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## Standing Committee on Finance

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EVIDENCE

**Tuesday, September 26, 2006**

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**Chair**

**Mr. Brian Pallister**

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• (1000)

[English]

**The Chair (Mr. Brian Pallister (Portage—Lisgar, CPC)):** We will continue with our pre-budget deliberations. I want to welcome our witnesses today. Thank you in advance for your presentations today and also for your briefs, which you have submitted previously.

You've already been instructed that you'll have five minutes to basically summarize your entire treatise, which is very challenging, we know, but we want to allow time for an exchange of questions and comments with committee members as well. I will give you a sign when you have a minute left and let you know that your time is running out, and I would appreciate it, of course, if you would bring a conclusion to your presentation at that juncture.

We're looking forward to your presentations, and I will begin today with a five-minute presentation by the representative from the Natural Sciences and Engineering Research Council of Canada. That would be Suzanne Fortier.

You have five minutes. Please proceed.

**Dr. Suzanne Fortier (President, Natural Sciences and Engineering Research Council of Canada):** Mr. Chair, members of the committee, thank you for giving me the opportunity to appear here today on behalf of NSERC, the Natural Sciences and Engineering Research Council of Canada, an organization I joined last January as its president. Our full name may be hard to remember, but our vision should not be.

NSERC's vision is to help make Canada a country of discoverers and innovators for the benefit of all Canadians. We all realize that in a knowledge-based society, access to expertise, information, and knowledge is crucial, but it is not sufficient. We need to use information with creativity, to discover new knowledge and apply it in novel ways. That is the springboard to our future prosperity as a country and as a people.

Let me quote from one of our great Canadian engineers and researchers, Dr. Indira Samarasekera, who's the president of the University of Alberta. She said, "Canada's competitive advantage rests neither in resources, nor knowledge, but in the ingenuity of people who will combine resources and knowledge in new ways."

Other countries are recognizing the importance of investing in their people's talent—the U.S., India, Japan, Germany, Korea, China. The list is very long. For us in Canada it is doubly important because in terms of population we are a small country. We must ensure that our people have the opportunity to develop to their full potential and

contribute to the building of a strong Canadian society and economy. We cannot afford to waste any human talent in this country.

[Translation]

What does NSERC do? The natural sciences and engineering go to the heart of Canada's competitiveness and productivity. NSERC is an essential part of Canada's research and innovation infrastructure. We are responsible for insuring that Canada has a solid knowledge and expertise base in science and engineering. We manage a well-balanced portfolio of investments in people, discovery and innovation with programs that support research and advanced training at Canadian universities and colleges.

We are a dynamic organization. Throughout our existence, we have adapted our programs to anticipate the needs of our community and to provide Canada with an environment that stimulates research and innovation. We are guided by four important values: excellence, relevance, impact and accountability.

• (1005)

[English]

It is extremely important to us to demonstrate to Canadians that we use the money for which they make us responsible to maximum impact and for the benefit of our country. We continually track our performance through numerical indicators and have thorough evaluations of our programs on a cyclical basis.

[Translation]

In our written presentation, we describe two major reinvestment thrusts that will enable us to maintain a solid foundation in science and engineering. They will also give us the capacity to take advantage of strategic opportunities. Our goal is to maximize impact and benefits to Canada.

[English]

Let me return to Dr. Samarasekera's quote: "Canada's competitive advantage rests neither in resources, nor knowledge, but in the ingenuity of people who will combine resources and knowledge in new ways." She could be talking about Canada's competitive advantage in oil sands, where our ingenuity has led to economically viable processes for extraction, or about the BlackBerry, whose creation and development rests on both basic and applied research. The BlackBerry is not a low-hanging fruit. A lot of R and D and talented creative people have contributed to this great Canadian success.

Our vision at NSERC to help make Canada a country of discoverers and innovators sees a future with many more such great Canadian achievements.

*Merci beaucoup.*

**The Chair:** Thank you.

We'll continue now with the Society of Obstetricians and Gynaecologists of Canada, Donald Davis.

Welcome, sir, and five minutes is yours.

**Dr. Donald Davis (President, Society of Obstetricians and Gynaecologists of Canada):** Merci. Good morning, honourable members.

Let me begin by thanking you for the opportunity to speak on behalf of the Society of Obstetricians and Gynaecologists of Canada. I practise obstetrics and gynaecology in Medicine Hat, Alberta, and I'm the proud president of the society. I'm joined today by Dr. André Lalonde, who is the executive vice-president of our society.

Our mission is to promote excellence in the practice of obstetrics and gynaecology and to advance the health of women in Canada and around the world through leadership, advocacy, collaboration, outreach, and education. We represent over 3,000 obstetricians and gynaecologists, family physicians, midwives, nurses, and other health professionals from across Canada. I consider it a privilege to be here today to speak with you about an issue of tremendous importance to our membership and I believe to all Canadians: the issue of maternal and child health, and in particular the need for a birthing strategy for Canada.

Let me explain. I think it will surprise you to learn that the OECD statistics show that where Canada once ranked second in the world in maternal health, suggesting an extremely high quality of maternity care, we have now slipped to 11th. Our statistics on infant mortality are even more disturbing, with Canada falling from 6th to 21st place. More women and more babies are not surviving pregnancy and childbirth. We know that part of the reason is the decrease in human resources in the field of obstetrics, and here is a snapshot of the challenges on our horizon: there are diminishing numbers of obstetricians and gynaecologists in practice; there are fewer family physicians willing to deliver babies; and our hospitals, and indeed our health care system, are not equipped culturally or administratively to embrace a collaborative care model where all disciplines associated with pregnancy and childbirth work together on behalf of moms and babies.

SOGC believes part of the solution lies in identifying our strengths and weaknesses through accurate information so that we can develop effective response plans. We cannot tell you how many obstetricians and gynaecologists are currently in practice in Canada; we cannot tell you if they are full-time, part-time, doing research, or teaching. We could estimate, but estimating isn't good enough when assessing our capacity to care for mothers and babies now and especially in the decade ahead. We do know that in five years, 30% of obstetricians and gynaecologists in Canada will retire from full-time practice. Others will streamline their practice to include only gynaecology.

In a society where information technology routinely assists us in just about every aspect of our lives, we must develop tools to ensure that we know which hospitals in Canada are providing obstetrical services, if the level of care is meeting the expectations and needs of Canadian mothers and families, and who is available to provide the service. We can do this, but we need your help.

We also know that we are not meeting the needs of mothers and babies in rural and remote communities. These women are routinely evacuated from their homes, their families, their communities, and often their culture and support systems, so that they can be assured appropriate care during childbirth. Imagine being 35 or 36 weeks pregnant and having to leave all that you know and love behind and travel elsewhere for, arguably, the most important time and event of your life. Sometimes these separations are for as long as eight weeks. Why do we do this? Because right now we have to. There is a serious lack of services within rural and remote communities to care for women during childbirth. Smaller community hospitals are being closed and local options have not replaced them. We can fix this, but it needs political will and leadership.

Finally, let me talk about mothers around the world. Each year, 530,000 women die from complications related to pregnancy and childbirth, most often from well-known and easily treatable complications, in fact the kinds of complications that are routinely and successfully addressed here in Canada during the course of childbirth. Ninety-five percent of these maternal deaths occur in low-resource countries. The grim reality is that despite medical and technological advances, the global rate of maternal mortality has not improved in decades. Women do not die because of lack of knowledge about how to treat their complications, but there is a lack of political will to save them. At SOGC, we have in our mission as an organization a deep commitment to women's health everywhere. Canada is a nation well positioned to make a difference to help save the lives of thousands of women.

The SOGC has tabled a brief with this committee that includes a call to action. First and foremost, we wish to adopt and resource a birthing strategy for Canada; second, honour Canada's pledge of investing 0.7% of gross national income in official development assistance; and third, commit \$30 million a year, as a Canadian-led safe motherhood and newborn health strategy, to help our world meet the millennium development goal on maternal health.

• (1010)

Thank you for your time and attention. Dr. Lalonde and I would be pleased to answer any questions.

[*Translation*]

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

[*English*]

We will continue with Diane Watts from REAL Women of Canada.

Welcome. You have five minutes, Diane.

**Ms. Diane Watts (Researcher, REAL Women of Canada):** Thank you very much.

REAL Women of Canada is a national organization of women from all walks of life. We are united by our concern for the family, the basic unit of society. The future prosperity of our country depends on the strength of our families. We believe the family, which is the foundation of a nation, should be central to the formation of all public policy. Government decisions, especially tax and social policy, must be fair and equally beneficial to all Canadians. Government policies should remain neutral on the issue of career choice for women, including the option to remain at home as full-time homemakers. Public policy should treat women at home and women in the workplace equally.

In order to develop an equitable tax system, we make the following recommendations.

(1) End tax discrimination against the single-income family. In 2005, an average single-income family earning \$80,000 a year paid \$2,445 more in federal income tax than a double-income family with the same household income. Revenue Canada allows tax breaks and deductions for double-income families that are not available to single-income families. This inequity between single- and dual-income families can be eliminated by allowing the single-income family to split the family income and file separate income tax returns or by allowing joint tax filing. The government already recognizes the family unit when paying out benefits such as the GST credit, Canada Pension Plan, and old age security. It is not a new concept. Recognizing the family unit rather than the individual for tax purposes is the fairest way to achieve equality for families.

(2) Convert the child care expense deduction to a refundable child tax credit for all children. The child care expense deduction program is only available to parents with children in substitute commercial day care. It is based on the false assumption that parent-based child care has no expenses. All forms of child care have associated expenses. Child care costs exist because children exist, not because parents work outside the home. A refundable child tax credit that is available to all families would recognize and equally compensate the contributions of all parents, whatever child care method they choose. Public policy should equally assist and not discriminate against parents if they choose to care for their own children in their own home environment. All children are of equal value and their care should be so treated in law.

(3) Make the spousal deduction equal to an increased personal exemption. The spousal deduction discriminates against the full-time homemaker as it is less than the basic personal exemption, which is one of the lowest in industrialized nations. In the interest of tax fairness, the spousal deduction should be equal to the basic personal exemption, and both should be substantially increased to reflect today's cost of living.

(4) Provide tax relief for families. Taxes are the largest expenditure in the family budget. Excessive government surpluses in recent years clearly indicate there is overtaxation. Government must stop exploiting families by taxing them so heavily that they have little discretionary income, thereby forcing both parents into the paid workforce. A comprehensive tax relief plan would benefit all Canadians. It would assist families to meet their financial needs, reduce poverty, and stimulate the economy. Leaving earned income in the hands of the taxpayer is genuine government investment in the economy and social infrastructure of the nation.

(5) Government funding of day care must go directly to parents, not to commercial day care facilities. Restricting government subsidies to regulated day care facilities denies parents a choice of child care alternatives, to the detriment of every other type of child care arrangement. The one-size-fits-all government day care scheme, estimated to cost \$12 billion to \$15 billion a year, would likely increase taxation that would result in more and more women having to enter the paid workforce for the family to survive financially. The present government's \$1,200 annual universal child care benefit, by going directly to parents who know the needs of their families and children, offers flexibility and fairness. We commend the present government for its universal child care benefit program. We believe this is a step in the right direction.

(6) End funding for special interest groups. Each year, the federal government gives grants and contributions estimated at \$17.5 billion annually to numerous special interest groups, including businesses; labour unions; sport lobby groups, such as the day care advocacy groups; and radical feminist organizations. For example, the federal Status of Women agency gave over \$10 million in grants to feminist groups in the past year. Government funding to feminist groups is unacceptable. Women do not all think alike. We are individuals who are extremely different in our needs and interests.

•(1015)

No single group or ideology can represent the views of Canadian women just as no single group can represent the views of men. Yesterday's announcement of long-overdue elimination of inefficient government programs, including perhaps the Status of Women, is an excellent beginning in what we hope will be the eventual elimination of Status of Women.

The federal government should end all special interest funding in order to provide a level playing field for all groups, avoid government-initiated discrimination, and decrease unnecessary government spending.

In conclusion, we support the prosperity of the country by supporting the family.

Thank you very much.

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

The representative for the Association of Canadian Community Colleges is Gerald Brown, president.

Welcome, Mr. Brown. Proceed.

**Mr. Gerald Brown (President, Association of Canadian Community Colleges):** Thank you, Mr. Chair.

[*Translation*]

Thank you for giving me this opportunity to appear before you this morning.

[English]

I suspect most of you probably had an opportunity to read *The Globe and Mail* this morning, especially when I look at the headlines that are here. When you do have a chance later on today, I'd ask you to go a little further, into the "Report on Business", where you'll see a six-page spread the *Globe* has done on the role of community colleges and institutes as a response to the economic and social needs of the community.

If you have more time to read, I'd suggest you try to get *Canadian Business* today. This month's issue speaks, again, to the role of colleges. There's a whole supplement here—about eight pages—that speaks to the role of community colleges and institutes as they respond to the needs of their communities.

[Translation]

If you had the chance last week to read *L'actualité*,

[English]

which is the French counterpart to *Maclean's*,

[Translation]

you probably noticed that there were some articles on CEGEPs and community colleges in Canada.

[English]

How does that connect to my brief and the brief you have in front of you? Essentially, I'd like to draw your attention to three of our recommendations.

There is, as you can see from the *Globe*, from *Canadian Business*, from *L'actualité*, and from other articles, a growing sense in the community and in Canada about the crucial role that community colleges play in the economic and social development of the communities they serve.

I think in particular, though, there's a growing significance around the role of community-based applied education. I think those words are really important—"community-based applied education". Our association represents 150 colleges and serves close to 1,000 communities, so I can say with 110% certitude that each of you has one of our colleges in one of your communities, and hopefully each one is serving your community as you would like it to serve.

How does that connect to our brief?

First, we have been on record for a number of years talking about—and we'll repeat it again—the importance of increased funding for post-secondary education and skills. I think as you go across the country over the next few weeks and you do your regional consultations you will hear this being repeated more and more by groups—not only educators, not only people from the community colleges, but people from business and industry as well. They will be talking about the important role we play in that area. We need to increase the area; we need to replenish the cutbacks of 1994 and 1995.

Secondly, our recommendation also speaks about the importance of investing money in colleges and institutes, in particular in the area of infrastructure and equipment.

Let me just draw you an image here. You all went through some sort of post-secondary education, I suspect. You've all been through economics classes. You've all been through humanity classes and you've all been through English classes. There are costs to each one of these institutions. In our institutions, though, since we train close to 1.5 million students across the country in skills, we have aircraft maintenance, dental hygiene, nursing, and I could go on and on. I think you can appreciate quickly that there's a huge cost involved in preparing the classrooms and the environments that we require for a nursing student or an aircraft maintenance technician. It requires a lot more in the area of didactic material.

Back in the early and mid-sixties, the federal government saw a critical role to play in providing the provinces with additional funds specifically designed for infrastructure and equipment. I would argue that 40 years later we have reached that important point again where we do need that extra funding from the government. I think the federal government has a role to play in that.

Last but not least, when you do read through those articles, and the briefs that we've given you today, you will be amazed to see a very significant increased role for colleges and institutes in...again, I use the words "applied education", but in this case it's applied research. Because of the partnership we have with industry, you'll see increasingly across our institutions now a role that they play from the point of view of applied research, or what I would call the "D" part of the R and D equation—the development and the delivery of a research component.

Unfortunately, here in Ottawa, in this town, the only word that slips out of people's minds when they see the research is "university". With all due respect...and I'm not complaining about the money; maybe I'm complaining a little bit about the money that the universities are receiving in all of this, but I recognize the role they play in there. I think it's time now for us to recognize that there is another partner in there, the other part of post-secondary education, which is, in fact, playing a very critical role in working closely with industry and bringing the research straight into the marketplace. I would encourage you to think about that and look at ways collaboratively, with us, to create a fund that would enable the colleges and the institutes—and their industry partners right now—to move forward.

It's a difficult nut to crack. There is a strong lobby from the universities on this. They have a powerful position on it. The granting councils are basically controlled by the universities, so it's very difficult for us to have control of that.

Thank you.

• (1020)

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

We'll continue now with our next witness, Linda Cook from the Canadian Library Association.

Welcome. You have five minutes.

**Mrs. Linda Cook (President, Canadian Library Association):** Thanks very much, Mr. Chair.

I'm very pleased to be offered the opportunity to appear before the committee at this pre-budget hearing. I come from Edmonton, where I am the director of the Edmonton Public Library system.

My brief presentation this morning will focus on which program spending measures should be implemented to ensure that Canada is more competitive. But before I turn to this, I would just like to say a few words about the value and importance of libraries to Canadians.

There are actually more libraries in Canada than McDonald's and Tim Hortons combined. Over 21 million Canadians hold library cards. As a result, librarians, library trustees, and library workers have a huge opportunity to reach Canadians and to help them grow. At libraries Canadians find the opportunity to borrow library materials for pleasure and to help with homework, and to take part in programs where both adults and children can learn and improve skills. Libraries have also become places where people can access the Internet, check their emails, or search through job postings. The Internet has become an important tool for libraries; it certainly has not replaced them.

Libraries continue their 2,000-year-old history as places of community learning, serving not just individual needs but the needs of the larger group by adapting to changing times and technology. The ability to learn and to adapt to change is a central life skill.

This brings me back to the theme of competitiveness. Thanks in no small part to programs from the federal government, libraries have been contributing to learning and job training to ensure that they can best serve all aspects of the various and diverse communities they serve. The Canadian Library Association is very proud of the work that libraries do and wants to ensure that they continue that work.

To help Canadian society culturally, socially, and economically, libraries need as much help as they can get. There are two federal programs in particular that work toward meeting the goals similar to those of the Canadian Library Association—namely, the community access program, or CAP, and the library book rate.

As the role of the Internet has grown, so too has the role of Canada's libraries. No longer just places to borrow library materials, libraries have grown to become the most heavily used sites for public Internet access. This in large part is due to the community access program. CAP was created in 1995 to establish access sites in rural Canada, and it was expanded to include urban communities in 1998. Libraries, as centres of their communities, were an excellent fit to establish these sites, and they continue to be an excellent fit.

This program has been an enormous success, expanding not just access to the Internet but also the skills needed to use it properly. However, there is still a digital divide in this country, with both individuals and entire communities lacking sufficient access to technology. There is still much to be done to ensure that people have the skills needed to properly use this fundamental tool in today's society, and it is imperative that this program be continued.

Libraries today are hardly warehouses of content; instead, they are social assembly places, participating in their larger communities by building information commons. They are open and freely available to all, with trained staff able to answer questions and offer support as needed. Older adults can come to learn the finer points of using the

Internet, and others can come to improve computer or job search skills.

At its heart, that is what the community access program is about, helping communities develop the technology skills needed in the modern world. There is still fragmentation between those who are connected and those who are unconnected, where connection literally stands for social inclusion in terms of access to life skills, opportunity, and the instruments of learning.

Please let me say once again how important and needed the community access program is. We respectfully request that you recommend its renewal to the minister.

The second program is the library book rate. We wanted to take this opportunity to congratulate the government on renewing the library book rate. It's now guaranteed until January 2008, meaning that for almost 70 years it will have helped Canada's libraries reach out to those unable to reach them.

Even more importantly, we congratulate the government for not increasing the cost. Libraries today still face numerous financial pressures, and nearly 94% of Canada's libraries of all types—public, academic, school, special—use this service, which allows them to send materials for less than one-tenth of the cost of using regular parcel post. This has direct implications on a number of groups, in particular those living in distant areas, especially in Canada's north, and those seeking materials in a language other than that of the nearby majority.

•(1025)

To sum up, I would like to say that libraries help develop skills and knowledge, both at an individual and a community level. The two programs I've talked about serve particular functions in enhancing this role.

Thank you.

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

We continue with Peter Brenders, president and CEO of BIOTECCanada. Welcome.

**Mr. Peter Brenders (President and Chief Executive Officer, BIOTECCanada):** Thank you, Mr. Chairman and members of the committee.

We appreciate the opportunity to be here today, especially as today is the national biotechnology awareness day in Ottawa, where over 40 executives from our industry are in town meeting with public officials.

Joining me today in the audience are: Dr. Ali Tehrani, president and CEO of Zymeworks, an exciting, early-stage biotechnology company from Vancouver, and Dr. Paul Wotton, president and CEO of Topigen, a remarkable clinical-stage biotech company from Montreal, developing treatments for unmet needs.

In my remarks today I would like to focus on a number of key issues before touching on our industry's recommendations. The key points I'd like to leave with you at the end of my presentation are the following: 1) biotechnology is dramatically changing almost every aspect of our day-to-day life; 2) Canada is a world leader in this important field; 3) many Canadians already depend on the biotech sector for high-wage, high-skilled jobs.

The potential for future employment and economic activity is very great. Finally, as good as things are, we can't stop to pat ourselves on the back. International competition is ferocious, and if Canada doesn't adapt to new realities, we risk losing an industry as companies look elsewhere for growth.

Let me take those in order. First, there are few industries that touch so many facets of our lives, and if you think that's hyperbole, consider this: thanks to biotechnology, we have crops that grow without the use of pesticides, that can flourish in arid soil, and that can provide added nutrients to a global population. Over 90% of canola varieties planted in Canada, for example, are biotech varieties. Canadian farmers grow 14 million acres of biotech crops each year, the fourth largest amount in the world.

Fuels produced as a result of biotechnology research are helping to address the global climate change crisis by reducing greenhouse gas emissions and allowing us to tap renewable resources. Even our auto industry is benefiting from the use of biotech products as a source for materials.

Advances in biomedical research are contributing to the development of effective treatments for unmet medical needs or new vaccines to prevent diseases. Where there has been no hope, our industry is bringing care.

So considering the growing importance of the sector, it's fortunate for all Canadians that our country is a world leader. We have almost 500 companies spending around \$2 billion annually in R and D. The sector generates \$4 billion in annual revenue and involves over 200,000 high-quality jobs in every region of the country. While this is very promising, many Canadian firms face important challenges to continued growth at a time when we are about to capture the value of the early research investments.

Mr. Chairman, the problem is very serious. In the study conducted earlier this year with PricewaterhouseCoopers, it was revealed that almost half of the firms based in Canada were planning to move all or part of their businesses out of the country. The primary challenge to this science-based industry is attracting capital and growing in a market that supports the technology. Canadians are looking to the federal government for leadership here.

Earlier this month, Polaris surveyed 1,200 Canadians on their views on biotechnology, and 80% of those Canadians agreed that the federal government should find ways to help support the Canadian biotech companies develop new products. Remarkably or not, we agree, and we recommend the following.

With regard to the SR and ED tax credit program, a very competitive program for our country, our association is recommending that the government increase the annual R and D expenditure limit for refundable credits from \$2 million to \$10 million. This tax credit program was launched in 1985, and since that time there has been no change in the expenditure limit. The higher limit would help reflect the increases in research costs that have occurred in the last 21 years. We also recommend that the Canadian-controlled private corporation restriction on these refundable credits be removed for the emerging companies. These changes will provide much needed capital for companies to extend their development programs or even start new ones in Canada.

Last year, we asked this committee for our tax system to be changed to recognize the corporate entities known as limited liability corporations. We understand work has begun on this. The problem is, it hasn't been completed, and we would ask for work to be completed. This will open the door for millions of dollars in U.S. venture capital investments into Canadian companies. We would also welcome the government exploring the concept of extending flow-through shares for tax losses to our larger public companies conducting Canadian R and D, again to generate a new infusion of capital.

Finally, I want to stress the importance of the adoption of new biotech products by our Canadian health and agricultural systems. Recently, important new vaccines for diseases like cervical cancer, infant dysentery, and meningitis have been approved for sale in Canada but are not currently available through the public immunization programs. To bring the benefits of these groundbreaking treatments, we recommend the government continue its investment in its public immunization strategy and to increase that investment by \$100 million a year.

Mr. Chairman, we have done very well, but we cannot build success with yesterday's tools. This concludes my remarks.

• (1030)

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

We will continue with the Partnership Group for Science and Engineering, Mr. Ian Rutherford, executive director.

Welcome, sir. You have five minutes.

**Mr. Ian Rutherford (Executive Director, Canadian Meteorological and Oceanographic Society, Partnership Group for Science and Engineering):** Thank you very much, Mr. Chairman and members.



The Partnership Group for Science and Engineering is an association of more than 25 professional and scientific organizations reflecting a diversity of science and technology interests in Canada. I represent one of those, the Canadian Meteorological and Oceanographic Society. I'm joined here today by Dr. Olson, who represents the Canadian Federation of Biological Societies.

PAGSE is perhaps best known for the Bacon & Eggheads breakfast lecture series on Parliament Hill. It is held every month during the parliamentary season. There is one this coming Thursday morning.

We're not a lobby group, and we try to work in partnership with government to advance research and innovation for the benefit of all Canadians. In our written brief to the committee we focus our recommendations on the following main areas of concern: Canada's declining overall capacity for science and technology, not in an absolute sense but in a relative sense to our competitors; the lack of a national science and technology framework; weak private sector participation in science and technology in Canada; declining federal capacity in research and development and long-term monitoring within the federal government itself; and impediments to Canadian participation in international science and technology collaboration. There's a lot of money out there that we're not able to take advantage of.

I'll deal with each of those in turn and then state our recommendations at the end.

Canada is falling behind other countries in stimulating innovation, translating it into production at home and marketing production internationally. As recently stated by Kevin Lynch, Clerk of the Privy Council, in order to compete globally, Canada must improve its productivity through the development and application of science and technology. Research and innovation capacity depends on factors that include a diverse pool of expertise, a propitious investment climate, and a capacity to turn innovation into economic outcomes within Canada. It's in these latter areas that we're having problems.

The balance between government, academic, and private sector efforts requires the setting and understanding of clear priorities. Canada must develop a coherent national science and technology framework that will enable it to augment its competitive capacity. The Government of Canada needs to clearly articulate an accountability framework and evaluate the return on its investment in science and technology in order to set new priorities for future investments.

Industry support for science and technology and research lags well behind that found in other nations, especially the United States, our main competitor and market. The Expert Panel on Commercialization has evaluated this shortfall and expressed concern that in expansion-stage financing, the average venture capital investment in a U.S. company is four times that invested in a Canadian company.

The panel has made a number of recommendations, including setting up a commercialization super-fund, a Canadian small and medium enterprises partnerships initiative, a small business innovation research program, and fiscal measures relating to angel investment and foreign venture capital.

The panel also recommends upgrading existing programs such as the industrial research assistance program, the ideas to innovation program, and the proof of principle program. Moreover, the Canadian Manufacturers and Exporters recently recommended the extension of the SR and ED tax credit program to cover the first stage of commercialization of new technologies. PAGSE supports all of these ideas.

The Council of Science and Technology Advisors recently found that support for government science has been static or declining over the last quarter century. The ability of federal science-based departments and agencies to address their mandates has been weakened. New state-of-the-art infrastructure across the full spectrum of government science and technology is required to restore that capacity. Achieving a coordinated government-wide balance between the priorities and competing demands of federal science-based departments and agencies will be a key challenge, which is another reason why a coherent national science and technology framework is badly needed.

Many fundamental aspects of science and technology are underpinned by stable medium to long-term programs of monitoring, data collection, and reliable data archiving and access. In addition, some fields, such as satellite-based remote sensing, are experiencing an unprecedented data flow that places enormous strains on archiving and access capacities.

These aspects of long-term monitoring capacity are beyond the mandate, capacity, and interest of university- or business-based researchers, yet investment in basic monitoring of scientific variables by the federal government has continued to decline, in spite of the fact that inadequate monitoring and last-minute science will carry a high degree of risk to the economy to Canadians and their environment and will compromise future socio-economic development.

•(1035)

On the international scene, Canada's capacity to participate in international science and technology programs is—

**The Chair:** Excuse me, sir, could you bring your presentation to a close now? You have a few seconds to conclude.

**Mr. Ian Rutherford:** I'll just finish then.

Our program is weak and dispersed. We need strong participation to access resources, expertise, and infrastructure that would be available for our scientists and engineers. We need timely decisions in order for Canada to play a leading role in these initiatives. An innovative form of seed risk capital is essential for Canada to establish or maintain its international credentials and to benefit from science and technology on the world scene. There are six recommendations in the report to cover each of those reports.

**The Chair:** Thank you very much, sir. Thank you all for your presentations.

We'll begin with the first round of questions. Mr. Savage, seven minutes.

**Mr. Michael Savage (Dartmouth—Cole Harbour, Lib.):** Thank you, Chair. Thank you all. We say to every panel that we don't give you much time to present. We know you put your heart and soul into these presentations, and they're important to us.

I'd like to start with NSERC, with Madam Fortier. In your statement you made the comment—and I'm trying to quote directly—that “We cannot afford to waste any human talent in this country”, which I think is entirely admirable and apropos. You talked about the BlackBerry. We have in fact reversed the brain drain, which was such a big deal in Canada five, six, seven years ago, until the investments in publicly funded research, which has an impact far beyond what I think a lot of people even realize.

Notwithstanding that, Mr. Rutherford, you are right that federal investment in their own science.... I see it in my own riding, at the Bedford Institute of Oceanography, where we have not in fact kept up with the scientific investments, but we have put a lot of money into NSERC, SSHRC, CFI, CIHR, and all those sorts of things.

You indicate that your budget now is \$902 million, of which about \$700 million is A-based and \$200 million is the Canada graduate scholarships, CRC, and things like that. Can you give me a reference? What would that \$900 million have been—and you may not have the exact number—five, six, or even 10 years ago? Do you have a sense of what it would have been?

•(1040)

**Dr. Suzanne Fortier:** About half of that, I believe, yes.

**Mr. Michael Savage:** About half of that? So we've doubled our investment in science, which I think is pretty significant.

You mention research facilities and equipment as an ask. I assume here we're talking about the indirect costs. What you refer to is....

**Dr. Suzanne Fortier:** No, we're talking about small equipment. We've done a lot in providing our researchers with the larger facilities, particularly through the Canada Foundation for Innovation. In order for our researchers and our students to use these facilities and pursue their research programs, they also need the smaller types of equipment, and this is something that is provided through our council to our researchers.

**Mr. Michael Savage:** Okay. So you're not talking about what we refer to as the indirect costs of research.

**Dr. Suzanne Fortier:** No. We're talking about equipment.

**Mr. Michael Savage:** Okay, but the indirect costs are also important to researchers as well, correct? I didn't notice if that is in here. Is there a request for increasing the indirect cost to 40% as well?

**Dr. Suzanne Fortier:** We have not made that request; however, it is clear to us that there are four pillars to support the research environment: the direct cost is one of them, and that's through the granting councils; the indirect cost, of course, the equipment; major facilities, which are supported through CFI; and also people, and the program of the CRC is one that has helped us. We also have

programs within NSERC to support people. A lot of our moneys in fact go to support people.

**Mr. Michael Savage:** In the budget in the spring I think there was \$200 million allocated to research. How much of that would have gone to NSERC?

**Dr. Suzanne Fortier:** There was \$100 million that was added to research, \$17 million of which came to NSERC.

**Mr. Michael Savage:** Seventeen million dollars?

**Dr. Suzanne Fortier:** Yes.

**Mr. Michael Savage:** That's a lot less than the \$400 million you requested.

**Dr. Suzanne Fortier:** That is a lot less, that's right.

**Mr. Michael Savage:** Okay, thank you very much. I wish you continued success.

I read somewhere...it might have been Martha Piper who wrote something I saw that said China and India now are graduating half a million engineers and scientists a year, compared to the United States at 60,000, whereas before that was a lot different. So those emerging economies are certainly investing an awful lot, and we have to keep the pressure on research.

**Dr. Suzanne Fortier:** That's right. That's why we take very seriously our investment in our human capital. We truly believe it is important for this country to give opportunities to all of our talented people to contribute. We truly believe in our vision. In fact, in everything we do we refer to our vision.

**Mr. Michael Savage:** Thank you very much.

I'd like to move to Mrs. Watts. Thank you for your presentation. I want to ask you specifically...you talked about providing tax relief for all families and you indicated that reducing the heavy burden of taxes has many benefits, including reducing child poverty. If the taxation system is going to be used to reduce child poverty, would we be better off reducing the GST or would we be better off increasing the basic personal exemption and reducing the lowest level of personal income tax?

**Ms. Diane Watts:** The needs of the family have been neglected for so long, to the point where we need to reverse the direction of taxation to make the family stronger by any means we can. High taxation is a difficulty for families. Now, Statistics Canada tells us that the intact family is the best environment for children.

**Mr. Michael Savage:** Okay, I accept your point of view on that. I don't necessarily agree with it, but—

**Ms. Diane Watts:** Well, there's discrimination against the intact family, the family who choose the traditional way of approaching the formation of the next generation. This is what I—

**Mr. Michael Savage:** Okay. I don't have a lot of time and I want to get the most out of your presentation.

The issue is that the government has a certain number of dollars, and how we allocate those says a lot about the government. If you reduce the GST, you assist marginally low-income people, but you certainly assist people who make a lot of money. That in itself is unfair, but it also means that government has less money to allocate to those who are most in need, which I think is a responsibility of the government.

I don't see anything in here about the needs of lowest-income families. Do you think the government has a role in assisting those who are most in need?

**Ms. Diane Watts:** Absolutely; we have no problem with that. But the problem is that the government funding has been directed away from the family. The family has been neglected. We have billions of dollars a year going to all sorts of groups, and we believe the money would be better invested in the future of Canada and Canada's social infrastructure if the unit of the family were taken into consideration in taxation.

•(1045)

**Mr. Michael Savage:** Okay. Thank you very much.

I only have a few seconds. I can't really ask a question, but just to speak on the national immunization strategy that I think Mr. Benders brought forward, I think expanding the \$100 million we have now is really important. Would it go directly to provinces on a per capita basis to administer themselves or does it go—

**Mr. Peter Benders:** Yes, where the Public Health Agency of Canada allocates into the provinces, it's a support for provincial programs.

**Mr. Michael Savage:** I know there are things such as cervical cancer for which we can do an awful lot through immunization.

**Mr. Peter Benders:** And that's the challenge, that there's not enough money in there to allow for the new vaccines to come after these treatments.

[Translation]

**The Chair:** We will now go to Mr. Paquette.

You have seven minutes.

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

Despite the fact that the presentations were very interesting, we cannot put questions to everyone, and that is always frustrating. So I am going to ask a question that is for most of you, given that you are, closely or not so closely, associated with research and development.

For 20 or 25 years, Canada has been aware that it is lagging behind on research and development. So how is it that we are still at the stage of identifying where we stand, at the back of the pack? Your finding is the same finding as when I was in university or on the finance committee three or four years ago. There seems to be no movement.

Is it due to a lack of public investment or entrepreneurship, or even to the quality of our researchers? If we are unable to understand why we are not getting a better return on our investments in research and development as a percentage of our GDP, we may end up investing money in the wrong places for a long time.

That is a general question for everyone.

**Dr. Suzanne Fortier:** First, I would like to point out that in a number of fields, we are not at the back of the pack. As a matter of fact, our position is better than it should be given the size of our population relative to the world and the value of our investments.

However, it is true that we live in a world that is highly competitive, especially in research and development. So we are making added efforts and investments, but at the same time, other

countries are doing the same, if not more. In fact, since I joined NSERC, around six months ago, I have seen articles every week in the scientific journals about very substantial investments made in other countries in research and development and innovation. The competition is truly very stiff.

That is why an athlete who breaks a world record has to keep on training. Because there is always going to be another athlete to beat that record the next day. It is pretty much the same in our field. The benefits are very significant in terms of the economy and prosperity, and countries realize that.

**Mr. Pierre Paquette:** Would anyone else like to speak?

**Mr. Gerald Brown:** I agree with Ms. Fortier. However, I am not sure I agree that there has been no movement. There has been a lot of development in recent years. As Ms. Fortier said, the fact is that there is movement in other countries too. It is truly a very competitive environment.

The only argument we would raise is that there may be other partners closer to industry who would be equally well placed to meet research needs.

**Mr. Pierre Paquette:** In one of the briefs, it says:

Currently, Canada's expenditures in R and D as a percentage of GDP (1.99) are lower than the OECD average (2.26).

As we all know, the OECD, which Turkey belongs to, is huge. Why is the effort not up to the OECD average? I do not know if you spoke to that.

**Mr. Ian Rutherford:** Actually, Canada has invested heavily to increase university research and development, and we are doing well there. The problem is with the private sector. If you compare Canada to its competitors, the proportion of research and development in the private sector is far lower than in the United States, Sweden and a number of other countries.

•(1050)

[English]

If you don't mind, I'm going to switch to English, because I see that you're using the translation, translating my French back to English, which I can perfectly understand.

[Translation]

**Mr. Pierre Paquette:** No, it is because you were talking softly and I could not really hear you. Go ahead.

[English]

**Mr. Ian Rutherford:** Even at the global level, if you look at the investment in research and development in Canada as a proportion of gross national product, we're running at around 2% and decreasing. We reached a peak in 2001, I think, whereas countries like Sweden and our competitors are up at around 4%. Even at the overall level, we're still not where we should be, so we cannot afford to reduce investment in the universities and in the academic sector. We have to maintain that. It's keeping pace with inflation, but barely.

The real problem is in the private sector. We have proposed a number of measures that would encourage the commercialization of intellectual property developed in research and development. That will feed back into itself. Once companies succeed, they start pumping money back into the research and development side. RIM, the producer of the BlackBerry, is a very good example of that. We need more of those companies. There have been a number of good recommendations made for providing a better investment climate so companies can succeed. The key is venture capital and so-called angel capital.

We don't have enough people in this country willing to invest their private funds in risky ventures. Somehow or other we need to change that.

**Mr. Peter Brenders:** I'd like to echo those points. I guess the question is, what are you looking at in terms of success, and what's your measurement of success? Speaking on behalf of the industry, Canada has been, in the biotechnology sector, quite successful, historically. We have almost 500 companies, 70% of which are spinouts from the early research, whether it was NRC research, university-based research, or otherwise.

The challenge for further growth is to actually see all the products that should come out. There are many on the market today, but we don't see them all because they just become part of everyday life. It is very much what we said in our recommendation. How do we get more capital to help finish the job, to really capture the value? Research in biotechnology takes eight to twelve years, from early concept to actually bringing it to market, and hundreds of millions of dollars. Angel investors are nice for getting started, but where things start to break down is where our granting councils or other areas simply can't come up with the next round of financing. Companies like our colleagues here today from Topigen, for example, will be looking for probably \$30 million or \$40 million in their next round of funding. That's beyond Canadian VC, especially our risk-averse venture capital market. We need access to foreign, direct investment in our companies to make sure they stay here. They're going to find that money because the technology is that good. The challenge for us is that they grow that company in Canada, in Montreal, not in San Diego.

[Translation]

**Mr. Pierre Paquette:** Do I have a bit of time left?

**The Chair:** No. Thank you, sir. That is all.

[English]

We'll proceed now with Madame Ablonczy. You have seven minutes.

**Ms. Diane Ablonczy (Calgary—Nose Hill, CPC):** Thank you, Mr. Chair.

Thank you to all the presenters. I know you spent a lot of time on your briefs, and they're very helpful to us. I just have some quick questions.

First of all, Mr. Brown, I want you to know that not only do we appreciate the colleges and the small community learning centres that have filled a huge niche in our society, but we know that you do need more recognition in the overall emphasis on skills training. In particular, as you well know, there's a growing appetite, a thirst, in

this country for the skilled trades and for technical training. I wonder if you could just inform the committee a little bit more about how your organization and the members of your organization are working to fill that growing need.

**Mr. Gerald Brown:** Our institutions...as I mentioned earlier, there are 150 of them spread out across roughly 1,000 communities. They look at probably four ways in which we respond to those particular needs.

First of all, as community colleges, we're very much focused on the needs of the community. In a particular community you will find a lot of the programming reflecting exactly what that community is all about. If you happen to be in Sudbury, you're probably looking at mining; if you happen to be in Olds, you're looking at agriculture; if you're looking at one of the coasts, then you're probably looking at the fishery. You'll see the institution is very focused on responding to needs, and that's what community is all about.

The second cornerstone of the way in which we respond to that is that we're very focused on the learner, looking at many ways in which we can respond to the needs of our learners, learners who need to bridge or do some prior learning assessment, or looking at different steps. Many of our institutions are increasingly becoming the place where university grads come for the applied education they've been taking at the university level.

A third dimension is the fact that we're very connected with industry. All our programs have an industry advisory program, so none of our programs are offered without advisory committees helping us define and determine the need for the industry so that the 1.5 million students who walk through our door this morning have one specific goal, to get the skills they need to get a job. We can do that if we work closely with our industries and are responsive to our communities.

• (1055)

**Ms. Diane Ablonczy:** Good. Thank you. That was a great answer and very helpful.

I want to talk to Mr. Davis and Mr. Lalonde about maternity care. Of course, I think all of us were aghast to hear from you that Canada's ranking in this area has slipped significantly. I wonder if you can tell us why this is so, because sometimes if you know why something is happening you have a better chance of getting a good solution.

**Dr. André Lalonde (Executive Vice-President, Society of Obstetricians and Gynaecologists of Canada):** Thank you very much for your question.

I think we were seeing this coming in Canada because of the lack of investment in human resources, and no strategy in human resources, particularly in this field. You recall we reduced the medical schools; the number of graduates, the number of specialists, has not increased across Canada. Coming here today, I realize about 350 hospitals in Canada have to provide emergency obstetrical care 24 hours a day, 365 days a year, and our resources are short.

Our large universities are taking about 60% of this workforce. We've added Task Force Two: A Physician Human Resource Strategy for Canada, the task force run by the Royal College of Physicians and Surgeons and the CMA. All of them could not provide the answers in our field, because our field is a very specialized field, obstetrics. There is no waiting time for obstetrics. Every delivery is an emergency, and you can't say, I'm sorry, we're going to list you for next week.

**Ms. Diane Ablonczy:** I have to finish my golf game.

**Dr. André Lalonde:** Right.

We're having huge staffing problems, and women are having to travel further and further to get obstetrical services. We think a national birthing strategy is the right place to start. If we start looking at child problems and adolescent problems, where do they come from? They come because we don't have a good policy supporting pregnant women in this country. The leadership of the federal government is important, because you have a role in terms of human resources, and you also have a role for access in the Canada Health Act.

We are here today in two positions, but we have worked very closely with the midwives, the nurses, the family physicians, and the rural physicians. We have just terminated two years of study. We're ready to move forward, but there is no place we can fit.

**Ms. Diane Ablonczy:** We're fortunate to have such passionate advocates in this area.

Ms. Watts, I was interested in your recommendation that income splitting be allowed among families. One of my colleagues is working on income splitting for seniors, but you're talking specifically about families. I wonder if you or your organization had any projected costs of such a measure.

**Ms. Diane Watts:** No, we don't. But we recognize there is an unfairness there, a discrimination, and we would like that corrected.

**Ms. Diane Ablonczy:** Okay.

I will have to look into that a little bit more.

I wanted to ask the group for science and engineering a question. You've done so much work to promote Canadian efforts in this area. As you well know, there is a huge competition globally for this kind of innovation, this kind of knowledge-based product. Could you expand on some examples for the committee of exactly why this is so important for Canada in the context of the global economy and global competitiveness?

**The Chair:** You have approximately a minute to respond, sir.

**Mr. Ian Rutherford:** It is clear that if a country is going to succeed, it is going to have to succeed on the basis of its brain power and its productivity and innovation, rather than through selling its natural resources. We understand what has to be done. We have to

have well-trained people and we have to have people who are able to turn their training into products we can sell on the world market.

Lots of countries in the world have realized this. Even countries as small as Iceland or Finland have recognized it for many years and have put in place programs that encourage those things to happen. You're saying that Finland, for example, dominates the cell phone manufacturing business. I'm not sure what the payoff has been for Iceland. We all know what has happened with the economies in the Far East, starting with Japan. Now it's happening with Korea, and China is coming along. They've all recognized the principle that you need to support knowledge and innovation, and that if you do that, you can turn it into competitiveness. It's really a very simple formula.

• (1100)

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

We're continuing now with the second round—no, we will continue with the first round. How could I possibly...?

Madam Wasylycia-Leis, you have seven minutes.

**Ms. Judy Wasylycia-Leis (Winnipeg North, NDP):** Thank you.

I want to start with college education, because that fits so much in terms of the scheme of building a more competitive and productive society. You have identified the key obstacle to doing that, which is lack of a workforce trained and qualified to deal with the needs of tomorrow's economy.

I would think, though I don't want to put words in your mouth, that you would probably be looking for more than simple recognition from this government. After all these years, you must be looking for a direct transfer of funds for college education. I know the waiting lists are astronomical. They are in Winnipeg. We have youth who are interested, but we can't keep up with the demand. What we've had instead is cutbacks from the Liberals and now platitudes from the Conservatives. We just yesterday got confirmation that the whole surplus of \$13.2 billion has gone against the debt. Now, nobody is opposed to paying down the debt, but at the expense of what?

Wouldn't a couple of billion dollars of that have helped meet the needs you're talking about? Further, how do you square the government's platitude with its cutbacks yesterday of \$17 million out of literacy, money out of youth employment, money out of skills development, and so on?

**The Chair:** I believe the question was whether a couple of billion dollars would be of help.

**Mr. Gerald Brown:** The short answer is yes.

**Voices:** Oh, oh!

**Mr. Gerald Brown:** Actually, I would be remiss to try to respond to your last question, simply because I haven't had the opportunity to look at the real impact of those cuts. Rather than just read the headlines in the paper, I would prefer to have the opportunity to see what the impact is.

On your two questions, if you look at our brief, it talks, as we have been talking for a number of years, about the urgency of replenishing the money that had been cut from the social transfer budget, but in it we have also said that it's really important that the transfer for post-secondary education and skills be a dedicated one—that it would actually be seen, and that the paper trail sees it, going into the provinces.

In my world, I would of course ideally like to see it go directly to colleges, but I do recognize the role the provinces have in post-secondary education. That is an important dynamic that must exist, so for us that's an important element, but we have always spoken about replenishing the cuts and making it a dedicated transfer.

When the opportunity occurs, as it did a few moments ago, to talk about research, there we are talking about a dedicated transfer. We recognize the important role that has at the university level. In fact, I want to recognize the role NSERC has had in trying to help us reach some of the challenges we have with community-based research for small and medium-sized businesses, but the reality is that it is a huge lobby effort, and the time has come to look for new partners, to reach out to new partners; we think that being inside a dedicated research fund for colleges working with small and medium-sized businesses in a community is the way to go.

Thank you.

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

If you want to look for the cutbacks, it's under the category of "value for money", where they take \$70 million out of refocusing workplace skills strategy, \$42 million out of industrial programs, and so on. So I'll just leave you with that.

I have to say to Diane Watts that your description of a feminist made me cringe a bit because I consider myself a feminist. I was reminded of what my son said when he was nine years old. He was confronted in the schoolyard by some kids who were bullying someone else and accusing her of being a feminist, or they were talking about feminists and saying that feminists kill their children and divorce their husbands. My son stood up. He was nine at the time, and he's seventeen now. He stood up and said that feminists are people who stick up for women's rights.

I think that is what we have to focus on, giving choices and opportunities for women to be who they are and to achieve their full potential.

I wanted to ask Mr. Lalonde and Mr. Davis, who have clearly understood the importance of using the gender analysis, this question. Looking at problems through the lens of women, what do you see? Why is it important? Why do we have women's programs through Status of Women Canada? Why do we need more focus on the health field.

•(1105)

**Ms. Diane Watts:** I'd like to correct an assumption that you've made about our organization. Perhaps they can answer later on.

**Ms. Judy Wasylycia-Leis:** All right.

**The Chair:** Yes, very good. You may proceed then. The question will allow it.

**Ms. Diane Watts:** We have no problem with feminists, or for that matter anyone in a democratic society, expressing themselves, expressing views, and promoting whatever they want to promote for women and their views of equality and dignity, etc. But we object to the government funding an organization that claims to speak for all women but speaks only for feminists. This is what we object to, because the feminist perspective does not represent the views of all women. This is why young women have rejected feminism. Yet we have a department that claims to represent and continues to claim to represent all women.

**Ms. Judy Wasylycia-Leis:** All right. Let me go on to Mr. Lalonde and Mr. Davis.

In fact, first of all, I don't think anybody claims that anyone speaks for everyone. I think women's organizations try to ensure that there are choices for women and that obstacles facing women are dealt with so they're not harmful to our health and wellbeing. That's why I would like Mr. Lalonde and Mr. Davis to explain to you why it is important to have funding for women's organizations that look at things through a gender lens.

Let me ask them for their opinions now.

Thank you.

**Dr. André Lalonde:** It's a very complex question to answer, but I'll tell you that the Society of Obstetricians and Gynaecologists of Canada obviously has a very strong policy on sexual reproductive rights. If you don't believe in this, then I think there is no use in having poverty reduction.

We know that the poorest of the poor is a single mom who is pregnant and having some problems in Canada. We are paying dearly for this because we then have to repair *le pot cassé* in later years, with child abandonment, child problems, youth problems, etc. There is a great scientist from Harvard who said that the origins of all adult disease come from the environment during gestation, during the pregnancy.

We need to be all-inclusive in Canada. We need to include mothers, and we need to include people who have not had a chance to have stable relations for whatever reason. We're not looking to be judgmental. We're looking to provide them with support because this is the quality of the Canadian life. Everybody has an equal chance, but we're there to help them attain that equal chance.

**The Chair:** Continuing then with the second round, Mr. McCallum, for five minutes.

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

And thank you to all of the presenters for your interesting views.

I'd like to single out Mr. Brown for his feisty presentation on behalf of community colleges.

As one who was in the world of universities for 18 years before politics, I'm certainly not anti-university at all. I would just like to reinforce a point about competitiveness made by my colleague. A year ago in China I was told there were no less than 30 million engineers in China, about the same as the number of Canadians, and the great bulk of them were well trained. So that does say something about our competitive challenges.

I would acknowledge that as much as our aid to universities was a good idea and warranted, we perhaps have been guilty over the years in neglecting community colleges to a degree. The current government, I would argue, in the last budget neglected not only community colleges but also universities. So we're not that bad. But I, to a degree, would plead guilty, especially when you consider issues of equality of opportunity and the changing needs of our economy in terms of the things that community colleges teach.

So my question is this. Apart from giving special attention to jurisdictional issues, that colleges, in particular, are largely under provincial jurisdiction, and apart from your proposal to have a separate transfer for post-secondary education, what would be your primary priorities for direct federal spending that would assist the colleges?

• (1110)

**Mr. Gerald Brown:** Thank you for your question, and thank you for your sympathetic response.

First of all, I just want to correct the perception, really, that while there is a recognition that colleges are in the provincial domain because of education and post-secondary education...I'd also like to remind the committee that so is health in the provincial domain, so are municipalities in the provincial domain, and so are many of the universities in the provincial domain, and we find no difficulty in finding ways to help them. So I would suggest that we should probably look now. I think our time has come from the point of view of the community colleges.

We talked about the dedicated post-secondary transfer. Within our brief there are an awful lot of areas where we could work collaboratively with the federal government—and we are looking at ways to do that. In our brief we single out two in particular: one, the need to have up-to-date modern equipment—and it's very expensive to do that. Just take a dental hygiene lab; it's a huge expense. It replicates not just one dentist's office but probably 30 dentists' offices in one particular teaching station. So it is expensive, and we do need help, and I think it is beyond some of the provinces to be able to do that.

The other area is in the area of research. I think we've come forward and we've dedicated and proven our abilities in those areas, and it is important now for us to have something that is specific for colleges, working closely with industry partners, small and medium-sized businesses, and contributing to the economic development of the community. So for us, at this point what we're talking about is in the area of equipment and in the area of applied nature of research.

**Hon. John McCallum:** What about access for individuals, particularly lower-income ones or those in far-flung regions of the

country? Have the measures we've introduced in the past for access been fair to community colleges? Credit union to bank is like community college to university. Have they been even-handed, vis-à-vis community colleges, and what would be your priorities in that area?

**Mr. Gerald Brown:** Access has always been important, and for us, it's finding ways to try to provide opportunities for those communities that have not had access to our communities. This connects, of course, to the funding issue. We have long wait lists for some of our programs because of the demands, and this is not a sufficient amount of funds. So an increased transfer to the provinces, and then by extension to the institutions, would allow us to address some of that.

Also for us is the area of aboriginal communities that are all very close. They've now reached, in many areas, the area of post-secondary education, and they are now prepared to move on towards post-secondary education.

**Hon. John McCallum:** Thank you.

Ms. Cook, when I was revenue minister I blocked Canada Post from ending the subsidy on mail for interlibrary loans. What's the current status of that file?

**Mrs. Linda Cook:** It basically has been renewed until January 2008, and then it's going to be looked at again.

**Hon. John McCallum:** Okay, thank you very much.

[Translation]

**The Chair:** Mr. St-Cyr, you have five minutes.

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

I have a number of questions, so I am going to try to ask them quickly and I would ask you to answer them quickly, if possible.

My first question is for Ms. Watts. You made some recommendations in your brief, but you did not say much about your organization as such.

Where does the funding for your organization come from?

**Ms. Diane Watts:** Our funding comes from subscriptions to our bimonthly publication. So it is our members who support us.

**Mr. Thierry St-Cyr:** The name of your organization is REAL Women of Canada. Is the word "REAL" an acronym or does it mean "real" women of Canada?

**Ms. Diane Watts:** The word "REAL" stands for *Realistic, Equal, Active for Life*, but it also means "real" women of Canada.

**Mr. Thierry St-Cyr:** So it is an acronym.

• (1115)

**Ms. Diane Watts:** Yes.

**Mr. Thierry St-Cyr:** My question has to do with your first recommendation, to allow income splitting. You say that a family earning \$80,000 pays \$2,445 more in tax than a double-income family earning the same amount, assuming two \$40,000 incomes.

On the other hand, that \$2,445 advantage barely covers, at best, the cost of daycare to that double income family. I say "at best" because if you live in Quebec and have access to a daycare centre for \$7 a day, that \$2,445 tax savings might be enough to cover your daycare costs, but you will still have to pay for your transportation to work, your clothes, your equipment for work, etc.

We Quebecers have decided to pay taxes in order to be able to provide \$7-a-day daycare. If you do not have access to that, if you live in a province that does not offer this program, you cannot even cover the cost of daycare for your children.

Ultimately, is not the injustice the other way around? Is the difference so slight that it discourages women who would like to choose to go to work?

**Ms. Diane Watts:** Right now, women are discouraged from staying at home to raise their children.

In Quebec, people say that it costs \$7 a day, but it costs government between \$7,000 and \$8,000 per child to fund daycares. It costs nearly \$10,000 per child when both parents are working. But a parent who decides to stay home to take care of the children does not receive anything.

**Mr. Thierry St-Cyr:** I am speaking from a society stance. In my opinion, all things considered, as I have just pointed out, even with that incentive, it turns out that it is less advantageous financially for two parents who each earn \$40,000 than for one parent who earns \$80,000, where the other one stays home. There is already more benefit in that situation. If that gap is reduced, there will be more advantage to staying home and, by extension, less advantage in going out to work. The logic seems to me to be irrefutable.

Do you not think that if we really want to respect the right of parents to choose, we should make that choice free of any financial constraint? When it comes to tax measures and daycare services, should we not ensure that the situation is equal in both cases, so that parents, mothers and fathers, really have a choice to do things one way or the other? Do you not think that that would be the way to really show respect for parental choice?

**Ms. Diane Watts:** At the moment, parents do not have a choice. Taxes are so high and there are so many more advantages for parents who both work that women are forced to stay in the workforce.

The system that recommends equality was established to increase the workforce. The idea was to get women out working. That is why an unequal system was created. That inequality puts women at a disadvantage if they decide to stay home to look after their children. But that is what Canadians want. Polls show that Canadians' first choice is to stay at home with their children. But they cannot make that choice.

As for the \$2,000, that is one of the things that we are recommending. The childcare deduction enables families where both parents work to deduct \$7,000 per child, but families where one parent decides to stay home do not benefit from any deductions.

**Mr. Thierry St-Cyr:** I saw that...

**Ms. Diane Watts:** People are so used to looking at the situation from the point of view that women should be out working...

**The Chair:** Excuse me, but your time is up.

We will now go to Mr. Dykstra.

You have five minutes.

[English]

**Mr. Rick Dykstra (St. Catharines, CPC):** Thank you, Mr. Chair. This is an interesting discussion.

I just wanted to ask Ms. Cook a couple of questions with respect to the library funding. I actually spent six years on the library board in my community, two years as chair, so I certainly have a pretty deep appreciation, as does my family, for the library services that are provided in our community.

I know one of the things that we always struggled with as a board, and that I did in particular as the chair, was to meet funding obligations. To do that our only real additional funding, aside from that from the municipality and a grant from the province, came from the collection of library fines. We really didn't have a relationship with the federal government. I wonder if you could tell us your feelings on why the federal government should actually or potentially invest in libraries across the country.

• (1120)

**Mrs. Linda Cook:** Actually, the federal government has been doing some investing across the country, especially, as I mentioned, in the community access program. That's the one that we're most concerned to keep going. It's the one that encourages the rural parts of Canada and ensures that they have access to not just the Internet but to tools to learn how to use the Internet.

Does that answer your question?

**Mr. Rick Dykstra:** Okay. That helps.

I have one other brief question. I know one of the things that we were able to do locally was to build on relationships with local businesses, with non-profit organizations, and with government organizations. In fact the Ministry of Transportation relocated to St. Catharines, and one of the benefits that we achieved through that move was to be able to take over the library services of the ministry in the building itself, which produced a reasonable amount of income on a yearly basis.

I wonder if, from an organizational perspective, you have been able to enhance that, and whether that, from an overall strategic planning perspective, is something you're working on or is something you've implemented or that you'd be considering over the next number of years.

**Mrs. Linda Cook:** It's something that I think the whole Canadian community, especially the public library community, is looking at very closely. Partnership is the key word across the country. I know in Edmonton, in my own constituency, we have partnerships with corporations, with other non-profits, and the whole idea is that we amalgamate our services and we bring them under one roof. It really does make the dollar go a lot farther.

**Mr. Rick Dykstra:** Fair enough. I'm glad to hear that.



Ms. Fortier, I'm trying to get some clarification from you in terms of overall direction that you see in your research regarding the development in the future of our workforce, the strength it provides, and our competitiveness on an international basis. I look at RIM technology, space aviation, the pharmaceutical industry, and I see the leadership that we've provided in energy, and even in the automotive sector. I see that we as Canadians are on the cutting edge in so many different areas of business and technology. So I'm a little concerned, because the impression I have is that we're so far behind.

I had a really interesting time reading your presentation last night. I see a lot of references to a lot of other areas of strategic development. The question I put to you is, what is your long-term strategic plan? You're looking for a close to \$750 million investment over the next number of years, but I don't really have an understanding of where you think we should be going with this strategic plan, where the development will actually take us, why we should show that type of leadership, and obviously why we should provide the necessary funding.

**Dr. Suzanne Fortier:** In one sentence, our long-term vision is to help make us a country of discoverers and innovators. This is our long-term vision, and we need to—

**Mr. Rick Dykstra:** So you would argue that we're not that right now.

**Dr. Suzanne Fortier:** Not a significant portion of our population would fall into the category of discoverers and innovators. There are some, and I wouldn't say we are far behind. I think in this country we have great examples of people who have achieved these levels of success, but we need more, because this world, as you know, is extremely competitive.

We look at what consumers want. They want the products to be sophisticated, smart, and cheap, and that means investing in R and D so that we can increase both the value added and the productivity in this country. They also want environmentally friendly products and processes, so even in areas where we've been very strong, like producing our natural resources or doing mining, they want us to behave in an environmentally friendly way, and that needs a lot of R and D.

So we're looking at that kind of workforce.

**The Chair:** Thank you, Madame Fortier. I apologize for the intrusion, but we have to move to our next and final round of questions, with Mr. Pacetti.

**Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.):** Thank you, Mr. Chairman.

Thank you to all the presenters. I guess you saved the best for last.

**The Chair:** No, let me clarify: Mr. Pacetti is the final questioner.

**Mr. Massimo Pacetti:** I want to concentrate on BIOTEC and the Partnership Group for Science and Engineering, to clear up.... One of the questioners, I think Monsieur Paquette, was asking questions, and I think I was getting to my answer, but I'm not sure. I want to allow both of you maybe to answer the question.

Mr. Brenders, when you were speaking, you said there's not enough money for the end product, commercialization, or just finishing the portion at the end when you're ready to sell the final product, or at the end part of the research, if I'm not mistaken. And

then, Mr. Rutherford, in your presentation, you said, "There's a lot of money out there, but we can't seem to access it."

Can you just correct me, if I misunderstood? At the end, when you were replying to Mr. Paquette, you were saying that there is money, but it's just in the final stages. I want to understand what we're to try to recommend, because I would like to simplify what we recommend, and to know whether we're talking about the same thing. I understand it's not the same subject matter but that we're more or less talking about the same type of reasoning.

• (1125)

**Mr. Peter Brenders:** BIOTEC is a narrower sector, I think, than what PGSE is looking at, in terms of the area. There is a lot of money in Canada, there's no question about it. A lot of our institutional funds are investing, but not in biotechnology, not in the cutting-edge technologies. A lot of it's going to oil and gas and natural resources that are out there.

We're seeing some good support in earlier-stage funding. Historically—through CFI, CHIR, granting councils, and whatnot—there have been good early-stage investments, and we'd like to see them continued. The challenge for a company is that once you have that early-stage development and turn it into a company you want to grow, you go after your angel investors and then go out to the venture capital market, but the venture capital market is not in biotechnology—not in our sector—significantly, and especially when it comes to later rounds of funding. So you get your first couple of million dollars, but by comparison, whereas Canada's first round of funding might be \$1 million or \$2 million, in other markets, such as the U.S., the first round of funding is \$10 million to \$15 million. Then, when we get to later rounds of funding, there is no source of capital for Canada. It doesn't invest in this technology because it's too long a development cycle to get product out there.

**Mr. Massimo Pacetti:** Help me understand a little bit why somebody would invest in the first round but not invest in the second or third. If I'm a believer in a company or in your project, I would invest the first time around, and if there is some progress, why would I not invest a second or a third time around?

**Mr. Peter Brenders:** Usually, the first-round investors mean angel investors. They'll put in their \$500,000 to \$1 million. They don't have the wherewithal to come in with the \$10 million to \$15 million on the next round. So as much as they'll want to do the add-on—and we do see some with the add-on—they can't come up with the total area. They'll be part of what we're basically seeing as syndicate investors, but the leads in the late-stage development of our industry are coming from where the money is, and the money is south of the border. We're trying to make sure it comes here so that we can do more investment here.

**Mr. Massimo Pacetti:** But is it the job or the role of the government to get into those final stages? Isn't that a market issue?

**Mr. Peter Benders:** Absolutely. But we're not asking for the government to invest in the companies in this one. What we're asking the government to do is not create barriers to make it difficult for companies—things such as our tax law not recognizing LLCs.

In the other areas, in the competition for SR and ED, as attractive as it is, there are parameters we're putting in that hinder companies from investment. We're just asking to make it even, I guess, more competitive.

**Mr. Massimo Pacetti:** Thank you. Our time is limited.

Mr. Rutherford?

**Mr. Ian Rutherford:** Government makes the rules. We were not arguing for government money to go into this area, but for trying to make it easier for money that is available in our economy and outside the country to come in and to fund, at the venture capital stage, developments in Canada—to keep them in Canada, rather than people having to go to the United States to find the venture capital and developing the invention and producing the product down there.

I made the remark, too, that there are moneys for R and D outside of Canada that we're not tapping because we don't have the mechanism in place to allow Canadians to tap them. The European Union has something called a framework program for research that provides money for R and D projects, and it's available to people outside the European Union. Canadians can apply for it, but they have to come to the table with some Canadian funding.

We're arguing for the creation of a pot of money somewhere so that Canadian researchers could compete to get the Canadian component, which then will allow them to apply to the European Union and get another slice of money and bring it into this country to use here.

**Mr. Massimo Pacetti:** So it's not simply to get the money, but it's a matching fund?

**Mr. Ian Rutherford:** Yes, it's a kind of matching fund.

**Mr. Massimo Pacetti:** In order for a Canadian company to get money, let's say in the U.S. or in the European market, does there have to be some matching on this side of the border?

**Mr. Ian Rutherford:** On the R and D side for European money, it's a question of matching. For venture capital, it's a question of the rules governing investments in research, the SR and ED-type things.

**Mr. Massimo Pacetti:** Is that in your brief?

**Mr. Ian Rutherford:** Yes, and I would recommend the recommendations made by the Expert Panel on Commercialization. They're publicly available, and we endorse most of them.

• (1130)

**Mr. Massimo Pacetti:** Yes, I'm familiar with that.

Thank you.

*C'est tout? Merci, monsieur le président.*

**The Chair:** On behalf of the committee, we sincerely thank you for the time you took to prepare your presentations and to be here today. It is greatly important, and we appreciate and thank you for it.

We will suspend now for a few moments to allow committee members to get a sandwich.

We ask the next panel to replace our guests here.

Thank you.

• (1140)

**The Chair:** We'll continue with our deliberations. The Standing Committee on Finance is mandated by the House of Commons on an annual basis to consider and make reports about proposals regarding the budgetary policies of the government. This year's theme for our pre-budget consultations is Canada's place in a competitive world.

Welcome to our guests. We have asked you to prepare presentations that are five minutes maximum in duration. I'll emphasize that at this point so I won't have to emphasize it later. I will give you an indication that you have a minute or less remaining, if you choose to look for that visual cue. We'll encourage time for questions after your presentations, of course. Again, I thank you for the time you've taken to be with us today. The committee is looking forward to your presentations.

We will begin with a presentation from the Canadian Federation of Independent Business.

Welcome, Catherine Swift and Garth Whyte. Please proceed. This five minutes is yours.

**Ms. Catherine Swift (President and Chief Executive Officer, Canadian Federation of Independent Business):** Thank you very much, and thank you for the opportunity, once again, to present the views of 105,000 small and medium-sized businesses across Canada to this committee.

As you probably know, small firms represent about half of Canada's GDP, about 75% of net new job creation in any given year. Our economic success as a country over the past decade, in large part, has been as a result of the resilience and dynamism of the small business sector in the face of a lot of the economic shocks we've seen, such as 9/11, natural disasters, increasing global competition, a rapidly appreciating Canadian currency, and international political instability.

Indeed, during this turbulent time, Canada's small and medium-sized businesses have punched above their weight in terms of employment and wealth creation.

[*Translation*]

The difficulty currently is to maintain this remarkable economic performance in the face of ever-increasing competitive pressures. These pressures stem from a number of factors, including the rapid expansion of certain Asian economies, such as those of China and India. Growing small firms into larger firms, and improving productivity, are essential to building a more competitive Canada.

Throughout this report, the CFIB has made recommendations that we believe will better enable SMEs to grow and become more competitive, and ultimately position Canada as a highly desirable place to live, work and do business in an increasingly competitive world.

[English]

All too often, we see Canada's lag in productivity performance blamed on the dominance of small and medium-sized firms in our economy, suggesting that SMEs, for instance, don't undertake enough investment. We've done some recent research on these issues, which we're releasing here for the first time, and we've actually found to the contrary. More than 80% of small businesses were willing and eager to grow and invest in human and productive capital.

Findings of this research can be found in our larger brief in figures 5, 6, and 7, on pages 7 and 8.

[Translation]

In French, this is on pages 8 and 9.

[English]

We found actually that almost half of business owners want to expand their business and more than one in four want to diversify their business. Only about one-third want to maintain their current status, and about 10% were looking to close or sell their business or downsize.

We felt that since the number five seems to be very popular in Ottawa these days, we would group our recommendations into five major categories: tax measures, red tape and paper burden, recommendations to deal with growing labour shortages, changes to the EI regime, and measures to assist small business owners with succession planning.

Implementing our recommendations will spur even more activity from Canada's SMEs, because we know from past experience that they will use savings from tax and regulatory reductions to invest back into their businesses and their employees.

[Translation]

Our members' taxation priorities are a reduction in personal income taxes either by increasing the basic personal exemption or the various tax bracket thresholds, or by lowering rates or a combination of these two measures.

The CFIB also recommends that the government reduce fuel taxes, speed up the implementation dates of promised corporate tax cuts, increase the lifetime capital gains exemption, continue to reduce the federal debt and lower federal payroll taxes.

[English]

Yesterday's announcement on debt reduction was very positive and well received by small businesses because they well know that today's debt is tomorrow's taxes.

With respect to red tape and paper burden, there have been many kicks at this particular can over the last couple of decades, but precious little has actually been accomplished. We currently co-chair the advisory committee on paper burden reduction with Industry Canada, and CFIB is also a member of the Canada Revenue Agency's action task force. Both of these committees are focused on providing workable solutions to this issue, so government should listen, support, and adopt their recommendations. Commitment by

ministers and senior officials is necessary for the kind of tangible success that has alluded past efforts of this type.

Another important initiative would be to implement Bill C-212, the cost-recovery bill. This received royal assent in 2004. The purpose of this bill was to bring more accountability into the so-called cost-recovery process in government, and its implementation is clearly long overdue.

Our small business members have been highlighting the growing shortage of qualified labour for about a decade now, and the fact that acute problems are emerging in some of the hottest economies in Canada—Alberta and B.C. are obvious examples—should not obscure the fact that there are issues everywhere in the country. We recommend that the scope of the apprenticeship job creation tax credit and apprenticeship grant be expanded, and that our immigration policies and the temporary worker form program better reflect the needs of today's marketplace.

We've also made a number of recommendations specifically regarding needed changes to the EI program, some of which are related to the problem of labour shortages, such as the reintroduction of the EI new hires program that was so successful in its previous incarnation a few years ago. Other recommendations include measures to improve fairness to employers in the system, such as a 50-50 split of premiums and refunds for over-contributions. In general, the EI system should not serve as a disincentive to employment, especially at a time when we're dealing with historically low unemployment rates.

• (1145)

**The Vice-Chair (Mr. Massimo Pacetti):** Ms. Swift, could you wrap up, please?

[Translation]

**Ms. Catherine Swift:** The fifth major concern that SMEs have deals with business succession plans. Predictably, the demographic realities in the SME sector are identical to those in the general population, which means that we will no doubt be seeing a great deal of turnover in the next 10 years.

[English]

**The Vice-Chair (Mr. Massimo Pacetti):** Thank you, Ms. Swift.

The next group I have here is Research Canada: An Alliance for Health Discovery, Mr. Worton, five minutes, please.

**Dr. Ronald Worton (Chair, Research Canada: An Alliance for Health Discovery):** Thank you, Mr. Chair.

Good morning. My name is Ron Worton, and I'm chair of Research Canada: An Alliance for Health Discovery. I'm also the CEO and scientific director of the Ottawa Health Research Institute at the University of Ottawa.

It's a pleasure to be here to speak to you on the important role that health research plays in Canada.

Research Canada is a not-for-profit national voluntary organization whose mission is to help Canadians maintain and improve their health by ensuring that Canada is a world leader in health research. Our membership is drawn from all sectors dedicated to advancing health research, including the leading health research institutes, national health charities, hospitals, regional health authorities, universities, private industry, and others.

Research and development is a measure of a country's economic prosperity, and health research holds the key to improved health for all Canadians. The health research enterprise in Canada maintains and improves the health of our citizens through new products and services for better health care; keeps our publicly funded health care system affordable, efficient, and leading-edge; trains highly skilled individuals who in turn will directly contribute to the national economy in the future; and creates high-quality value-added employment opportunities, both directly and through the creation of spinoff companies, from the commercialization of research discoveries.

I want to amplify these points with just two examples, both taken from my own experience. The first example has to do with new products and services.

About ten years ago, one of the University of Ottawa researchers discovered that tiny bits of DNA would stimulate an immune response. Over the next five years she developed this into products that enhanced the response to vaccines. Our research institute worked with her to create Coley Pharmaceutical, with research labs and a staff of 40 researchers, on Terry Fox Drive in Kanata. The company has labs and offices in the U.S. and Germany and has major contracts with four drug companies to develop vaccine enhancers. These contracts are valued at over \$900 million.

Research also saves money for the Canadian health care system. My second example deals with this.

An emergency room physician at Ottawa Hospital questioned why every person who limped into emergency with a swollen ankle was sent for an X-ray to see if it was broken. He developed a set of clinical tests to determine if the ankle really needed an X-ray. The Ottawa ankle rules are known all over the world now, posted on emergency room walls everywhere, in 39 languages. Following these rules and others that he developed—dealing with CT scan for head trauma, X-rays for back injury, and so on—eliminates 50% of all X-rays and CT scans in the country, saving tens of millions of dollars annually.

Further evidence that research can actually save money for the health care system is found in a working paper from the U.S. National Bureau of Economic Research, showing that for each additional \$1 spent on new medicines, the estimated savings in hospitals is \$4.44.

In addition to better health care and a stronger economy, health research in our universities and research institutes provides the training ground for Canada's next generation of researchers, in both academia and industry, a fact well recognized by the business community.

Finally, research to enhance our health care system contributes directly to our ability to attract and retain manufacturing and other

jobs. One example is the recent decision by Toyota to build a second automotive plant in Ontario due to the quality of the workforce and the cost savings associated with our publicly funded health care system.

As we said in our brief to this committee, health research in Canada is strong. The investment by the federal government over the last six or seven years is paying off, with new infrastructure funded through the CFI and more highly skilled scientists attracted to Canada to occupy positions as Canada research chairs. The transformation of the Medical Research Council into the Canadian Institutes of Health Research was also a positive step, focusing research on health instead of illness.

Now is the time to take all of these gains from over the last seven years and develop a national plan, to ensure that the momentum is sustained as we move forward into the knowledge-based economy. Research Canada recognizes three critical elements to ensure this sustained growth.

The first element is additional funding for the Canadian Institutes of Health Research, to ensure that the CIHR is able to provide project funding for the expanded research community. In recent years its funding envelope has not been sufficient to keep up with all the new Canada research chairs and other recruits to the country who are occupying all of the new space created by CFI. We're out of balance, and this needs to be corrected.

• (1150)

The second recommendation is continued funding for the CFI to ensure we maintain our leading-edge infrastructure.

The third is specific tax incentives to encourage more private sector investment in research.

These three recommendations are spelled out clearly in our brief, and I won't repeat them here.

**The Vice-Chair (Mr. Massimo Pacetti):** Thank you, Mr. Worton.

From the Association canadienne des soins de santé, Ms. Sholzberg-Gray, for five minutes.

Thank you.

[*Translation*]

**Ms. Sharon Sholzberg-Gray (President and Chief Executive Officer, Canadian Healthcare Association):** On behalf of the Canadian Healthcare Association, I want to say that I am pleased to be here before the committee this morning.

[English]

The CHA is the federation of provincial and territorial hospital and health organizations across Canada. Our members represent the entire continuum of care, including acute, home, community, and long-term care. Representing over 900 hospitals and more than 4,700 health facilities, we bring a system-wide perspective—including the employer's point of view—to the discussion of how to secure Canada's place in a competitive world.

On the question posed by the committee of how to maintain the health of Canadians, the evidence is clear. All levels of government must continue to support a responsive, publicly funded health system, each according to its jurisdictional responsibilities and realities. Make no mistake, the federal government has a role to play. It must help to ensure access to a broad range of comparable health services for Canadians through appropriate funding linked to the Canada Health Act and pan-Canadian objectives.

In my remaining time, I would like to highlight six broad issues.

First, the health sector is an important contributor to the Canadian economy. Our publicly funded health system ensures the health of workers and provides a distinct competitive advantage to Canadian business. Look at the recent decision—and there are others—by General Motors to build the new Camaro in Oshawa. Lower employer health costs were a factor there. Health expenditures also create high-paying health sector jobs that in turn contribute to Canada's tax base.

Second, health system expenditures are not spiralling out of control. In fact, the percentage of GDP expended on health services has remained relatively constant at approximately 9% to 10% over the last 15 years.

This brings us to the issue of the right balance of public and private funding. Three points, supported by statistics in our brief, are illustrative. Currently, approximately 70% of expenditures are publicly financed; 30% are private. Second, administrative costs are actually lower on the public side than on the private side. Also, inflation-adjusted private sector health spending has been growing more rapidly than public sector spending over the past 30 years, and this trend is accelerating.

The CHA does not regard private sector involvement as evil, but it is not a panacea to the challenges facing our health system. We support an evidence-based approach as to when and how private funding and delivery should occur. However, the private funding solution simply shifts a greater burden of health costs to the employers of this country and can harm our competitiveness, especially with the high dollar. As to private delivery, it depends on where and whether it's cost-effective and provides quality and accountability.

I should tell you that the American Hospital Association has expressed concern about private niche hospitals or clinics that achieve profit through cream-skimming or just doing the easy procedures and leaving patients who require complex care to full-service hospitals.

Turning now to wait times, this issue is complex and can be resolved only by using a multi-pronged approach. The solutions are

included in our brief. Above all, we must look at not only the quantity of procedures but also quality and appropriateness. Should a wait times guarantee be included in the mix of strategies to reduce wait times, it would have to be carefully defined and travel adequately funded. It needs to be a safety valve, not an invitation to legal suits.

In the end—and we all know this—the real long-term solution to both wait times and managing public and private expenditures is to reduce demand by promoting wellness and managing chronic diseases. And we need to measure progress and performance in order to manage the future. For this I must signal the significant contribution of the Canadian Institute for Health Information in providing reliable data.

Looking beyond the issue of wait times, there is still unfinished business. One, substantial additional funding is needed for a comprehensive electronic health record. Two, home and community care for long-term or chronic populations, including support for family caregivers, needs to be addressed on a pan-Canadian basis. Three, increased support for the Canada social transfer as part of enhanced federal investments in the key determinants of health, such as education and social services, is needed. Four, we need a pan-Canadian health human resources strategy led by the federal government. Five, we've heard about research already. And six, we need to move quickly on a pharmaceutical program.

Detailed recommendations and amounts are in our brief. As well, we have some words on the fiscal imbalance issue, which I would ask you to review.

In conclusion, I'd like to say that a return to deficits is not an option, but this government does have the capacity to make the investments we recommend, and frankly, some other investments as well, but in the fiscally prudent manner that has become the hallmark of Canadian governments.

Thank you for your time. I look forward to answering questions.

• (1155)

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

We continue with Mr. Richard Paton, president and CEO of the Canadian Chemical Producers Association.

Welcome. Five minutes is yours.

**Mr. Richard Paton (President and Chief Executive Officer, Canadian Chemical Producers Association):** Thank you very much, Mr. Chairman.

I thank the committee for the opportunity to share with you some of the challenges facing our \$26 billion chemical industry, which is a significant part of the overall manufacturing sector in Canada, and to make a few suggestions for the upcoming federal budget.

We believe the committee's focus on competitiveness is the right priority at this time, so I compliment you on that. However, up until now our association and other manufacturing-based associations have been of the view that the federal government and some key provinces have not recognized the seriousness of the competitiveness challenges facing manufacturing. We're very pleased that the Standing Committee on Industry, Science and Technology is reviewing the manufacturing issue and we're looking forward to their recommendations.

I have a very simple message for you today. It is consistent with the presentation that the Canadian Manufacturers and Exporters Association made, as well as an earlier presentation by the Business Coalition for Tax Reform. The message is that manufacturing in Canada is in trouble. The loss of manufacturing, jobs, and investment will flow through our economy and have a tremendous impact on jobs, communities, and governments.

The question that governments face today—that your committee faces and that particularly a budget faces—is whether the federal government can and should do something about it that makes sense in terms of sound and effective policy. I will argue that the federal government does play a key role in shaping the business environment of manufacturing through a range of policies, including energy, environment regulation, and tax, some of which the Federation of Independent Business touched on as well. Right now the key area in which the federal government can help our industry and other manufacturing industries adapt and respond to global and domestic challenges is in the tax area related to capital investment.

What's the problem? When I spoke to this committee last year, I noted that the manufacturing floor of the world is shifting to China and probably India as well. I also pointed out that out of more than 100 petrochemical plants being built in the world right now, not one is being built in North America. That tells a story just by itself. These profound global changes are already showing up in the loss of 236,000 manufacturing jobs in Canada between 2000 and 2006, 196,000 of those in Ontario and Quebec. One would think that with that kind of job loss, governments would have figured out that there might be a problem here.

In the past two years, in our industry alone, we've had seven plants announce they're closing. The most recent was the Dow Canada announcement that they would be ceasing operations in Sarnia. These plant reductions involve real jobs in real communities.

What's causing this problem? To simplify it, there are two major categories of issues resulting in the manufacturing challenge. The first is changes in the world economy, with the emergence of China and India as major growth areas and with petrochemical investment in the Middle East based on cheap feedstock. These global changes are inevitable and profound.

Second, domestic cost and policy pressures are affecting the cost of doing business in Canada. In our industry we're seeing changes to our companies every day. As plants age and new investments need to be made, companies are making the hard decision between building a plant in Canada, where the costs are higher for energy, or making the investment closer to the huge and growing markets of Asia or the Middle East, where the cost of energy is cheap. They're also facing major new costs due to the high dollar and other energy costs. These

factors, plus the cost of natural gas and the price of electricity, are the major reasons we've seen seven plants announce closures in the last two years.

What's the solution? We do a score card every year on the competitiveness of our industry vis-à-vis other locations. As all the members know, investment is a relative business; it's how well you can do compared to somebody else. If you look at that list in our brief, you'll notice some nice pluses on fiscal policy and monetary policy. There are even some improvements in corporate tax, but when you get to energy, energy supply, pricing, feedstocks, transportation, and manufacturing-based issues, there are a lot of negatives, and in fact we're declining in relative investment priority.

In the past decade we got some of these pluses because we made some significant improvements in the investment environment. Our strong macroeconomic fundamentals helped: balanced budgets, low interest rates, and the recent tax changes that will eliminate the capital tax and reduce the corporate tax rate to 19%, albeit very gradually. However, we have faced some significant new costs that definitely resulted in the loss of chemical plants and manufacturing jobs. These are energy costs, feedstock, and appreciation of our dollar. These costs make it harder and harder to justify investments.

• (1200)

What's the solution? We're not advocating subsidies to business. We're not advocating picking winners and losers, but we do think when you balance out all the costs and advantages and disadvantages of investment, you have to look at the tax structure.

Our suggestion is that to increase investment, turnover of capital stock, productivity, and agility, we should change the CCA tax rate to a two-year writeoff, which would accelerate investment, increase productivity, and allow our industries and companies to be able to adapt to these global challenges. Business working on innovation and tax structure will make for better investment, a stronger manufacturing sector, and help the country and the economy.

Thank you.

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

We'll continue with the Canadian Association of Retired Teachers, Helen Biales.

**Ms. Helen Biales (Vice-President, Canadian Association of Retired Teachers):** Thank you.

On behalf of the Canadian Association of Retired Teachers, representing 125 members, the issues we address are not only retired teacher issues but senior issues as well. Our presentation will be done in English and French. I will be doing the English and my colleague will be doing the French, and we will answer the questions in the same way.

On the first page of our brief that we have submitted to you, we have our summary of recommendations. I am going to address the first one, which is the pension income splitting. The concept of pension income splitting is to allow spouses to split their pensions for income tax purposes in order to reduce the total amount of income taxes paid by both spouses. We have some scenarios listed there and the recommended approach.

We feel that pension splitting is consistent with a fiscal policy that is family based. The family is an important entity of Canadian society. Within it, there is much sharing of financial resources, tasks, and decision-making. According to family law, each spouse has rights on family assets and income.

There are precedents. Retirement pensions payable under the Canada and Quebec pension plans may be split for income tax purposes. A spouse may contribute to a spousal RRSP, which is a form of pension splitting, giving rise to reductions in a couple's total income taxes.

Pension splitting aims at improving the economic situation of seniors, ensuring them a better quality of life and maintaining their autonomy and independence. Recent changes to some fiscal rules have undermined the economic well-being of seniors: mandatory withdrawals from RRIFs, withdrawals of all outstanding RRSPs—which many of us contributed to under the old rules—by age 69 instead of 71, clawback of the old age security pension, etc.

Pension splitting would follow through section 15 of the Canadian Charter of Rights and Freedoms. The norm used to be that one of the spouses would be in the labour force while the other would stay home for child rearing and homemaking. Only one of the spouses was entitled to a pension. The individuals most affected by the present income tax system are senior women. Many women had chosen to be homemakers, while some have had to let go of jobs pursuant to discriminatory measures such as being forced to leave in case of pregnancy or marriage. When I started teaching, that was the norm. Thankfully, nowadays it is different. Women live longer than men, on average, and many will face difficult financial conditions resulting from those past practices.

Another group of people who I would like to point out really suffer from this kind of situation is armed forces personnel. In many cases, one spouse is in the services working and the other spouse moves from place to place and is either unable to gain any employment or, if they do gain employment, it is not at a good wage.

The cost is affordable. According to a recent study, allowing pension splitting to all senior couples would entail a reduction in government tax revenues that will be relatively modest in comparison to the current annual federal budget surpluses. It's not an escalating cost, because both spouses who are working now will receive pensions that are fairly close to the same, so there will be minimal difference.

Pension splitting is essentially a matter of fairness and equity for all taxpayers. The family, as opposed to the individual, should be the basis of the Canadian income tax system.

• (1205)

[Translation]

**Mr. Pierre Drouin (Executive Director, Canadian Association of Retired Teachers):** The recommendations on page 2 deal mainly with seniors. Recommendation 2 addresses tax measures that could be implemented to help seniors stay in their homes longer. Seniors want to live at home longer, and these tax measures could reduce the demand on the health care system. We are suggesting certain tax changes, including several to RRSPs and RRIFs.

There is currently no national organization that makes representations to government on the issues facing seniors. We are therefore proposing, in recommendations 3 and 4, that the government establish a consortium of seniors' organizations.

The idea would be to begin by holding a meeting to bring together representatives of seniors' organizations at the national and provincial levels to create a steering group that would speak on behalf of seniors.

We know that there is a very high demand for health care services. In recommendations 5, 6 and 7, although this is not really a tax measure that would be included in a budget, we propose that a provincial or federal committee deal with the whole issue of prescription drugs.

Thank you very much, sir.

[English]

**The Chair:** Sir, you have a couple of seconds if you'd like to make a concluding statement.

*C'est fini?*

**Mr. Pierre Drouin:** Yes.

**The Chair:** Merci, Monsieur.

We continue now with a representative from the University of Ottawa, Gilles Patry, president and vice-chancellor.

Welcome. You have five minutes.

[Translation]

**Mr. Gilles Patry (President and Vice-Chancellor, University of Ottawa):** Thank you, Mr. Chairman.

[English]

First of all, I'd like to thank you for the invitation to appear before the committee today. I'm pleased to be here on behalf of the University of Ottawa to talk to you about the role of universities in furthering the prosperity of Canada and Canadians.

To be successful, universities must pursue several missions at the same time: equipping individuals to work effectively in an increasingly complex and competitive world; developing more socially responsible citizens for local, national, and international communities; and acting as developers of advanced ideas and drivers of new applications, policies, and products that enhance governance, commerce, and culture. These are wide and important mandates that all universities must pursue in response to those we serve: the students, the parents, governments, businesses, non-profit organizations, and communities.

•(1210)

[Translation]

The University of Ottawa plays a unique role in Canada's development. Our location, both in the heart of the national capital and at the juncture of French and English Canada, our commitment to education in both official languages, our passion for knowledge and innovation, and our high-quality learning environment are defining characteristics. In fact, we often say that the University of Ottawa is a reflection, an observatory and a catalyst of the Canadian experience in all its complexity and diversity.

[English]

In the current knowledge-based economy, advanced research is critical to economic growth. Allow me to paraphrase my colleague, Chad Gaffield, newly appointed president of the Social Sciences and Humanities Research Council, when he said we live in complex and challenging times. Canada's future depends on our human assets: the students, researchers and collaborators whose critical insights are advancing knowledge in the social sciences and humanities. And I would add "in the sciences and in technology".

In the face of an increasingly competitive international research environment, investments in this effort are crucial. The government recognized this leading to the last election, when it highlighted the essential need for increased promotion of basic and applied research to our economic well-being and how unacceptable it is that our national expenditures on research and development are below those of all G-8 countries. In fact, notwithstanding the important investments in recent years by the federal government in support of R and D, Canada continues to lag the OECD countries when it comes to the percentage of gross domestic expenditures in support of R and D.

To drive national efforts, it is important that the government lead the development of a clear, long-term, sustainable science and technology strategy for Canada in collaboration with all partners, including Canada's universities. In this regard, we encourage a strategy that takes an integrated view of the role universities play along with other partners, including government and businesses, and acknowledges the key areas of support for university-based research and development.

Those areas include ideas—funding of basic and applied research through our three granting councils; people—funding of researchers and graduate students, for example, through the Canada research chair program and the Canada graduate scholarship program; infrastructure—funding of state-of-the-art research facilities through the Canada Foundation for Innovation; and institutional support—maintenance of research infrastructure through the indirect costs program.

[Translation]

Universities are prepared to continue to play a central role in the creation of new knowledge and in facilitating the diffusion and adoption of new technologies which will push Canada forward economically.

At the University of Ottawa, this has meant increasing our overall research efforts across all disciplines and establishing key strategic areas of development and research, including health, e-society,

Canada and the world, and molecular sciences. It has also meant becoming more efficient in moving ideas to market for the benefit of Canadians.

[English]

Mr. Chairman, earlier this month the University of Ottawa welcomed 34,000 students from every province and territory and more than 150 countries. They are pursuing their studies in over 300 programs across 10 faculties, and they do so with a research-intensive institution providing them with extensive academic and community engagement opportunities.

[Translation]

I would like to conclude by underlining three areas where particular attention is needed. The University of Ottawa is a member of the Consortium national de formation en santé, a federally-funded program for the training of health professionals (medical doctors, nurses, rehabilitation science specialists, etc.) in French minority settings. A network of 10 post-secondary institutions across Canada, the CNFS is a flagship program that is the pride of the Government of Canada, its sponsor Health Canada and its partner institutions.

The University of Ottawa—indeed all Canadian universities—is also attending to post-secondary educational needs for aboriginal Canadians. In addition to our programs in education and law, last year we worked closely with Health Canada in the development of a special program in medicine for aboriginal students. We invite the government to continue to work with universities and colleges in the development of a strategy to develop programs adapted to the needs of the aboriginal community.

•(1215)

**The Chair:** Thank you, sir, for your presentation.

[English]

We continue now with the Canadian Chamber of Commerce. Nancy Hughes Anthony is here.

You have five minutes, Madam.

**Mrs. Nancy Hughes Anthony (President and Chief Executive Officer, Canadian Chamber of Commerce):** Thank you very much, Mr. Chair, and thank you for the invitation to appear.

[Translation]

As you know, the Canadian Chamber of Commerce represents nearly 170,000 members of all sizes, representing all sectors and regions in the country.

[English]

The committee has chosen an extremely pertinent theme—Canada's place in a competitive world. Governments, and I would say past governments and current governments, have done a lot to improve the situation on fiscal and other fronts. That said, there's more to do, and we are falling behind many of our competitors and must take swift action. I'm particularly focused here on productivity.



Productivity, as you know, is not just some line on a business ledger. It means Canadians having good paying jobs, a high standard of living, and the kind of fiscal freedom that we need to afford the sorts of social programs that Canadians enjoy. But our productivity record has not been sterling. We are at about 74% of that of the U.S. and we've fallen to 17th place in the OECD ratings in productivity.

So what do we need to do? You have the chamber's brief in front of you. We have a series of recommendations in the tax area, and those are designed to improve the incentive for business and entrepreneurs to invest in Canada. They're also designed to focus on personal income tax as well as corporate income tax. Obviously, the mix of tax burden and regulatory burden is the magic ingredient that makes countries competitive, and on this, I think Canada has a lot to do. We're still concerned about the effect of tax rates on capital, in which area Canada is extremely high.

Also, as was mentioned by colleagues around this table, the regulatory environment is one area I would signal to the committee that needs improvement. I would also note that Canada's scientific research and experimental development program needs further enhancement. That is one I would draw to your attention in our brief because of the need to enhance R and D, as others have said around this table.

[*Translation*]

Second, the development of human capital is absolutely essential. In our opinion, investment in post-secondary education is an important asset. Attracting more immigrants with qualifications that we need and taking advantage of those qualifications is also a key element of the strategy.

[*English*]

Third, investing in high-quality infrastructure, particularly border infrastructure and communications networks, is very important for tracking foreign investment.

Just to wrap up, clearly, Mr. Chair, we need to create the fiscal room to make this all possible. That was one of the questions of the committee. That needs to be done by controlling program spending, making spending more efficient, and reducing our level of debt. I would certainly say that the chamber was very appreciative of the announcement yesterday of the amount of debt being paid down from the last fiscal year. That was a welcome announcement.

We also note that we would advocate a cap, a limit, on the growth of program spending of approximately the equivalent of anticipated population growth plus inflation, to a maximum of 3% a year, within which the government should control its spending. So once again, it's reducing the debt, controlling spending, smart taxation policies.

We hope that you will look at our brief. I'd be very happy to reply to any questions the committee members might have. Merci beaucoup.

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

Thank you all for your fine presentations.

We move to questions now, and we'll begin with Mr. McKay for six minutes.

**Hon. John McKay (Scarborough—Guildwood, Lib.):** Thank you again for your presentation.

I want to turn to Mr. Paton's presentation, particularly his appendix 1. Under the category of "Government", most of the competitive comparisons are either positive or neutral, and most of the trends are in the right direction. So it seems to me that if government has kind of done its job, which speaks to what you get out of 13 years of good government....

**An hon. member:** You're not going to ask him to comment on that?

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

**Hon. John McKay:** You go through a number of categories and then you get into management, which you put in a competitive comparison as either neutral or competent. I wonder whether in fact that's true.

Peter Munk recently made a comment about Inco, Falconbridge, and Teck essentially blowing it and being unable to get a global leader. As a consequence, Inco and Falconbridge have been parcelled up and sold out to Brazilian interests.

I'd like an answer from you, Mr. Paton and Ms. Anthony, with respect to the competence, vision, and drive of our business leaders. I put it to you that in the past 13 years the government has actually done a fairly decent job of getting our fiscal house in order. I haven't seen a similar commitment by management, other than to come in here on an annual basis and say, reduce our taxes, etc. I want to know whether you think Peter Munk's comments are right, that Canada's management isn't up to speed—in 25 words or less, because I have only six minutes and now I'm down to four.

• (1220)

**Mr. Richard Paton:** I'll give you a very straight number. The productivity of Canadian chemical industries is 30% better than those in the United States. We've done studies on that; we've worked with Industry Canada. That's a number we can verify.

We're a very small part of the global market, about 1.5% of the trillion-dollar chemical industry. The only reason we survive is because of a combination of good management and access to key resources, such as natural gas.

So every single day, our overall management structure—within the context of global companies—is making major decisions to adjust to all the challenges we face in the economy.

I'll give you a very slight example. We have pharma-chemical industries, which are pharma-based chemicals that go into drugs. When faced with a 22% appreciation in the dollar, meaning that one of our member companies essentially lost 22% of its revenue, because it sells 99% in the U.S. market, how did it adjust? The company quickly adjusted by outsourcing to India, because many of the base products can be produced there at one-fifth the cost.

So they're making those management decisions. Or they're working with Ireland. They're linking up to supply chains worldwide in order to be able to produce the product. If they hadn't done that, they wouldn't be in business today. It would have been very simple.

I don't know what government could last long if it lost 22% of its revenue in a year. It would be quite difficult.

**Hon. John McKay:** That's a good answer on the chemical industry.

But let me go to Ms. Anthony, and as you appreciate, my time is limited here.

As a general proposition, do you think that in fact the Canadian industry is adapting? And is our management up to it?

**Mrs. Nancy Hughes Anthony:** Absolutely, I do. And I think if you take a broader view and look around the world, you see Canadians in other businesses, which may or may not be Canadian, and you see Canadian businesses in other countries being very competitive. You put your finger on it; you have to understand the intense nature of the competition now.

Mr. McKay, if I may point out, I think this is the wrong attitude to a certain extent. There is an incredible need for businesses and governments at all levels to win this race, to get in there and compete globally. So absolutely we are coming to you to talk about lower taxes, because you're the finance committee of the House of Commons and because yesterday we saw the \$13 billion surplus, about which Canadians are saying, hey, maybe that should come back to us. There is work to do on the tax front, but it is not the only item on the agenda.

I would reassure you that particularly now with the high Canadian dollar, the search for world talent, and a need for this incredible cost pressure, which has been pointed out around this table, Canadian businesses are up for it.

**Hon. John McKay:** Would you support an initiative by the Government of Canada to support MBAs who have backgrounds in chemical engineering, for instance, computer engineering, and things other than law and finance?

• (1225)

**The Chair:** Tackle that in ten seconds, Madam.

**Mrs. Nancy Hughes Anthony:** I'm not an expert on curriculum. I think I need to go to Gilles Patry about what they do in business schools these days. Obviously, those are the kinds of initiatives where we need to put practical experience in the hands of students.

[*Translation*]

**The Chair:** The second questioner will be Mr. St-Cyr.

You have five minutes.

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

Mr. Paton, in the brief of the Canadian Association of Chemical Producers, I found a short paragraph that I found to be quite a pleasant surprise. I will tell you why.

Since the beginning of our pre-budget consultations, we have heard from many Canadian organizations. I have noticed a strong tendency, even from some of you here today, to call for a stronger, more centralized government that intervenes as much as possible in provincial jurisdiction, whether we are talking about investments in health, prescription drugs or research.

I have noticed that strong tendency since the beginning of our consultations, whereas in Quebec people are calling for respect for Quebec jurisdiction, a solution to the problem of the fiscal imbalance and respect for the choices that Quebeckers make. I always have the impression that I am going into another country when I go across the border, given how differently people talk about these things.

On page 6 of the brief presented by the Canadian Association of Chemical Producers, there is a paragraph calling for the elimination of the fiscal imbalance.

It is surprising that the first organization to tell the committee that the fiscal imbalance needs to be dealt with is the Canadian Association of Chemical Producers. The association's suggestions that the problem be addressed through tax harmonization or perhaps a transfer of tax points to the provinces are fairly much in line with what Quebec has been calling for.

How did you arrive at that recommendation, which may be closer to what Quebec is seeking and is very different from what we are hearing from the other organizations that have appeared here?

[*English*]

**Mr. Richard Paton:** Thank you, Mr. Chairman. I'll try to answer that quickly. I'm not quite sure that the statement in paragraph 7 is exactly what you say it's saying. I think what is important is that when you look at the tax system, you find that the federal government reduces a tax—fantastic—and then the province adds a tax. So as Nancy was pointing out, when you're looking at the costs or the challenge for investment for that particular company or plant, it's not only a Quebec tax but it's a Quebec tax plus a federal tax and sometimes a municipal tax, which all add up together. Therefore, we believe you have to look at the total fiscal package together in terms of taxes. If you look at Quebec's tax regime over the last four or five years, it has deteriorated in terms of its favourability to business. For example, capital tax is a classic area where you have federal and provincial capital taxes. It's very complicated. If you eliminate one and don't do it at the provincial level, you actually gain nothing. Hence, we do encourage a holistic look at the tax structure, and that, of course, ends up including spending and revenues, etc.

[*Translation*]

**Mr. Thierry St-Cyr:** So you are not talking about fiscal imbalance as such. But that is what you mentioned in your brief. On page 6 of your brief, where you talk about addressing the provincial fiscal imbalance, are you simply talking about harmonizing taxes or are you really looking at transferring tax room from Ottawa to Quebec and the provinces, as Quebec is calling for? If so, have you done the calculations on that? Do you have an idea of what that would cost?

[*English*]

**Mr. Richard Paton:** No, I don't. We haven't costed it out, and I guess nobody else has. But if you're referring to the statement, "The government's recently announced intentions to develop fiscal arrangements with the provinces to increase transparency and accountability are welcome", yes, we totally agree with that.

The statements that were in the last budget, the principles they had pointed out to use in looking at the fiscal balance issue, we strongly support, because it was an empirical analysis of what budgets governments have and an accountability linking expenditures to areas of jurisdiction better.

To go into another area, I have seen areas, and climate change is an example of this—and I know it's not one of your favourite areas—where the federal government started to move fairly deeply into other jurisdictions and put out lots of expenditures.

It's harder and harder with that kind of approach to expenditures to link accountability to expenditures. So we totally support the principle that was in the last budget on that.

● (1230)

[Translation]

**Mr. Thierry St-Cyr:** Along the same lines, I would like to turn to the other witnesses, for example, the Canadian Association of Retired Teachers.

Points 5, 6 and 7 in your recommendation summary also deal with jurisdictions that belong to Quebec and the provinces. How is it that your organization and a number of others are coming to Ottawa to appear before a federal committee to ask the government to interfere more and more in provincial jurisdiction? Would not it be more effective and more sensible to ask the provinces directly to do these things, if they like?

**The Chair:** Mr. St-Cyr, your time has expired.

[English]

The next questioner will be Mr. Turner, and you will have six minutes, Mr. Turner.

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

I have a question for Catherine and Garth—such a lovely name. It's nice to have you here.

You guys have given us 30 recommendations. As you know, we can only count to five, so I'm wondering if you could really narrow down what are the top few things you're asking us to do.

**Ms. Catherine Swift:** On the tax front, personal income taxes currently are our members' number one priority. That tends to ebb and flow over time, but right now they have prioritized PIT. As I mentioned, there are a number of ways that could be accomplished: increasing basic personal exemptions, lowering rates, and on and on and on. So our members certainly realize that lowering taxes for everyone is the most effective way to do it.

They welcomed the GST decrease, mind you, just to clarify that point, because that was widely discussed, but our members feel the next step should be on the PIT side.

I didn't get to really talk about the whole succession planning issue; this again has tax implications, obviously, but we see the same demographics in the small business community as we do in the overall population. Naturally, we're going to be facing a really large group of our business owners retiring, handing their businesses off in one way or the other over the next little while, so we've made a few recommendations in the capital gains area that we feel, for example, are very important.

I guess the third main area is the paper burden and red tape. Garth is co-chairing this committee right now with Industry Canada. We're really hopeful that in this round—which is about round 35, at least as far as we can tell—we will see some.... We want to talk about productivity today; that is, a low-cost productivity measure that everybody can buy into.

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

Very quickly, does CFIB support the kind of special interest group cuts we saw yesterday, yes or no?

**Ms. Catherine Swift:** We don't actually have member feedback on them, but I think in general we feel a lot of those programs could certainly be cut, yes.

**Hon. Garth Turner:** And the application of government budgetary surplus to debt reduction, yes or no?

**Ms. Catherine Swift:** Absolutely. We made that statement, actually, because our members prioritized debt reduction first and foremost, as I mentioned in my remarks.

**Hon. Garth Turner:** All right. On a GST cut versus an income tax cut, if you had to choose, which side would you come down on?

**Ms. Catherine Swift:** You've already had one point off the GST. Right now, personal income tax would be our number one.

**Hon. Garth Turner:** Okay, great.

Helen, on pension splitting, which is obviously a little favourite of mine, can you enlighten the committee on your point of view of the costs of this to the federal treasury?

**Ms. Helen Biales:** The figures that we figure would be about \$250 million to \$300 million, and we have to remind you that it would not be an escalating cost because pensions will not have such a big differential as we go on.

**Hon. Garth Turner:** Right. We're in a unique situation with our pension generation right now, aren't we?

● (1235)

**Ms. Helen Biales:** Yes, we are.

**Hon. Garth Turner:** You're also asking for a rollback on RRSPs from the conversion to RRIFs from age 71 to 69. Is there any particular reason you've chosen age 69? Or have you chosen 69? Did I hear you say that?

**Ms. Helen Biales:** No, it's in reverse. It's 69 now; we want to roll it back to 71.

**Hon. Garth Turner:** So 69 to 71, right.

**Ms. Helen Biales:** That was the initial one that was in there. Many of us, when we did purchase our RRSPs, purchased them with the idea that we wouldn't have to roll them over until age 71. That's a beginning point for us.

**Hon. Garth Turner:** All right, and with RRIFs, you want the minimum taxable amount taken out each year reduced. Is the goal there preservation of capital or estate planning purposes? What's actually the goal of your members? Do you just want to defer those taxes forever?

**Ms. Helen Biales:** Well, it's both of those, for estate and also to defer some of the taxes, yes.

**Hon. Garth Turner:** But for estate planning or...?

**Ms. Helen Biales:** For estate planning.

**Hon. Garth Turner:** Because we're all going to live to be 120.

**Ms. Helen Biales:** We hope so.

**Hon. Garth Turner:** Nancy, I really like your brief a lot, so thank you. One of the reasons I like it so much is because you're one of the only groups that come here with a constant. Of the 70 or so groups we've heard so far, it's really refreshing. So thank you for doing that. It helps us a lot in our deliberations.

You talk about a tax prepaid savings plan. Would this be similar to the lifetime savings retirement plan that we've talked about as a Conservative Party, that's been part of our plank in the past? Enlighten those members across the way who may have forgotten how this works.

**Mrs. Nancy Hughes Anthony:** May I ask my colleague, Michael Murphy, to address that one, please?

**Mr. Michael Murphy (Executive Vice-President, Policy, Canadian Chamber of Commerce):** Essentially, I think the background is fundamentally to look for another way to encourage savings. We think that's one of the really important things government can do. TPSP, the tax prepaid savings plan, would be exactly that, a program through which any Canadian would be allowed to put away a fixed amount of money, and we have suggested it perhaps be limited to \$5,000. There's a reason for that, and I won't take the time to get into it.

You don't get the tax benefit right away with a TPSP as you would with an RRSP, but you would be able to earn money in the system tax free and be able to get the tax advantage later, when you do take the money out. So it would be a complement to our existing retirement savings plan, and we think it would be an effective one that all Canadians could use.

**Hon. Garth Turner:** All right. Thank you very much.

Finally, Helen, are the teachers going to be participating in our conference coming up on October 3 here?

**Ms. Helen Biales:** Yes, we're going to have the Canadian Association of Retired Teachers and also the Retired Teachers of Ontario.

**Hon. Garth Turner:** Thank you.

A commercial message, Mr. Chairman. October 3 we will be having a national conference here—

**The Chair:** Now returning to regular programming, we continue with Madam Wasylycia-Leis. You have six minutes.

**Ms. Judy Wasylycia-Leis:** All that free advertising, I don't know.

Thank you, Mr. Chairperson, and thank you to everyone for your briefs.

One thing that struck me from the round table in listening to Nancy and Catherine and Richard, especially, in terms of the business community and what we need for building a competitive country, is that none of you mentioned the importance of having a quality health care system. It seems to me there are many studies out that show that in fact our health care system creates a huge advantage and it actually helps account for some of our competitiveness today.

So I want to first hear from Ronald and Sharon and ask that you make the argument to the others about what's needed. While you're at it, you may want to comment on what you think the impact will be of the cutbacks announced yesterday, the \$7.5 million for Health Canada's health policy research program and the \$28 million for miscellaneous health efficiencies.

Then I'd love to hear from the others about whether or not you see this as an important issue.

**Ms. Sharon Sholzberg-Gray:** First of all, I think my colleagues around the table know about the health system being a competitive advantage. I think it's only fair if I could say on their behalf that they do know about it. I think it's probably more of a competitive advantage to big business than to smaller business, because smaller business can't afford to have employee health programs in the way big business does. But it's a cost to business to have higher health insurance costs, and they know that. I think they all support quite strongly a productive, efficient, publicly funded health system in this country, and that's what we're in favour of.

In fact, one of the reasons we're quantifying some of our requests is to make our health system more productive, and hence everybody else more productive and competitive. For instance, an electronic health record, which would frankly employ a lot of people in the information technology sector, would at the same time increase productivity, efficiency, and performance in the health system. I think we have to make all of those links.

With respect to your question about the cutbacks in the health department, I want to look to see exactly what health policy research is going to be cut.

We'd also like to make the important link, though, between education and health and the other determinants of health. That's one of the reasons we support so strongly increased spending on the social transfer, so that the other determinants of health, particularly education, could be supported appropriately. When people ask us what our top two priorities are, I say they're the electronic health record and education to contribute to our competitiveness.

• (1240)

**Ms. Judy Wasylycia-Leis:** Just before I go on to Ronald, what I want to get at here is this. To say one is in favour of and recognizes the importance of health care in our economy is fine, but we are facing hard choices. I don't think it's possible on the one hand to say we think all the surplus, \$13 billion, should go against the debt and that all these cutbacks should go into effect and no further expenditure should go into improving our educational and health systems to make us more competitive. We have to make some hard choices. That's what I'm trying to get at here, Ronald—and then maybe some of the others.

**Ms. Sharon Sholzberg-Gray:** Let me just say one thing. We tend to like American-style taxes and European-style services, and I think it's important to note that if we want these services, they cost money.

**Dr. Ronald Worton:** It would be hard for me to comment specifically on the cuts announced yesterday, but I think in general we have to continue to support the health care system. We have to continue to support the research that underpins that system.

There's no question that going forward, some of the inefficiencies in health care need to be dealt with. Research is the best way to do that, to really understand what the inefficiencies are. That's why I chose as one of my examples the studies—the very extensive studies—that have documented when you should undertake very expensive procedures on patients and when not. Reducing the amount of access that's required to MRI machines and CT scanners and so on substantially reduces the health care system.

We hear so much about the sustainability of the system. We have to make it sustainable, and a lot of research needs to go into that area—even in such simple things as delivery of health care. In Ontario now we have the local integrated health networks. How you deliver the best health care across the network is a big research topic that we're getting into now.

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

Nancy, then Catherine.

**Mrs. Nancy Hughes Anthony:** I thank you, Sharon, for jumping to our defence.

Absolutely, it was indicated on page 10 of our brief that an efficient and accessible health care system is absolutely a component of any productivity agenda.

We would certainly say and we know that on a per capita basis Canada has quite a high expenditure on health care. We feel that the private sector can assist governments at all levels and health care professionals in trying, to the extent possible, to drive more efficiencies. Sharon mentioned the electronic health record as one of the examples. To the extent that we can bring more efficiencies, to the extent that the private sector can assist in delivery of services of a publicly funded system—and I underline publicly funded system—I think we would all benefit.

**The Chair:** I'll have to ask you to conclude with that. Thank you.

We will be compiling a report as a committee, of course, as you are aware, for the finance minister after this process. Each of us will have certain issues in this committee that we want to advocate for. I have a small but symbolically important issue I'd like to raise with CFIB and the Canadian Chamber.

Some years ago, the government decided that Revenue Canada would charge a higher rate of interest to those who owe taxes and are late in their payments than they would pay when they were late in their payments to those same people, by about 2%. It's a symbolic issue. It's not in either of your briefs. I would like you either to go on record as saying you're supportive of restoring the equality that used to exist for taxpayers who owed money and those who were owed money by the Government of Canada, or if you're not supportive of it, to say so.

This is my advertisement time, and I would like to hear from you what you think of that.

**Mr. Garth Whyte (Executive Vice-President, Canadian Federation of Independent Business):** One advertisement time begets another. There is a task force with the Canada Revenue Agency to look at these very things, and I really challenge this committee to come up with some ideas like that, which we would support to bring forward. Right now there is a task force that the

revenue minister, who was here at the previous committee meeting, pushed. It is now supported by this government. It's a no-brainer. There are a lot of great ideas on the compliance side that don't cost a lot of money that we can deal with, and that's one of them. We'd definitely support that.

• (1245)

**The Chair:** Thank you.

Nancy.

**Mrs. Nancy Hughes Anthony:** I'd only say, Mr. Chair, absolutely. Fair is fair, and we would be supportive of that recommendation.

**The Chair:** Very good. Thank you.

Mr. Savage, you have the floor.

**Mr. Michael Savage:** Thank you, Mr. Chair.

Mr. Patry, in your submission you say “In the face of an increasingly competitive international research environment, investments are crucial. The government recognized this, leading into the last election and has highlighted the essential need for increased promotion of basic and applied research...”, etc. What are you referring to there?

**Mr. Gilles Patry:** What page are you on?

**Mr. Michael Savage:** I'm on the bottom of page 1. I guess I'm asking if you are talking about the current government or are you talking about the government of the day? I'm trying to identify to what you refer.

**Mr. Gilles Patry:** We're talking about increased investment in research and development. As we know, there has been a significant increase over recent years in R and D, but notwithstanding that investment, Canada still lags, as I indicated.

**Mr. Michael Savage:** I understand. But in the statement, “The government recognized this, leading into the last election...”, are you talking about the economic update that was introduced in the fall that recognized that, or are you talking about part of the platform of the present government?

**Mr. Gilles Patry:** It was part of the platform.

**Mr. Michael Savage:** Obviously, the budget in 2006 would be a little bit disappointing then in terms of delivering on research money.

**Mr. Gilles Patry:** There were few words about research and development in the last budget, and we're hoping that in the next budget R and D issues would be front and centre of the budget and one of the new five pillars.

**Mr. Michael Savage:** I think “few words” is quite accurate.

I think it was you, Mr. Worton, or it might have been somebody else, who said something along the lines of CIHR has allowed us to focus on health and not only illness. Was that you?

**Dr. Ronald Worton:** Yes.

**Mr. Michael Savage:** I think that's entirely true, especially compared to MRC, and it's an understandable focus on strict biomedical clinical research. CIHR has expanded that and allowed us to look at some of the stuff that Ms. Sholzberg-Gray has talked about, population health, social determinants of health and how poverty impacts health, and all that sort of stuff. So I think CIHR has done a great job.

You indicate in your recommendation that you're looking for \$350 million over the next three years. You're also looking for an additional investment of \$1 billion for CFI. We heard this morning from NSERC. They were looking for ramping up to \$400 million a year. We're talking about a lot of money on research. One can certainly make the case that it's worth it—you wouldn't have to convince me—but I wonder how realistic it is with the money that's gone into research, certainly publicly funded, primarily at the university level but not only. Is that a realistic expectation?

• (1250)

**Dr. Ronald Worton:** I think it is. First of all, we've said \$350 million ramped up over three years. This is actually what CIHR itself is seeking.

The important point here is that we have been ramping up the research enterprise, as you know. The CFI alone has allowed us to construct new buildings and to buy new equipment, develop huge infrastructure, and that has been really good for the country. It has allowed us to recruit a lot more young people into the country. The Canada research chairs program has allowed us to bring in young talent. So the research base has been built dramatically over the last six or seven years. The problem at CIHR, and I suspect at NSERC as well, is that with all this new talent in the country and with all the new equipment that they have to work with, the two groups that provide their project funding are the CIHR and NSERC and they haven't been able to keep pace with that expansion. What's happened is the success rate on CIHR grants now is between 20% and 25%. In other words, every time there's a competition, between 75% and 80% of the grants are turned down, and most of them are excellent.

**Mr. Michael Savage:** I think that's an entirely good answer. Okay.

I agree with you 100%. While we've invested in research, we have in some ways become a victim of some success in the last number of years. You invest, but then the indirect costs build up.

I had a visit from the Heart and Stroke Foundation saying that by going to 40% of indirect costs, as we proposed in the update, we're actually hurting the not-for-profit charities that can't do that 40%.

I have a 30-second question for Ms. Sholzberg-Gray.

How is the wait times guarantee coming along, in your view?

**Ms. Sharon Sholzberg-Gray:** Our association thinks that the simple guarantee, in and of itself, is not the answer, because it's really based on people travelling, maybe even to the United States, where costs are more expensive.

I think we are making progress in Canada. The real issue will be measuring performance. In other words, we're going to have a parliamentary review at the end of this year, according to the legislation that introduced the funding under the 2004 health accord.

We're performing many, many more procedures than we did in the past. The problem is that there is greater demand, greater need.

We also, though, have evidence of more efficient ways of doing things. Dr. Frank, in Alberta, showed that he can cut the waiting list to seven weeks by having an integrated list, taking people out of the lineup who are on three different lists and making sure they have physio if that's their solution, or lose weight if that's their solution. In other words, there are multiple solutions, so a guarantee, in and of itself, isn't going to do it. It's the last thing you would do, it seems to me, not the first thing. Let's make the progress we're making and work on it together.

[Translation]

**The Chair:** Thank you.

Thank you, Mr. Savage.

We will now go to Mr. Paquette.

**Mr. Pierre Paquette:** I want to say that I found the brief from the Chamber of Commerce very ideological.

You want to have your cake and eat it too. That makes no sense. You talk about reducing personal and corporate taxes, better depreciation allowances, debt reimbursement and so on, but you do not seem to consider that the social safety net is important for a civilized society. You make statements that are quite ambiguous. It is probably because I am reading the translation. Here is an example:

Return the EI program to its original goal of providing insurance against unintended unemployment. This will facilitate further reductions in EI premiums.

I suppose that you are not talking about unintended unemployment in the sense it was used before the great depression when the idea was that people who were unemployed were generally those who did not want to work. You are probably referring instead to special benefits that include, I would remind you, benefits for illness, maternity leave, parental leave, compassion and care leave, fishers' benefits and the Work Sharing Program.

I could agree with you that maternity leave, for example, should not necessarily be funded by EI. In Quebec, we are now talking about parental leave. But if these benefits do not come out of the employment insurance program, which program will the funding come from? What would your suggestion be?

Then you suggest sticking to basic benefits — at least that is what I understood — but you make no mention anywhere of the 48 billion dollars that was skimmed off the employment insurance fund by the liberal government, which is why the premiums have been kept artificially high. You know as well as I do that benefit levels for people who lose their jobs have declined very substantially. Before the Axworthy reform, some seven or eight people out of a given total who paid premiums would be eligible for benefits. Now that number has dropped to below five. In fact, only four people who pay premiums are eligible for benefits.

If there is a problem with maintaining employment insurance premiums at an artificially high level, should the blame not really be directed at the federal government, which was responsible for taking 48 billion dollars from the EI fund? To my mind, the premium problem has a lot more to do with that than with the special benefits that you mentioned earlier.

Why is it that you did not mention the 48 billion dollars anywhere? Your colleagues from the Canadian Federation of Independent Business at least mentioned it. I do not agree with everything that they wrote, but things are more in perspective. In your case, unfortunately, you give the impression that the special benefits are the reason that employment insurance premiums are too high.

**Mrs. Nancy Hughes Anthony:** Obviously, the employment insurance program is very important for all employers and employees across the country. However, our members feel that it should be strictly an insurance program. It is perhaps appropriate to use support programs for certain industries, but that could perhaps be done through other funds that members of Parliament might want to designate for that purpose.

Clearly, with the lack of available labour right now in Canada, people are wondering why this kind of program continues to exist, when it does not really encourage people to get the training they need.

•(1255)

**Mr. Pierre Paquette:** Madam, that is inaccurate. As I just explained, in the past, seven workers who paid employment insurance premiums, out of a certain number, were entitled to benefits. Now there are only four left. This means that six workers who paid premiums will not be entitled to benefits. Not only does this program give an incentive, but it also penalizes those who, normally, would be entitled to benefits. I understand your reasoning.

Let us take, for instance, Saint-Michel-des-Saints, in my riding, where two factories will be shut down. This will mean the loss of 400 jobs and if we add indirect employment, the figure will be 600. Consequently, 50 per cent of the labour force in the region will be unemployed during the coming weeks. You can either ask them all to go to Montreal, or you could give them a chance to train in other activities such as recreation, tourism, or lumber processing, and so on.

**Mrs. Nancy Hughes Anthony:** Let me say that I do not clearly understand your question. I think that our position is very clear. It is contrary to yours. I do not know what else I can say.

**The Chair:** That is all.

[English]

Mr. Del Mastro.

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

Ms. Swift, I read through your brief with great interest. I'm kind of surprised. Are you telling me your members wouldn't prefer more lavish ad hoc programs complete with big cheques and photo ops?

**Ms. Catherine Swift:** Yes, I'm telling you they would not. As a matter of fact, we've done considerable research over the years, and we've found that our members consistently, in all parts of the country, in all sectors of the economy, oppose grants. They realize grants are generally a path to disaster. They end up taxing everybody and benefiting very few.

**Mr. Dean Del Mastro:** Thank you. I thought that's what you meant.

Mr. Paton, I read through your brief with great interest as well. We have had a number of groups specifically come forward with recommendations to further reduce corporate taxes. In fact, we are moving towards the elimination of corporate surtaxes and so on.

Can you talk to me about the importance of these moves as we look to attract foreign investment and become more economically viable in the future?

**Mr. Richard Paton:** Sure.

One of the principles in the last budget was that we need to be competitive with the United States. I would start with that principle. The last budget announced a reduction in the corporate tax rate to 19% over a number of years, which we see as a positive move, plus the capital tax and surtax changes. All those are good steps forward.

But look at, for example, the United States. When you get to capital investment, the average plant we build is \$225 million, and under our capital cost allowance the writeoff period for a plant in Canada is about 10 to 11 years. It's about five years in the United States. So if you start adding up those numbers, \$225 million being written off in five years as opposed to 10 or 11 years, that's a lot of money. When you're looking at Canada as the investment location for the North American market—because more and more we're just serving the North American market—you're starting out with a huge cost disadvantage just on your ability to reduce that capital. You add to that energy costs, dollar issues, and maybe a few other regulatory issues, and you end up with some significant disadvantages.

On an equal playing field we tend to lose in our industry to the United States because they're bigger—a bigger market, bigger concentrations. You need to get either equal to or better than the U. S., especially in capital investment.

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

I appreciate your answer. Lower taxes will make us more competitive and more of an investment. I thank you for that answer.

Ms. Biales, I'm going to play devil's advocate with you for one moment. The baby boomers are going to retire as the wealthiest generation in Canada's history. Canada's debt was built largely on investment in the baby boomers.

Why should we give you a tax break, you selfish boomers?

**Ms. Helen Biales:** Well, the selfish boomers can look after themselves, but I'm referring to the people who did not have that opportunity. As I mentioned in my brief, for people who started teaching in 1961, when I did, if you married, you lost your permanent contract. If you became pregnant you lost your job. Therefore, I'm talking about those seniors who were disadvantaged a while back. I'm not talking about the baby boomers, because they're the ones I referenced, for whom there will be very little differential between their pensions.

**The Chair:** Mr. Del Mastro, she's talking about my mother.

I remind committee members we will reconvene at 3:30 this afternoon. As well, tomorrow, because of the pending vote, we will compress our two panels into an hour each. I look forward to having you all back.

To this panel, thank you very much. They were very stimulating presentations. We appreciate your time and your presence here very much.

Thank you again.

We are adjourned.

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