guarantee that my son.... And that was just child care; it wasn't child care with an early initiative in education. We know children need to be boosted in their education in the first five years, never mind when they're 17.

● (1745)

**Mr. Michael Savage:** I agree with you. I also agree with you that we have the expert. I'm not going to waste my time asking questions, because I agree with what she says on child care.

I want to ask the Canadian Lung Association.... I come from Nova Scotia, Ms. Sobolov. We have good news and bad news on the lung association front. The bad news is I think we have the highest rates of asthma in Canada, and a lot of work needs to be done. The good news is we have people like Bill VanGorder, who I'm sure you know, who is a real champion of better respiratory health. I think that's a good thing. It's activated in Nova Scotia, and he certainly was very involved in the anti-tobacco crusades. He is very involved in these new challenges that face Canada.

I want to ask you about the plan you mentioned, which in some ways looks similar to an ask I used to make on behalf of the Heart and Stroke Foundation when I came to Heart on the Hill day. We were looking for a national cardiovascular strategy; you're looking for one for a national framework on respiratory health. I understand the \$3 million is not for research and education so much as it is to set up this framework.

Is that what I am to understand, that this is the cost of bringing together surveillance and partners across the country so that we can go to the next step?

**Mrs. Nora Sobolov:** Yes, in part.

**The Chair:** Madame Sobolov, I'm sorry to interrupt. There will be about 30 seconds for your response.

**Mrs. Nora Sobolov:** Okay.

Partly that's true. Partly there will be research to look at what everyone is doing right now and to be able to have a clear map of assets and gaps. One of the things that happens in the beginning of these processes is that we think we're starting from scratch, and we never are. You need to take full advantage of what's out there and have a clear picture to be able to really have a good impact of all the pieces that are there.

**The Chair:** Thank you very much.

[*Translation*]

Mr. Paquette, for seven minutes.

**Mr. Pierre Paquette:** Thank you, Mr. Chairman.

Thank you for your presentations.

I'd also like to thank Mr. Savage for his comment, which I would have made anyway.

The Bloc Québécois is not alone in opposing the direct transfer of federal funds to areas under Quebec jurisdiction. May I remind you that when the millennium scholarship program was introduced, even students and student federations were opposed to this initiative. I'm convinced the same feeling applies with respect to other institutions under provincial jurisdiction.

Among other things, you recommend in your submission that child care legislative measures be introduced, although you emphasize that the right of Quebec and of First Nations to set up their own child care systems should be respected. I congratulate you on clarifying this point. It's not something I'll do every time. For us, it's a given, even though the federal government has financial responsibility for transferring to the provinces the funding they require to meet their obligations.

That being said, I have a question for you. There has been some discussion of a legislative measure respecting child care which would set a number of conditions. University professors and students who have appeared before the committee have also called for legislation to establish pan-Canadian standards in education. The Canada Health Act ostensibly sets out universal principles, but this has never stopped the federal government from withdrawing unilaterally from health care funding.

I'm wondering if perhaps your proposal should include—and this is true of other very generous proposals calling for pan-Canadian standards—an obligation on the part of the federal government to fund child care services to legally established levels.

For example, the Canada Health Act could stipulate, as Mr. Romanow recommended, that the federal government must assume 25% of health care costs. Principles are all well and good, but it's not fair to offload problems onto the province's shoulders.

Would your association be receptive to the idea of a legislative provision requiring the federal government to fund child care? How would you feel about that?

The same goes for health care workers. Perhaps we could include this in our recommendations. Legislation alone isn't enough. We need legislation that assigns financial responsibilities to the federal government.

[*English*]

**Ms. Monica Lysack:** I apologize for my inability to respond in French.

Legislation is not a guarantee of anything, but it certainly solidifies and provides a structure that is more difficult to undo. So legislation is a good beginning where we have nothing else. I agree that other things have to be in place and we need to have some standards.

Quebec jurisdiction is recognized in the child care act that is being proposed, and the transfer of funds is meant to respect the significant progress that Quebec has made. The OECD report holds Quebec up as a model for North America in terms of early learning and child care. Federal standards have a long way to go to catch up to Quebec.

● (1750)

[*Translation*]

**Mr. Pierre Paquette:** Thank you.

Mr. Howlett, you've also made a number of suggestions to which my previous comments also apply. Therefore, I won't belabour the point.

You call for improvements to the employment insurance program, a provincial responsibility, with a view to increasing the number of persons eligible for EI. I don't disagree with you. Today, only a handful of those who pay premiums are entitled to collect EI, which wasn't at all the case ten years ago before the Axworthy reform.

However, you haven't touched on the question of replacement income. In fact, benefits now only replace 55% of previous income earned, down from 60%. Moreover, the benefit entitlement period has been reduced, which means that many people fall into a black hole. Indeed, before they are able to go back to work, seasonal workers exhaust their EI benefits. This topic has been under discussion for several years now.

Could you elaborate further on your recommendation that the employment insurance regime be improved?

[English]

**Mr. Dennis Howlett:** I didn't go into the details, but basically we would support the recommendations made by the parliamentary committee two years ago that lay out the ways in which that program could be improved.

On the question of federal jurisdiction and the child tax benefit, I should note that there is a pre-existing Quebec program of a similar nature, and federal funds go directly to the Quebec government to help contribute to that program. Although it's not spelled out here in detail, we assume that if there is an increase in the child tax benefit amount for families outside of Quebec, a similar increase will be applied to federal funds going to the Quebec government to deliver a similar program, which is the principle already established.

The problem remains that neither the federal government nor the provincial governments on their own have all the policy tools needed. That's why we need some kind of collaboration and cooperation among different levels of government. I think that's why we need a national poverty reduction strategy. The Quebec government's anti-poverty law actually serves as a model for what we need in the rest of the country as well.

**The Chair:** You have just a few seconds to make a comment if you wish.

[Translation]

**Ms. Linda Silas:** Sir, you have to understand that Quebec is ahead of the game, so to speak, when it comes to community care and day care services, as Monica mentioned. It's also much easier to convince 308 MPs by stressing values and standards over financial percentages. Never in their wildest dreams did health care providers ever imagine that federal government funding levels would plummet to 16% during the 1990s. Levels are now around 25% and we want to ensure that MPs... Our democratic representatives agreed to allow federal funding levels to shrink to 16% during the 1990s. Never again will we allow that to happen. We will support you if you want to pass legislation setting these levels at 25% or higher.

Thank you.

[English]

**The Chair:** Our next questioner is Mr. Dykstra.

**Mr. Rick Dykstra (St. Catharines, CPC):** Thank you, Mr. Chair.

I want to thank all of the presenters who have been here this evening and this afternoon.

In terms of the range of issues, I have some questions for Ms. Lysack.

I noticed in the presentation you submitted that we should be looking for three specific things. The third point focused on the current lack of clear accountability for public funds. That interested me in terms of getting a clear understanding of the CCAAC. It received substantial funding from the previous government over the last number of years, basically to produce reports that affirmed the previous government's position.

I wonder if you can tell me which departments provided funding for your agency, and how much you received from them.

• (1755)

**Ms. Monica Lysack:** Let me say first of all that we did not support the previous government's position. If you look at our long history, we have spent many years happily harassing whoever was in government. So no one should feel particularly picked on.

Our vision is a universal system of early learning and child care, and there are different ways to achieve that. There are many different avenues of research, and so on. The funding that our organization has received has been basically on a fee-for-service basis. We offer a service in exchange for a budget that allows us to do that.

A project that we're receiving funding for right now through the Human Resources and Social Development Canada partnerships program is to collaborate with provinces and territories to develop a public policy framework for curriculum.

**Mr. Rick Dykstra:** Great.

I came with answers. I guess it's some good advice I got from my father, that if you're going to ask a question, make sure you have some answers. Since literally hundreds of thousands of dollars have been granted to your organization by the previous government, from all different... Approved in March 2005, \$454,000; in 2004, \$29,000; in February 2003, \$300,000; in August 2000, \$260,000; from HRDC in 2004-05, \$160,000... I'd love to see clear accountability of exactly how many child care spaces the hundreds of thousands of dollars taxpayers have given to your organization have created.

**Ms. Monica Lysack:** I would hate to see you be confused about the purpose of different grants, and of course there are—

**Mr. Rick Dykstra:** I thought your purpose was to create child care spaces in this country.

**Ms. Monica Lysack:** That's not our purpose.

**Mr. Rick Dykstra:** Oh, it's not. Would you like to see child care spaces created?

**Some hon. members:** Oh, oh!

**Ms. Monica Lysack:** Our purpose is to support that vision.

**The Chair:** Let us get on with the question if we could, please.

Madam Lysack, you have a moment to answer the question.

**Ms. Monica Lysack:** Thank you very much.

No, it is not in fact our organization's mandate and never was our claim that we would actually create spaces. We support a public policy dialogue, give voice to those—particularly women—who do not have access to early learning and child care spaces as they're trying to achieve their own economic equality.

**Mr. Rick Dykstra:** I appreciate your acknowledging this: that no spaces have been created.

The third question I have relates to the company Environics, which did a poll for you regarding the child care allowance. Is that correct, that you guys paid for it?

**Ms. Monica Lysack:** Yes, we did.

**Mr. Rick Dykstra:** In all your requests for funding to the previous government, did you ever ask the former government for funding to do polling?



**Ms. Monica Lysack:** No.

Let me be clear about how our organization uses our funding, because I think you're getting at some things or are making perhaps some implications that aren't quite correct.

As I said, we have agreements for all funding we receive federally for a fee for service. We have a clear outline of deliverables—research papers, consultations, and so on. We are absolutely crystal clear in our accounting of it. We have separate bank accounts; we deliver the reports we agreed to deliver. Whether or not people like what they say is another issue, but all of that is very straightforward within the parameters that are set by those programs.

The funding for the poll—incidentally, I have brought copies, if anyone is interested in having a look at it—came from donations. I'm happy to provide a clear accounting of the donations, but we have received hundreds of thousands of dollars in donations from far-reaching groups. You hear around this table how important it is to the anti-poverty movement; you hear how important it is to the nurses; you hear how important it is to parents all across this country. We receive donations as small as five dollars from child care workers who make appallingly low wages to several thousand dollars from labour groups and from other organizations.

So that is the funding. It goes in a separate bank account. That's the funding that is used to do the political lobbying, the polling, all of those kinds of things. It's funded completely separately.

• (1800)

**Mr. Rick Dykstra:** I guess the gist of the direction I think you're suggesting is that the federal government needs to invest more money into child care, and I certainly respect that this is your position as an individual. And certainly this government has made it one of its priorities. But I would think if you're making a request or a submission here with respect to finance, it would be in all of our best interests from a federal government perspective to invest money into actually creating spaces rather than paying for advocacy to just come back to government and advocate for the very same things that in fact you're suggesting we do.

**Ms. Monica Lysack:** It's such a tiny comparison, and—

**Mr. Rick Dykstra:** I don't think it is. I like to think the taxpayers like to see that their money is invested into something that's going to, at the end, create something.

**Ms. Monica Lysack:** Right. And actually the Canadian public has been very supportive. There's information in that polling that the Canadian public do feel it's a very good federal investment to invest in research. So in fact I would say the Canadian public is supportive of it—certainly not in exchange for creating child care spaces, but let me just point out, as you're saying your priority is to create child care spaces, that in the analysis of that there is a cut of \$1 billion from communities that are already rolling things out. There are parents in Saskatchewan whose fees have been reduced through subsidies.

**The Chair:** Mr. Dykstra's time has elapsed. I'll let you work your further comments perhaps into another question, but that time has elapsed.

**Ms. Monica Lysack:** Thank you.

**The Chair:** Madam Wasylycia-Leis, it is your round.

**Ms. Judy Wasylycia-Leis:** Now I've got my blood boiling so much that I don't know where to start.

There's such a misrepresentation on the issue of child care that it's.... As I said to Rick Dykstra and others before, they need to tour some of the different child care programs in this country to really appreciate what is being recommended. We just sat here in the last panel and listened to an individual from an organization called Care of the Child Coalition. I didn't hear Rick ask her any questions about where she got her money. Here we have people who suggest that on the one hand, people like Monica Lysack are talking about institutionalized day care; on the other hand, we have people like those in the Care of the Child Coalition talking about home settings with baked cookies and flower gardens.

What has to be emphasized here is that we're talking about an investment in an area that will produce options for women and families so that their children will be well cared for, whether that be in an organized child care space, a home day care setting, a rural co-op, or a workplace centre. The full range is part of what Monica is talking about, and I think Monica needs now to address, for Rick and others, the issue of what happens if we don't invest in child care that creates options for women and families so that they can use their skills to fill the skills shortage we've all heard about in terms of this competitive economy. What happens if we don't invest, and who loses, and are you prepared then?

Do you think the goal of the Conservatives is really to get women back into the home so that they can bring in cheap foreign labour without any standards? What is the real objective here? Why aren't we ensuring that people with the skills can access good child care so that they can be both good parents and good contributors to the economy?

I'm sorry for the rant, but I needed to say that for the benefit of all the child care workers out there who work so hard.

**Ms. Monica Lysack:** I appreciate that. While it is a great tactic to deflect from the real issue by making insinuations about federal funding to organizations and so on, you're right—the bottom line here is what this means for Canada, for our future productivity. Is this an issue about children? Is this an issue about parents and their ability to be in the workforce? Is this about Canada's economy? Child care is about all of those things. We know that if we don't invest in Canada's future, in our children, we are going to be in trouble.

I was in Alberta recently. There were signs everywhere; 7-Eleven is offering signing bonuses to people to try to get them to work there. Their coverage for child care is among the lowest of all provinces. They're scrambling to try to figure out how to address this problem. Seventy percent of the parents of young children are in the workforce. That's the reality. We can wish something different; we can try to provide incentives for something different....

On the whole idea of funding the child, let me say that again, despite the fact that we've been characterized in the media and so on as being opposed to stay-at-home parents, the reality is that if you look through our documents over the last three decades, you will see that the CCAC has always advocated for family policy. We have supported expanded maternity and parental leave to support families to be able to stay home during those important early years.

Do we think it's a great idea to fund parents to stay home for the first five years? Sure, why not?

Why not? Because it would cost about \$80 billion a year. If we can afford that, let's look at it.

I don't think so. We can't just look at the amount it would cost. If we look at the amount of the maternity and paternity benefit, we also have to look at the reduced tax contributions of those working parents. Those working parents are contributing to our economy, and with our shrinking workforce and our shrinking birth rate, we have to address those issues. We have to do that by addressing it through a very systematic approach to providing early learning and child care, both to support labour force participation as well as to ensure that our youngest citizens get a good start in life, so that we aren't investing money in health care and education to undo the damage done when we don't support families to provide the best start for children.

• (1805)

**Ms. Judy Wasylcia-Leis:** Thank you.

I have another question for Dennis, since I think it's a similar sort of debate we're having. I think you've come with a very noble self-evident objective, which is to make poverty history. I'd like to hear from the Conservatives sometime about whether they're on board or not, but I think the problem is that we're dealing with some different philosophies, and we've got to tackle that if we're going to get through to the Conservative government.

On the one hand, we hear from business leaders and Conservatives that the more freedom we give the rich, the better off the poor will be. That's *The Economist* magazine article as well—you know, the rising tide will lift all boats. This article goes on to say we might get a few out of the mud, but not much beyond that.

Dennis, you need to address for this committee the alternative vision, which means you can have a country that is not in debt, that has a healthy economy, and that still invests in programs that get people out of poverty and counters this notion that the neo-Liberals are offering us.

**The Chair:** I'm calling, then, Mr. Howlett.

**Mr. Dennis Howlett:** I want to recall that in one of the earlier consultations with the finance minister, the representative of the Canadian Bankers Association was calling for an investment in child care. The reason was that a number of the leading corporations are very concerned about the looming labour shortage. Unless something is done about that...we're already seeing the evidence of the economic harm it's doing. Things like day care and things like positive incentives to help people who are now trapped in welfare to be able to move into employment are critical to the health of our economy.

When we talk about productivity, people often think of high tech. That's where we're already highly productive. Where we would realize the most bang for our buck in terms of investment and productivity is investing at the lower end. Investing in training and education and in programs that would support people at the low end would yield the most benefit in terms of improved productivity. It may be counterintuitive, but the economic research is there to back that up—

**The Chair:** Excuse me, Mr. Howlett. Unfortunately, sir, I have to tell you that we're out of time with your response, sir.

• (1810)

**Mr. Dennis Howlett:** It makes poverty reduction—

**The Chair:** Order, sir.

**Mr. Dennis Howlett:** Okay.

**The Chair:** We'll move to our next questioner. That would be Mr. Alghabra. You have five minutes, sir.

**Mr. Omar Alghabra (Mississauga—Erindale, Lib.):** Thank you, Mr. Chair.

First, I want to say I'm really appalled by the insinuation that... instead of arguing the debate and the merit of some of the presenters here, there is insinuation or implication that they have self-interest in their point of view. In fact, if that argument is true, I would see organizations like theirs would be supporting the Conservative government's point of view because they depend from you—

**The Chair:** Mr. Alghabra, I would urge you, sir, to address your remarks to the witnesses who are here.

**Mr. Omar Alghabra:** It's part of my—

**The Chair:** I would encourage you to do that now, sir.

**Mr. Omar Alghabra:** Well, I will.

**The Chair:** Address your remarks to the witnesses, not to committee members.

**Mr. Omar Alghabra:** Thank you, Mr. Chair.

My question is to Ms. Lysack.

Certainly a lot of families welcome the taxable \$1,200 relief to families, but do you think that many of those, if they had known that it would come at the expense of cancelling the first steps of building an affordable and high-quality accessible child care program, would have accepted the taxable \$100 a month?

Also, does it really offer a choice, or does it really take away choice from working families or parents who want to go to school to pursue a higher education or pursue a better career?

My other question is to Ms. Silas. I commend you for your recommendation and your suggestions. I don't want to miss this opportunity to ask this question with an objective health care expert here. If you were to rate or compare your recommendations to the last budget, do you see any signs in the last budget that come close to addressing those recommendations?

The reason it's important is that you are a non-partisan, objective health care expert, and Canadians certainly rank health care as a top priority.

Thank you.

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

Madam Lysack, would you like to respond to the first question?

**Ms. Monica Lysack:** In response to your first question, which asked whether people would have made the choice had they known, certainly the Environics poll—paid for by donations—confirmed that in fact they wouldn't have made that choice, and the public focus groups that I believe the government paid for, highlighted in *The Globe and Mail* last week, also confirmed that families would not have made that choice.

It's not a real choice. Do families need income? Absolutely. Should it be in this form? No. There are experts with far more ability to comment on this than I. The Caledon Institute has made some good recommendations. We absolutely agree with Dennis's comment; it should be part of the Canada child tax benefit. It's a much more equitable way of disbursing funds and would address poverty and so many other issues.

Does that provide choice? Why are we fooling ourselves by even calling it child care? Even their own website doesn't call it child care anymore. They say you can invest it in your child's post-secondary education, in groceries, in whatever you like. It's family income and it's important and families need it and it's absolutely critical. Does it do anything to address people's issues around child care? No. Families are still struggling.

I got an e-mail, completely unsolicited, from a parent who is not part of our organization, saying they hadn't even cashed the cheque. They said it made them sick, that they didn't want it, that they needed child care, and that this \$100 didn't help them; it didn't give them child care. It could help them pay for it, perhaps, if they could get it, but they don't have it.

So this is what parents are saying about it. It's not that the funds are unwelcome; it's just not child care.

**The Chair:** Excuse the interruption, but save some time for Madam Silas.

Please respond, if you would, to the second question Mr. Alghabra asked.

**Ms. Linda Silas:** We have to realize that the previous budget dealt with the 10-year health care plan, which we saw was \$41 billion. I was there downtown looking at the hard negotiation between the premiers and the Prime Minister until 1 a.m. It was really hard and rewarding for health care advocates, especially as it was looking 10 years down the road.

This budget looked at wait time guarantees, but didn't put any direct money to the guarantees. I always use the anecdote that it's like the guarantee on my car—if I don't have a mechanic to work on my car, the guarantee's not worth the piece of paper it's written on. We need to work with this government on this.

The federal government needs to be a leader in research, regardless of whether it's on wait time. It has to be a leader in research in regard to pharmaceuticals. In regard to transport—our four panellists here are thinking they'll never go with health care or child care again—we have to be leaders there, as well as on foreign credentials, at which this government is looking a lot, but also on child care options, and I think that's what this organization is doing.

The federal government—Minister Finley—just approved a smart project for Cape Breton and Regina—Qu'Appelle to try to match

continuing education and a retention of health care workers, especially nurses. That's building on research, building on innovation, and I think that's the role of this great federal government.

• (1815)

**The Chair:** Ms. Silas, I'm sorry; the time is up.

I think it's fair to observe as well that in terms of the thrust of the comments Madam Lysack is putting on the record today, those same comments have been put on the record for a number of years, many of them, certainly back to the early 1990s. On balance it is important to understand that too, to put it in context.

We'll continue with Mr. St-Cyr. You have five minutes, sir.

[*Translation*]

**Mr. Thierry St-Cyr:** Thank you.

Thank you for joining us today.

I'd like to continue on the subject of day care. The issue was discussed at considerable length by us last spring and will likely continue to be a topic of conversation for some time to come. The Conservative government's decision to cancel funds earmarked for the provinces, including Quebec, for improvements to day care was ill-advised from the outset. The problem existed under the previous Liberal regime and continues to this day. Quebec parents are confronted with the inequity of the tax system. They cannot claim the same tax credit as other Canadian parents. Let me explain to you what I mean by this.

When filing their federal tax return, parents can claim a tax credit corresponding to the amount paid in child care fees. This amount is not taxable. Quebec parents with children in day care can claim \$7 per day. Previously, they could claim \$5 per day. Yet, parents living elsewhere can claim much higher amounts. Therefore, the tax credit represents a much larger sum of money for them.

There are those who will argue that there is nothing unusual about this because parents in the rest of Canada pay more for day care services. Quebeckers pay more as well, albeit through their taxes. Basically, the Canadian taxation system penalizes Quebeckers for having an affordable, universally accessible day care system.

My question is for either Ms. Lysack or Ms. Silas. Mr. Howlett may also wish to respond.

In your opinion, should the federal government acknowledge and respect the choice Quebec has made, a choice that has been praised across the country and even abroad? Should the federal government remit to the Quebec government the savings realized year after year—these savings have been pegged at approximately \$250 million per year, or \$1.5 billion since this program's inception—, so that it can make improvements to its system, or should it continue to take advantage of Quebec's initiative, continue channelling this money into the consolidated revenue fund and continue using it for other purposes?

[English]

**Ms. Monica Lysack:** I think the federal government would do well to follow the example of the Quebec government and respect Quebec's jurisdiction over that and concerning the \$250 million in tax savings. I don't know if you are aware, but the net cost of Quebec's child care system is now at only 60%; there's already a 40% recovery. If this federal government would follow the same example of moving towards a universal, high-quality, accessible child care program—as Quebec has done—the economic return would be at least two to one. We've seen the evidence from a C.D. Howe report that identifies this 40% return. Aside from your own smart investment and a two-to-one return, the tax savings should absolutely belong to Quebec, in our view.

• (1820)

[Translation]

**Ms. Linda Silas:** Sir, I'm by no means an expert on taxation or tax fairness, but there is one reality that must be acknowledged. When I left New Brunswick, I had to decide whether to move to Quebec or to Ontario. My son was 15 years old. I chose Ontario because of the substantially lower taxes.

Another fact of life is that the vast majority of Canadians do not receive a tax receipt for day care when services are provided by an individual. That is a major tax problem. I would prefer to have you point that out, not me.

**The Chair:** Is that all, sir?

[English]

Madam Ablonczy, five minutes.

**Ms. Diane Ablonczy (Calgary—Nose Hill, CPC):** I have a question for Ms. Silas. She pointed out the labour shortages in the health care field. I suppose we can extrapolate that there would be the same labour shortages in the child care field, the elder care field, and in all the caring professions, so to speak, and a lot of need for foreign workers.

The concern I wanted to pinpoint was the one you raised about the absolute shortage of doctors and nurses, and the fact that we need to increase the number being trained. I think you're aware that there has been an increase in the admissions to training programs for doctors and nurses in Canada. I wondered whether you think these new entry numbers are sufficient—you probably have that data, and I think it would be helpful for us to know—or whether we need to try to expand the programs even more. They were cut back substantially some years ago—foolishly, as it turned out, but here we are today.

In your recommendation, where do we go in supporting training for doctors and nurses in Canada?

**Ms. Linda Silas:** It's a very good question. Thank you.

We have to realize that in the early 1990s, 12,000 nurses were graduating every year. We went down to 4,000 across the country by 1999, and we're now up to 8,000. I don't have the numbers for doctors offhand, but the numbers are very similar. Why? Because of budget cutbacks; this big report came out saying that too many were graduating.

We're going up, but what's also happening is that at the university level they don't have the funding to educate those with master's

degrees or doctorates in terms of preparing them to help the faculties of nursing. The average age of a nurse is 45 or 46, and for a nursing teacher it's 48 or 49. Those are the average ages.

So we have a lot of work to do at the university level, and then to help the hospitals' long-term care facilities. Training of a nurse is done not only behind a desk; it's done with direct patient care as well.

**Ms. Diane Ablonczy:** Those are excellent points.

I wish I could spend time with all of you, but I was interested in the presentation from the airlines association with regard to airport rents. I was a little cheesed off, because it only talked about the Toronto airport, and I'm from Calgary; we have met with the airport authority there, and they have the same concerns.

I wonder whether you've done any studies or can give us some idea on this. If the rents were substantially reduced—some even argue that they should be eliminated, and the land should simply be transferred to the airport authority—how would that impact on our competitiveness in a realistic way? Can you give us some idea of the benefit that might flow from that?

**Mr. Fred Gaspar:** I have to admit, I was enjoying the debate; my daughter just started day care last week, so I was pretty enthralled.

• (1825)

**Ms. Diane Ablonczy:** And she'll be a nurse.

**Mr. Fred Gaspar:** Maybe she'll be a nurse, yes.

Thank you for your question. As a matter of fact, we are committed to doing such a study writ large across the country. The only reason we had been focusing on Toronto was that there was a particular need there in terms of the way the new formula was applied. I'm not suggesting it was purposely so, but it left them with an inequity treatment that resulted in an impact of hundreds of millions of dollars.

That said, you're absolutely right, every airport across the country needs relief on that front. We are going to do a study in the field, which we expect and hope to have done by the end of November. We have done one for Toronto, through the international association of airlines, and it's shown that if the Toronto solution were implemented, 300,000 passengers annually would be the expected increase, with \$300 million in additional economic activity for southern Ontario, 3,000 jobs annually, and \$62 million annually in net tax revenue gain.

**Ms. Diane Ablonczy:** I'd like to see that. I think that would be very helpful.

I have a quick question for Ms. Lysack, who is so popular today.

I think we all agree that we need to invest in children. They are our future. But you didn't say that parents caring for their children and training and teaching them was not a good investment.

**Ms. Monica Lysack:** You know, it's so sad to see this being polarized. I see mothers everywhere struggling to do the best thing they can for their children.

When I was a stay-at-home mom, I had three children relatively close together. I didn't send my children to early learning and child care because I was a bad mom. I stayed at home with them. I was a good mother. I did many things with them. But I also recognized that there were programs that could offer things that I couldn't, and I made those choices because of my circumstances.

Families who choose not to send their children to any early learning and child care programs—all power to them. That's wonderful. But the reality, and what the research says, is that even for stay-at-home parents, they make that choice. More than 90% of children attend some kind of early learning and child care program, regardless of what their parents are doing.

So it's not just about good mothers and bad mothers; it's about families being able to make choices.

**Ms. Diane Ablonczy:** It about choice. You're certainly aware of that, and I think that's an important point to make.

Thank you.

**The Chair:** I'll use my prerogative as chair to ask a couple of questions, if I might, of Madam Sobolov.

You may be familiar with the smoking ban that the NDP government in Manitoba brought into play approximately a year and a half ago, exempting Indian reserves. A court decision was just rendered saying that this was essentially a charter violation. I'll simplify the court decision and say that the government legislation was overturned. I'm sure your organization is pleased with that. Exempting some Canadians from the protection they deserve to have against smoke and second-hand smoke is to me a ridiculous mistake.

How many provinces now have anti-smoking legislation in place? Could you share that with the committee?

**Mr. Luc Lapointe (Director, Public Issues, The Lung Association):** Currently, we have eight provinces that have legislated smoking bylaws in place. The other two, and the territories, are about to implement full smoking bylaws.

**The Chair:** To your knowledge, do any of those bans not actually apply to aboriginal people?

**Mr. Luc Lapointe:** No. That was the only province that actually tried this approach.

But again, it's hard for the provinces to actually impose this kind of legislation on first nations reserves because the Indian Act actually gives the power to band councils not to follow the current provincial legislation. A court may say this should not have happened. Again, the Indian Act provides enough leeway right now on this.

**The Chair:** I think it's unfortunate that we allow jurisdictional gamesmanship to interfere with protecting the health of all Canadians.

Would you be encouraging the federal government to ensure that such bans apply uniformly across the country, as opposed to the

current potential for jurisdictional disputes to interfere with the ability to protect Canadians in a broad-based way?

**Mr. Luc Lapointe:** Absolutely. We had approached the Minister of Indian Affairs about these questions. Again, because it was a question of health, they relayed it to Health Canada.

Within the Indian Act right now, there is an article that provides that no band council can actually put forward legislation or bylaws that would actually harm the first nations people. Allowing people to smoke in casinos, bars, restaurants, or in public places could actually harm first nations people. Again, that would be a route, but I don't think too many governments would like to actually repeal some of the Indian Act.

• (1830)

**The Chair:** I would appreciate it if you'd share that correspondence with the committee. Would that be possible?

**Mr. Luc Lapointe:** Yes, absolutely.

**The Chair:** Thank you.

I think it's a shame when any leader, regardless of whether they are aboriginal or not, would trade casinos for cancer. It's ridiculous.

**Mr. Luc Lapointe:** Exactly.

I would add one more thing. We've been working closely with the Assembly of First Nations, Phil Fontaine, as well. They have a leadership role in showing that tobacco is sacred but that smoking is not. It's killing their people at an alarming rate.

**The Chair:** Very good.

This is my final question. In one of the points in your presentation, you asked for support for strengthening tobacco control legislation in federal government buildings. I would ask you to elaborate, relatively briefly. What do you mean when you say "to support and strengthen"?

**Mr. Luc Lapointe:** At this stage, I think it's a policy issue at the federal level. The provincial governments may put in place provincial laws, such as what we have in Quebec, Ontario, and several other provinces, that say no smoking in public places, but right now, in federal places, such as in prisons, this law cannot be enforced. We have brought this forward to the Minister of Health to look at this and find a way to enforce these smoking bylaws in federal places as well.

**The Chair:** Just to refer back to my first example, it would be your view that aboriginal and non-aboriginal Canadians should be protected equally, and that so, too, should federal government employees and customers of federal government services. Is that fair to say?

**Mrs. Nora Sobolov:** Yes, I would think so.

The spectre of going into a province, for example, like Ontario, which just finished passing a province-wide act, and then going to the airport smoking lounge, is a little difficult to take.

**The Chair:** In support of your argument, you may be aware there are lawsuits currently in the courts in the United States, and in other jurisdictions I am told as well. There are class-action lawsuits being brought by employees—for example, with airlines, where one group of employees was protected by non-smoking rules and another group was not, and by first nations communities in the United States that say they were not protected by legislation that the federal government used to protect others against second-hand smoke.

We wish, most importantly, to avoid health problems down the road, and secondly, lawsuits that may cost taxpayers in this country tens and hundreds of millions of dollars. It would be wise to proceed

as you are recommending. You can take that as support from the chair.

In any case, I thank you all for your presentations. It has been a most informative session. We very much appreciate your time in coming here today. All the best.

Committee members, we will reconvene tomorrow at 3:30. I urge you to be here on time, or early.

The meeting is adjourned.

---









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

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

**Also available on the Parliament of Canada Web Site at the following address:  
Aussi disponible sur le site Web du Parlement du Canada à l'adresse suivante :  
<http://www.parl.gc.ca>**

---

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

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