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Mr. Brian Pallister

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•(1300)

[English]

The Chair (Mr. Brian Pallister (Portage—Lisgar, CPC)): Welcome to all of you, and thank you for taking the time to be with us today. We appreciate it and appreciate the time you've taken also in preparing your briefs, which, if they haven't all been distributed, will be following their translation.

As you know, we're mandated by the House of Commons to consider your input and the input of Canadians, as we are doing in the next few weeks and have for the last couple, in preparing recommendations to the finance minister for the upcoming budget.

I appreciate the fact, as I said, that you are here today, but I also want to remind you that we are limited in terms of time, so you have been asked to confine your remarks to five minutes. I will give you an indication when you have a minute remaining and will become increasingly agitated in the last minute, which will become apparent to you. But I will give you an indication that you have a little bit of time left, and I will cut you off at five minutes. I just want to give you that advance warning.

There will be a couple of other committee members joining us, and you should be aware that they also review your briefs. We keep minutes of our discussions, so they will be reviewing those after the meeting as well.

We'll begin with the B.C. Child Care Advocacy Forum representative, Rita Chudnovsky.

Welcome. You have the floor for five minutes.

Mrs. Rita Chudnovsky (Facilitator, B.C. Child Care Advocacy Forum): Thank you very much.

I'm actually sorry to ask this, but I'm wondering if we can skip to Michael, because I gave my speaking notes over for copying to the translator and I don't yet have them back.

The Chair: I don't think we have a problem.

Michael, will that be fine with you? Good.

Mrs. Rita Chudnovsky: My apologies.

The Chair: That's not a problem.

From First Call: BC Child and Youth Advocacy Coalition, Michael Goldberg, chairperson.

Welcome, Michael. Please proceed.

Mr. Michael Goldberg (Chairperson, First Call: BC Child and Youth Advocacy Coalition): Thank you.

I thought we only had two and a half minutes so I made my notes short, but I can always elaborate.

We're very pleased to be here. I'm the chair of First Call, and First Call is a coalition of provincial and regional organizations. Combined, the partner organizations have over 100,000 members, so we represent a sizable part of B.C.

All the partners are committed to the UN Declaration on the Rights of the Child, which says children and youth should have first call on society's resources—hence, the name, First Call.

Our brief, which was sent ahead of time and which I believe all of you have in front of you, has six recommendations. In the two and a half minutes I thought I had, I knew I couldn't read all six of them, so I'm going to let you just take a look at either the executive summary or the arguments around the particular recommendations. Many of them will be familiar to you in terms of raising the child tax benefit, child care, etc.

I did want to say that we note in our paper that the Global Competitiveness Report of the World Economic Forum shows that there is no one way to achieve productivity and economic growth, which was at the heart of the questions you had asked us to comment on.

For example, in the report that was just released last week—we give you the previous year's data in our brief—Switzerland is now ranked as the number one country overall this year, but the report also notes that, “Scandinavian countries remain among the top performers with Finland, Sweden, and Denmark ranked 2, 3, and 4th respectively.” And the U.S. now ranks sixth, and Canada now ranks 15th.

The report notes that the Scandinavian countries have strong public institutions, budget surpluses, and low public indebtedness—critical factors in terms of issues around productivity and competitiveness. At the same time, we know that they have relatively high levels of taxation, but it is smart taxation.

One of the important things to think about is how we begin to pay for the programs that we desperately need if we're going to begin to grow from our rank of 15th to somewhere higher up on the competitiveness chart. Canada clearly has the capacity to have similar outcomes compared to the Scandinavian countries if, as we note in our brief, much more attention is paid to eliminating wasteful tax expenditures, thereby increasing revenues, and no longer pursuing tax cuts that make little difference to ordinary Canadians but wind up costing the federal treasury huge sums of money.

For example, in the last budget—and in previous budgets, as this is not about any one particular party—there was the equivalent of some \$10 billion annually in tax cuts that were offered. That would have been more than enough to eradicate child poverty in this country.

• (1305)

The Chair: Now, Rita, I guess we will put you on the spot. I gather you have your notes back.

Mrs. Rita Chudnovsky: I do. Thank you.

The Chair: Please continue.

Mrs. Rita Chudnovsky: Thank you very much for allowing us to present our ideas.

I'm here on behalf of the B.C. Child Care Advocacy Forum. As our brief outlines, we are an alliance of six provincial organizations that bring together thousands of parents, caregivers, professional groups, and concerned citizens on child care in this province.

As our brief outlines, we know and the research confirms that child care is a multi-purpose program that supports social and economic goals, but given the focus of this year's pre-budget consultation and the focus of this committee, our brief and my even briefer comments are going to focus on the reasons that child care is part of the solution for Canada's place in a competitive world.

I want to briefly make four points.

The first is that the Canadian economy currently faces a growing labour shortage. This labour shortage has to some degree been offset over the last two decades by the unprecedented entry of mothers of young children into the Canadian labour force. Families and the economy are dependent on and count on women's economic participation, but without investments to support women's essential role in the home and in the labour force, the shortage will only worsen. Access to child care is part of the solution to this problem.

Secondly, the committee is concerned about a healthy and skilled workforce. The research is absolutely clear that the quality of the experience that children have in their early years matters. Our key trading partners recognize this and make significant investments in early childhood services. The recent OECD report highlights this and indicates that Canada is at the bottom of 14 OECD countries in terms of public expenditures on services for young children. Quality child care is clearly part of the solution to a healthy and skilled citizenry.

Thirdly, child care is part of the solution to regional and local economic development. A series of cost-benefit studies demonstrate a benefit over cost in public investment in child care, and those don't even take into account the regional and local stimulant. We know that given the small-scale nature of most child care and the wages paid in child care, these dollars are spent in the community. So investment in child care is part of the solution to regional economic development.

Finally, we would suggest that the market approach to child care, which has been evident in this country for over 30 years, has not worked. Families do not have access to the services they need, and those who do are paying more for early childhood than for university. The reason for this is that the broad social and economic benefits of child care are beyond the ability of individual families to

pay. We are asking them to make the highest expenditure at the time in their life when they're earning the least. Focused public investment in quality, accessible, affordable child care is part of the solution.

Our recommendations to the committee are the same as they've been in our previous submissions. We're looking for federal sustained multi-year funding that moves child care away from a user fee system to a publicly funded one. As a starting point, we're asking for a \$5 billion commitment over five years, tied to provincial and territorial action plans.

Thank you.

• (1310)

The Chair: Thank you very much.

We'll move to the presentation from the Forest Products Association of Canada, Avrim Lazar.

Thank you, sir.

You're welcome to proceed. Five minutes is yours.

Mr. Avrim Lazar (President and Chief Executive Officer, Forest Products Association of Canada): Thank you.

Thank you so much for holding these hearings. Many of the members of the committee have forest product mills in your ridings, and those of you who don't have them have spinoff jobs. There are 250,000 direct jobs, and then there are another 750,000 jobs, many of them in Toronto, Montreal, and Vancouver. We're talking here today about jobs and what it takes to keep jobs in Canada.

The bottom line is pretty simple: keeping jobs in Canada requires investment in Canadian facilities. Investment comes if two things are present. Investment comes if the industry is doing its job and becoming more productive and more efficient. We've been doing that year after year—more than the rest of Canadian manufacturing—and we've become more productive than the U.S. industry. We've been doing our part.

The second thing that draws investment into Canada to keep our mills operating is a competitive business climate. A key piece for a competitive business climate is not punishing investment. In Canada, we have a higher tax rate on investment in forestry than any of our competitors. No other forestry nation in the world taxes investment as high as Canada does. In fact, we tax investment in forestry more than we do mining and oil and gas.

If you want something, you shouldn't punish it. We are asking the government, and we're asking the committee to recommend to the government, that we change the tax regime to reward rather than punish investment.

We have three specific suggestions. The first, which we share with most manufacturers in Canada, is an accelerated capital cost allowance—two years, straight line. You have of course all the details in our submission. It's a beautiful measure because it doesn't cost you a penny, unless we invest. It's specific: you want to see investment, accelerate the write-off, and the investment will come. It doesn't cost anything unless you get the behaviour you want, which is investment in Canada.

The second suggestion is that we make the SR and ED tax credit for research refundable. Why refundable? Because when business is bad, companies should still invest in research. But when business is bad, the tax credit is eliminated. We're not allowed to have access to it because we have no profit. We want investment in research, year in and year out, at the bottom of the cycle, at the top of the cycle, so we can stay competitive. Let's not cut off companies that are not making a profit from the tax credit, let's make it refundable.

The third suggestion is to create a tax regime that encourages getting off fossil fuels and on to biomass. Biomass gives you zero Kyoto greenhouse gases and cleaner air; it reduces the mills' dependence on fossil fuels, allowing us to keep the mills open.

With those three things, we would have a more competitive business climate, there would be more investment in Canadian mills, and we'd keep more jobs in Canada.

Thank you.

The Chair: Thank you very much, sir.

We continue now with a representative on behalf of Hydrogen and Fuel Cells Canada, John Tak, president and CEO.

Welcome, sir. Please proceed.

Mr. John Tak (President and Chief Executive Officer, Hydrogen and Fuel Cells Canada): Thank you very much.

Hydrogen and Fuel Cells Canada is the national industry association representing companies and institutions operating in this sector. We have 75 members across Canada, and that's up from 65 members at the start of this year. This is made-in-Canada technology that is primarily driven by clean air, economic development in innovation jobs, greenhouse gas reduction, and energy reliability and security.

The state of the industry. Currently, our companies are investing over \$200 million a year in Canada in R and D; \$290 million in 2004. The entire energy sector is spending about \$650 million. This small group of companies is investing one-third of Canada's entire energy R and D. It's pretty significant and it's also a statement of what's happening in R and D expenditures in this sector in Canada.

It started out with Ballard Power Systems in the early eighties—everybody's heard of them—but not really much has been heard since. Since then, we have created over 2,000 jobs in the sector; R and D expenditure is about \$100,000 per employee; 90% of the product sales of over \$200 million are outside of Canada, and we have commercial products now. I think that's something people don't know. They're still expecting the cars, which are a few years down the road, but you can buy fuel cell forklifts right now, you can buy back-up power for data centres, which is critical. There are currently

100 fuel cell buses operating outside of Canada, and 60% of those have Canadian technology in them. So that's the state of the nation.

The investment by the private sector is about \$1 billion over the last five years. We have received, in terms of partnership support from the government, about \$100 million. That's a 1:10 ratio, and that's only in the last five years. Over the last 15, it's about 3¢ of public support for every dollar the private sector invests. That's great. We're happy with that, but it's not going to get us to where we need to go. In the biotech sector, for every dollar of investment, there's \$1.20 to \$1.30 of public sector investment to support it, and it's a big success across Canada.

What's happening overseas? We're not alone anymore. We started, and we are the leaders, but we're not alone. The U.S. is investing heavily in the sector, and Japan, China and Korea. That's good. It validates the sector. It also creates markets for us, because we export, but it also creates competitors and we are in danger of losing our lead.

In a nutshell, what we need to do is deepen the partnership. I already showed you how the private sector has been leading this. It isn't the government. I often have meetings in Ottawa and I've been told, "Oh boy, we spend so much money on this sector and what have we got to show for it?" Well, it's the private sector that's leading this, with \$1 billion of R and D investment over the last five years and about \$100 million in public support. Clearly, the private sector... We've got the jobs, over 2,000, but what we need now is to continue, over the next five years, support in terms of research and development for the technical challenges we need to solve for the bigger-volume commercial or consumer products. We need to continue doing demonstration projects. We run the Hydrogen Village in Toronto and the Hydrogen Highway in B.C., but we need to continue demonstrating this technology.

We need to stimulate demand, and that can happen through government procurement. If the government buys Toyota Priuses, there's no reason why it can't buy a hydrogen forklift from Canadian technology.

And we need access to capital. In terms of access to capital, we're talking about scientific research and experimental development, or SR and ED, credits. Currently, if you go public, you basically lose all your SR and ED credits, and that's a critical way to raise capital. So the definition of a Canadian-controlled private corporation needs to be revised and the limit needs to be raised from \$2 million, which is not sufficient to fund the capital that innovation-based companies need in Canada.

We are also supporting the implementation of flow-through shares for the hydrogen fuel cell sector. We have a proposal forward to Finance Canada, and it's being considered.

● (1315)

Those two things will maintain Canada's lead.

The Minister of Energy in P.E.I. met with them last week and was very proud of the fact that they had recently sent their first cheque for \$10 million to Denmark as a downpayment for a wind turbine. Wind is very good; it's mature, it's clean technology. But you're sending that \$10 million to Denmark. Let's do what Denmark did—foster the growth of this sector so we can maintain our leadership. We'll recoup our costs through exports and through the jobs we create here in Canada.

Thank you.

The Chair: Thank you very much, Mr. Tak.

We continue with Ken Kramer, who is with us today on behalf of Muscular Dystrophy Canada. Welcome. Five minutes to you.

Mr. Ken Kramer (Chair, Muscular Dystrophy Canada): Good afternoon, Mr. Chairman, honourable members. My name is Ken Kramer and I am the chair of the national board of directors of Muscular Dystrophy Canada, and a lawyer and president of KMK Law Corporation, a law firm located in downtown Vancouver.

Since 1954, Muscular Dystrophy Canada has been committed to improving the quality of life for the tens of thousands of Canadians living with neuromuscular disorders. Our organization provides funding for leading research for the discovery of therapies and cures for neuromuscular disorders. We also provide various services to Canadians with neuromuscular disorders, including assistance in the purchase of wheelchairs. I'm here to make you aware of a lamentable situation with regard to the funding available for persons with disabilities and to offer solutions that I hope you will strongly consider.

There are currently major inconsistencies in the levels of service, funding, and accessibility offered between provinces when it comes to wheelchairs. The result of this lack of funding is that non-profit organizations such as MDC are obligated to use a significant portion of their limited funds to pay for people's wheelchairs, instead of allocating it towards the research that will find a cure for degenerative disorders.

While some provincial programs will cover the entire costs associated with purchasing a wheelchair, others will only provide funding for children or for those who are on social assistance. While some provincial programs boast wait times of six to eight weeks to obtain a wheelchair, others take over six to eight months to provide medically necessary equipment. Some provincial programs offer

readily accessible information about their program requirements and processes. Others, however, don't even have an official wheelchair program in place, making the necessary information very difficult to find.

Wheelchairs are a fundamental need for those who require them. Those in need should not have to deplete their savings before receiving funding from the government. If the government state is willing to pay for someone to obtain a hip replacement so that they are able to walk, then it should also pay a person's wheelchair if that is what he or she needs to get around.

To that end, MDC, along with five other like-minded organizations, has recently launched a national wheelchair strategy in which we ask the government to implement the following three important pillars: one, national standards to ensure that the levels of service and funding provided to those in need of a wheelchair are consistent across provinces; two, federal transfer payments to enable all provinces to provide full funding for the residents' wheelchair needs; and three, the creation of a one-stop-shop information venue whereby information about the various provincial programs, requirements, processes, and contacts would be available through a national phone service and website.

MDC believes that these measures are directly linked to helping Canada secure a prominent place in this emerging global economy. By implementing the above-mentioned ideas, Canadians with disabilities will have an increased chance of obtaining the necessary skills to contribute meaningfully to society. Without a national wheelchair program, as is the case now, some Canadians with disabilities will find it more affordable to rely on social assistance rather than working, since being employed would mean that they would have to deplete their entire savings to obtain a wheelchair, a purchase that can cost tens of thousands of dollars.

For example, the chair that you see me now in cost approximately \$25,000. Because I can be independent through the use of this highly sophisticated electric wheelchair, I am able to run a successful law firm in downtown Vancouver where I employ three other people. Without this chair, I could not contribute to Canada's economy nearly as much as I do now. The notion that a person with a disability cannot afford to work because of what he or she will have to pay for a chair is wrong and certainly does not further Canada's economic situation. The time has come for wheelchairs to be a core part of our national health care strategy.

• (1320)

We call on you esteemed members of the finance committee to help make the national wheelchair strategy a reality. Every Canadian deserves to live with dignity, independence, and the opportunity to contribute to his or her community. Without a prescribed mobility device, however, many Canadians cannot participate in making Canada stronger and more productive.

Thank you.

The Chair: Thank you very much, Mr. Kramer.

We continue now with Michael Loo, who is representing the British Columbia Council for International Cooperation.

Welcome, sir, you have five minutes.

• (1325)

Mr. Michael Loo (British Columbia Council for International Cooperation): Good afternoon. Thank you.

My name is Michael Loo, and I am the director of the B.C. Council for International Cooperation. We are a membership-based organization for over 20 B.C. civil society organizations.

We are part of an international campaign called Make Poverty History. I am among the over 225,000 Canadians who signed on to the Make Poverty History campaign, believing it's time for Canada to do its part to end poverty globally and at home.

In my presentation, I will concentrate on two points. The first one is on more and better aid, and the second one is on ending child poverty in Canada.

Globally, 50,000 people die every day from poverty-related causes. It simply does not have to be this way. More and better aid is needed to help end extreme poverty and hunger, to enable every child to attend elementary school, and to create decent jobs.

As many of you know, the UN set a target of 0.7% of gross national income for foreign aid. Prime Minister Stephen Harper made an election promise to match the OECD donor performance average, which was 0.42% of gross national income in 2005. We believe it's time for the next federal budget to deliver on this election promise and to meet the 0.7% aid target by 2015.

The Canadian Council for International Cooperation has calculated that Canada could meet the 0.7% aid target by 2015 if there were an increase of 18% in the aid budget. The BCCIC and its members believe it's time for the government to increase foreign aid so that we reach both the UN target and the millennium development goals by 2015.

We also need better aid. Canada needs to improve the quality of its aid, focusing on poverty eradication and on the promotion of human rights.

The BCCIC welcomes the passing at second reading of Bill C-293. We applaud the work of Mr. McKay and the bill, which calls for Canadian foreign aid spending to focus on ending poverty.

My last point is this. It's time to end child poverty in Canada. The next federal budget could take a big step towards eliminating child poverty by increasing the maximum child tax benefit to \$4,900 per

child. It's also time for the federal government to develop a national poverty reduction strategy.

To conclude, it's time to make poverty history. Thank you.

The Chair: Thank you, Mr. Loo.

Our next presenter will be from the Tenants' Rights Action Coalition, Martha Lewis, executive director.

Welcome, Martha, please proceed.

Ms. Martha Lewis (Executive Director, Tenants' Rights Action Coalition): Thank you.

My understanding was that the theme today was Canada's place in a competitive world, so I've tried to place housing within that context. Housing is a basic need for everyone in the world, for the man who's just paid off the mortgage on his dream house and for a child who's in a temporary shelter because her family's looking for housing.

The problems about a lack of housing and the effect that has on individuals and the economy are well known; the research has all been done. In your package, I have provided copies of some papers, some excerpts of papers that were already submitted to pre-budget consultations in Ontario, one from landlord organizations, one from the Wellesley Institute. Rather than your having to read everything twice, I'm here in support of what other people have submitted.

The other two documents were not submitted for this session: one was a background paper for Diane Finley's round-table discussion on housing that was held last month, and the other from the Ontario Non-Profit Housing Association. All these offer possible solutions. We don't need to reinvent the wheel; the solutions have also been identified, and there's certainly a role for the federal government to play in coming up with these solutions.

For the last 20 years there's been a 25% decrease in the funding provided by the federal government for housing. We're the only OECD country that doesn't have a national housing policy. We've just been slapped by the UN rapporteur for what's happening with housing in this country. It affects our trade or our competitive position by sending a message to people who may be considering coming to live in Canada that it might be a less than ideal place to live. I know we're considered very safe and we're not a war-torn country; however, housing has become increasingly expensive, and a quarter of a million Canadians each year go through a period of homelessness. These stats are laid out in the Wellesley Institute paper.

Visible homelessness is already affecting tourism in Vancouver and Victoria—I don't know about the other provinces because I tend to focus on the local papers—and conferences have been cancelled by American groups because they don't like the aggressive panhandlers they see in Vancouver. There's a reason for these people being out there; they're not housed in a stable place.

It does take all levels of government to tackle the problem, but there's a huge role for the federal government, and our government does have responsibilities. In an ideal world, the market and individuals would solve every problem, and there wouldn't be a need for government policy, but we all know that's not the case. We're calling for a national housing policy, for tax policies that will encourage rental landlords, market landlords to build more housing: There's a real shortage of rental properties, and that's all a result of tax policies that were put in place in the seventies and eighties. We need a commitment of funds for social housing as well.

If we don't, there's a pressure on wage rates, and it's not going to help our competitive position if we have to keep providing higher wages for our workers. In the paper I handed in earlier, I gave the example of Holland, where after the war social housing was built so wage rates could be kept down and the country could compete internationally.

That's all I have to say. Thank you.

• (1330)

The Chair: Thank you, Ms. Lewis.

The next presenter is from Results Canada, Blaise Salmon, president. Welcome, sir; five minutes to you.

Mr. Blaise Salmon (President, Results Canada): Thank you.

Results Canada is a citizens' advocacy group with chapters across the country. We work to generate the political will to end hunger and the worst aspects of global poverty.

We are a member of both the Canadian Council for International Co-operation and the Make Poverty History campaign, which my colleague Michael just mentioned and which has the support of almost a quarter of a million Canadians pressing the government to take more action against global poverty.

Canada's foreign aid is currently about 0.3% of gross national income, far below the 0.7% that is needed to reach the millennium development goals. These goals are intended to cut extreme poverty by 50% by the year 2015.

As Michael mentioned, during the election Prime Minister Harper promised to bring Canada's aid up to at least the average of other donor countries. However, this will require increases beyond those currently planned, so it seems that Canada, despite a long string of budget surpluses, will not reach even the average level of generosity promised by Mr. Harper. Clearly, we must do more.

In addition to more aid, of course, we must provide better aid. We also welcome the initiative of Mr. McKay with Bill C-293, the Development Assistance Accountability Act, which will bring Canada closer to better and more poverty-focused international aid.

In addition, we believe Canada should focus aid on those actions that have the greatest impact. I'd like to focus on two today: disease and microcredit.

Together, the three diseases malaria, tuberculosis, and AIDS kill six million people a year. This is a holocaust of preventable death each year. Malaria and tuberculosis in particular need additional funding from both CIDA and the World Bank. Canada has made important contributions to the global fund to fight AIDS, TB, and

malaria, but more is needed to reach our fair share. More details and numbers are in the brief.

For the rest of my time, I'd just like to speak about microfinance, a topic that I hope will be of special interest to this committee.

As we sit here today, over 1.2 billion people struggle to survive on less than one U.S. dollar per day, a massive tragedy of human suffering and lost potential. Microcredit is probably the single most important solution to this problem. Microcredit provides the very poor with a no-collateral loan from as little as \$3 to no more than a few hundred dollars to start or expand small self-employment businesses, such as selling clothes, making food to sell, operating bicycle rickshaws, or renting out cell phones. Repayment rates are typically over 98%.

In the harsh conditions of the informal economy that employs millions around the world, microcredit has proven to be a powerful tool to help people lift themselves out of poverty and improve their nutrition, their housing, and their education. Experiences from countries as diverse as Bangladesh and Bolivia show that extreme poverty among microcredit borrowers can be reduced by 70% within five years of entering a loan program.

In contrast to charity, which becomes more expensive with every person helped, microfinance becomes self-sustaining once it reaches a large scale. This is one of the unique strengths of microcredit as a force for ending extreme poverty. However, start-up funding is required.

Both CIDA and the World Bank give far too little to microcredit, well under 1% of their respective budgets. In CIDA's case, microcredit spending has actually declined 25% over the past five years, to about \$30 million per year.

To raise the profile of microcredit, our group has organized the Global Microcredit Summit, to be held next month in Halifax, from November 12 to 15. The microcredit summit campaign was originally launched in 1997, and so far it has resulted in a tenfold increase in the number of poor people with access to microcredit around the world, from seven million people in 1996 to over 92 million people by 2005. Over 2,000 microfinance practitioners and borrowers from over 100 countries will attend the Global Microcredit Summit next month, which will be convened to share best practices and set a new goal for 2015, the target date for the millennium development goals.

•(1335)

I'd like to extend an invitation to the members of this committee to join me in Halifax to learn more. Microcredit is short-term aid that becomes self-sustaining after a start-up period of donor support. As such, it's one of the best examples of effective aid and must receive much more attention from Canada's aid program.

Thank you.

The Chair: Thank you very much, Mr. Salmon.

We continue with Alan Winter, who is here on behalf of Genome British Columbia. Welcome, sir, and proceed.

Dr. Alan Winter (President, Genome British Columbia): Thank you, Mr. Chairman, distinguished members of the finance committee, and my colleagues.

First of all, thanks for travelling to Vancouver.

I want to address the question you asked—Canada's place in a competitive world—in three ways: first, around life sciences; second, around Genome British Columbia, which is the organization I represent; and third, with recommendations to the finance committee.

First of all, in terms of life science and the business sectors they support, they're increasingly important to the prosperity of British Columbia and Canada. These sectors include such areas as health; forestry, as we've heard; fisheries; agriculture; livestock; wine; environment; and also bio products increasingly for mining, energy, and other industries. I understand the committee is going to Fort McMurray at one point, and one of the interesting things is that we have a project starting with the province of Alberta around microbes in that area to reduce the viscosity of the tar sands. To some extent, life science permeates a lot of the industry and the competitiveness of that industry, as we see it now.

As you know, all living organisms, whether bacteria, microbes, or viruses, have genomes, and this describes to some extent their whole and complete set of genes and genetic material. It's really this underlying molecular understanding of life sciences that's critical to us in Canada, as we look at the universities developing skills for the 21st century, or our innovation capacity that requires infrastructure, or even our industry sectors in Canada that are trying to compete in a global-based economy.

To quote Henry Friesen, for example, "Genomics and proteomics will be to the next 20 years what computers and the Internet have been for the last—a quantum step into new frontiers of knowledge, transforming how we view disease, how we manage our resources, and how we generate energy." That's life sciences.

Turning for a moment to Genome British Columbia, we've been quite involved in the economic sectors in British Columbia. We started in 2000, and motivated by Dr. Michael Smith, who was a Nobel laureate here in life sciences, we've really become a tenet or an anchor franchise, if you like, for genomics research in British Columbia and key to the province's life science strategy. The province, to some extent, is a life science province. We don't have automobile manufacturing and other things like that necessarily here.

We have now an approved \$300 million program from 2000 on, including 28 large-scale projects in each of these areas of life science, and they're all supported by substantial community infrastructure, technology and science platforms at universities, teaching hospitals, and industry. It's an effort that to date has created more than 500 jobs, trained more than 700 researchers, produced over 1,000 scientific articles and papers and so on, and is critical to the success of the province in this knowledge-based economy.

I've told you about Genome British Columbia because I think you should feel proud. In fact, all of this has been possible really only because the federal government some time ago made a strategic investment in Canada's future in research and development. Genome Canada was created six years ago. This is an independent organization, but we're linked by contract.

Half of the \$300 million coming into British Columbia comes from Genome Canada in national competitions. We have to compete for it. With the help of partners—the provincial government, industry, foundations, and so on—we've raised the other \$150 million, all being put into these areas of genomics. This is one of the largest targeted research programs in British Columbia's history.

That's Genome British Columbia.

Thirdly, in terms of recommendations, our request to you today is fairly direct. We're asking you to recommend to the Minister of Finance and his department to fund Genome Canada in the 2007 budget. Genome Canada has been successful, and as a result, Genome Canada has few uncommitted funds remaining.

In the last six years Genome Canada and the genome centres like ours have leveraged \$600 million in federal funding into more than \$1.4 billion of research. That has led to a significant number of links with biotech companies, inventions, and so on. If we just look at one company, Genentech, in California, which was created in 1976, that company today is worth more than the Royal Bank, Alcan, Bombardier, and Noranda combined. The time has come for Canada to generate its own Genentech.

•(1340)

Mr. Chairman, we would urge investment in Genome Canada this year because it is accountable and results-oriented; because it's critical to the success of organizations such as mine, Genome B.C.; because it enables Canada to be on the leading edge of genomics research and to address the commercial and social challenges we face; and because it's critical to competitiveness in the life science sectors of health, fisheries, forestry, agriculture, mining, energy, and the environment—in other words, in our global knowledge-based economy.

Thank you very much.

The Chair: Thank you, sir, and thank you all for your presentations. Well done.

We begin with Mr. McCallum. You have seven minutes, sir.

Hon. John McCallum (Markham—Unionville, Lib.): Thank you, Mr. Chair, and thank you all for your very interesting and thought-provoking presentations. Thank you for giving us all the opportunity to be here in B.C. today.

I'd like to start by doing a little poll—just a yes or no or abstain from each of you.

The question has to do with the government's reduction of GST. Of course you pay lower GST, but you have to bear in mind that two points in the GST equal \$10 billion to \$12 billion a year, which crowds out most other things.

I ask you, then—is this move to reduce the GST a good thing? You can answer yes, no, or abstain. I'll start with Mr. Lazar.

Mr. Avrim Lazar: Unfortunately the rules are that I get to choose my answer, and I'll stick with our original presentation, which is that taxing investment is a bad thing, while reducing taxes in investment would be a very good thing.

Hon. John McCallum: But this is tax on consumption.

Okay.

Mrs. Rita Chudnovsky: Tax cuts don't build child care.

Hon. John McCallum: Okay, so that's a no.

Mr. Avrim Lazar: That's two disobedient witnesses.

Mr. Michael Goldberg: No. It's not a part of smart taxation.

A witness: No.

•(1345)

Mr. Ken Kramer: I must say that if we had 7% GST, we might be able to fund wheelchairs across Canada.

Hon. John McCallum: I'll take that as a no.

Mr. Loo, what do you say?

Mr. Michael Loo: No.

Mr. Blaise Salmon: No.

Dr. Alan Winter: Abstain.

Hon. John McCallum: Thank you very much.

My next question is to Mr. Kramer. I'm an economist. I never thought of wheelchairs as an investment, but when you put it that

way, it makes a whole lot of sense from society's point of view, and I really like your idea.

Never having needed one myself, I did not know the cost was as high as the \$25,000 you mentioned.

Mr. Ken Kramer: It's up to \$25,000, and perhaps more.

Hon. John McCallum: I really like your proposal. Do you have any idea what the total cost might be, in round numbers?

Mr. Ken Kramer: That's a very good question, honourable member, and it's a question that we have also tried to work out ourselves. In fact, when I was on the Hill in June announcing the strategy, many of your members asked that same question.

I can tell you that Muscular Dystrophy Canada funds approximately \$400,000 from our \$8 million annual budget to wheelchairs and other equipment needs. I have no sense of what the national standards are in that area, but I can say there are approximately 155,000 Canadians in this country who rely on a wheelchair.

Hon. John McCallum: Thank you.

Mr. Winter, I am a great supporter of Genome Canada and of funding for research and innovation in universities in general. Do I take it that Genome Canada, or Genome B.C., received nothing in the last budget?

Dr. Alan Winter: I can speak for Genome B.C., which is an organization independent of Genome Canada. We compete for Genome Canada funds; they would fund 50% of anything we do. In the last provincial round Genome B.C. received money, but in the last federal round Genome Canada did not.

Hon. John McCallum: I think you've made a very solid case for the importance of your entity in particular and of this kind of thing in general, because we're not going to flourish as a country on the basis of low wages competing with Asia; we need to use our brainpower.

If no money is forthcoming in the next budget, does this mean you're basically running out of money, and Genome Canada is also running out of money, so it's an urgent matter to be funded in the next budget?

Dr. Alan Winter: Yes, I do believe it is certainly an urgent issue. Part of the reason is that we have national momentum in this area, and it's fuelling to some extent some of the interest in attracting very good people and companies into British Columbia and other parts of Canada, so the answer to that question is yes, if eventually there is no funding from a national source, then to some extent it doesn't become a national priority.

Hon. John McCallum: Thank you.

Mr. Lazar, this question might be easier for you than the last one.

Mr. Avrim Lazar: I'd be grateful.

Hon. John McCallum: I'm a big fan of your proposal for the accelerated capital cost allowance, a two-year write-off for manufacturing in general, I believe, because I look across the country and see that sector struggling under the influence of the high dollar and higher energy costs and see many jobs at risk in many regions of the country.

There are two questions: one, do you know what this would cost per year; and second, would this be your top priority, if you only had one ask?

Mr. Avrim Lazar: I don't have the dollar costs with us, but they have been calculated and submitted to the Department of Finance. We can provide them to the committee as well.

One of the lovely things about it is that you actually collect the same amount of taxes; it just happens a little slower. We can write off the cost now; it's just that it takes so long that we can't afford to make the investment. But the marginal difference of collecting the taxes slower has been calculated; I believe the Canadian Manufacturers & Exporters did a technical paper that has been presented to the Department of Finance. We'll get you a copy.

If we could choose only one thing, it's getting the taxes on investment down to a straight two-year accelerated capital cost depreciation that would be the first priority, as it is with most manufacturing in Canada.

Hon. John McCallum: Thank you very much.

How much time do I have, Mr. Chairman?

The Chair: Virtually none.

[*Translation*]

Mr. St-Cyr, you have seven minutes.

• (1350)

Mr. Thierry St-Cyr (Jeanne-Le Ber, BQ): Thank you very much, Mr. Chair. My colleagues will not be surprised to hear that my first questions will be on child care.

I liked the presentation of the BC Child Care Advocacy Forum. I looked carefully at your brief and I found that very interesting because, in addition to sociological arguments which are often brought forward, you talked about the economic impact on day care centres and child care centres in the communities, but also about—and this is not often said—the economic impact of the presence of women in the labour force.

If our society is rich, it is in great part due to the massive entry of women in the labour force. I find this interesting and maybe it is the kind of argument which will have more effect on our conservative colleagues and possibly bring them to their senses on this issue.

I saw that you have four recommendations. The first three deal more with the development of a child care system in Canada whereas the fourth one dwells more on income support, thus on benefits.

If you had to choose—because means are often limited—what choices would you make? Should we invest first in child care or give benefits directly to families?

[*English*]

Mrs. Rita Chudnovsky: Thank you.

I'm here representing the Child Care Advocacy Forum. We see child care as part of a comprehensive family policy that needs to provide both income supports and access to child care and early childhood development services. Our priority right now is clearly to get back on track a sustained multi-year federal commitment to transfer dollars to provinces in order to begin building the kinds of child care systems Canadian families need.

We think there continue to be other kinds of supports, and Michael and others can speak to those. We do not pit income support against investing in quality early childhood services. Canada can afford to do both. But our priority is—because the threat right now is the essential \$950 million cut in federal transfer payments projected in the next fiscal year—to get that funding back on track.

[*Translation*]

Mr. Thierry St-Cyr: Now, I talked about it this morning and I would like to know your organization's opinion on this. You certainly heard that, in Quebec, there are the early childhood centres, child care systems with reduced contribution which make that Quebecers claim less tax credits for child care than the rest of Canadians since they pay directly for child care services, in great part through their taxes and save the federal government \$250 million a year.

Do you think this money should, as requested by the Quebec government, be returned for the improvement of its child care program or should we, as is presently the case, ensure that this money is used for debt repayment?

[*English*]

Mrs. Rita Chudnovsky: I hope I caught all of the question. I will be very honest and say that I have many more details at my fingertips about the child care financing in British Columbia than in Quebec. We are well aware that Quebec has made a commitment to build the system and is moving forward.

We support federal dollars coming to provinces, which provinces use in a variety of ways to build child care systems. Given that Quebec has the most developed child care system in the country and has taken significant steps in this regard, we clearly see that Quebec would negotiate that with the federal government in the way you need, to support your families and build your systems.

[*Translation*]

Mr. Thierry St-Cyr: Mr. Goldberg, do you have an opinion on this issue? Do you think that the money saved by the federal government in tax credits on child care should be remitted to the Quebec government so that the latter can put it in its system?

[English]

Mr. Michael Goldberg: I wasn't sure we would get into a federal-provincial situation today.

A voice: It's every day.

•(1355)

Mr. Thierry St-Cyr: We're talking about day care. It's a provincial issue, so....

Mr. Michael Goldberg: One of the things I think the government could argue about the child care allowance to families—which I call a family allowance, that \$100 a month—is that in fact the payment is to individuals rather than to the state, in this case the provincial state. To me it seems that what's really critical is how we make sure that the revenues that are needed to pay a universally acceptable quality child care program and ensure that children don't grow up in poverty are available. Clearly there is a role for the federal government and clearly there is a role for the provincial government.

If you ask me what portion of what should go between which, that's a very complex discussion that goes well beyond what I could probably give you today. But I'd be pleased to talk to you afterwards.

[Translation]

Mr. Thierry St-Cyr: I have another question but you will be disappointed, because we will stay in the federal-provincial area.

I read in your brief, on page four, that there was a recommendation whose purpose was to make any increase of federal funding of education conditional to a freeze of tuition fees.

Isn't education the exclusive jurisdiction of Quebec and the provinces? Would you be prepared to lift that condition for Quebec, which already has the lowest tuition fees and which absolutely wants that no condition is imposed upon it in its own fields of jurisdiction?

[English]

Mr. Michael Goldberg: Again, I think that of necessity we would need to look at an asymmetrical arrangement between the federal state and the provincial government. Quebec is in a unique situation. You are well ahead; your tuition fees are lower than everywhere else. What has been disappointing for us who are not in Quebec, the rest of Canada, is that provinces behave very badly in terms of what they do with federal money, and in part that's because there are not conditions attached.

We think that in this particular case, if the federal government is going to assist in the post-secondary education field, any new federal money should only go to provinces if they behave well. In Quebec's case, you're already behaving well.

The Chair: *Monsieur St-Cyr, merci beaucoup.*

Madam Ablonczy, you have seven minutes.

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

I appreciate all of your presentations. We find this consultation very helpful.

What I personally don't find helpful is Mr. McCallum's penchant for using his questioning time to fight political battles he's already lost, particularly on the GST. It passed, and it passed because

Canadians voted for it. Canadians knew this government was going to do it. And guess what? We keep our commitments. That is the way it is. I'm sorry Mr. McCallum lost that battle, but I don't think it's very helpful for him to try to keep fighting it on your backs. I apologize on your behalf for that having had to happen.

I want to move to some of the issues on the GST, particularly with the Council for International Co-operation, and ending child poverty. You may know that the Make Poverty History study of 2004 showed that low-income Canadians actually pay a disproportionate amount of tax because of the GST. In fact, the study showed that one of the best ways to help low-income Canadians would be to reduce the GST, because proportionately that hurts them the most. In fact, my friends in the NDP made that very policy issue a plank in their 1997 platform—to reduce the GST—so that it would assist low-income Canadians. I wonder whether you would comment on that study and on whether you have plans to do a further study to see what positive impact on low-income Canadians the reduction in GST will have in future.

Mr. Michael Loo: The quick answer is no, we won't do the study. We are a sister organization to the Canadian Council for International Co-operation. They would be in a better position to do policy work.

Ms. Diane Ablonczy: So you haven't done any interface with them.

•(1400)

Mr. Michael Loo: No, we haven't.

Ms. Diane Ablonczy: I wonder whether your group and Results Canada can comment on the foreign aid that Canada is giving. I think we all agree we would like to do more, and as Canada prospers, we want to share that prosperity with others in the world because there's just a number of good reasons to do that.

You mentioned specifically TB and AIDS. Do you find that the assistance that's being given now is effective? Sometimes we substitute just giving the money for actually getting results for people in need, and so I just wonder what your assessment is of just how effective those dollars are proving to be, because you're closer to that than we are. Do you have any suggestions for making them more effective?

Mr. Blaise Salmon: Sure. Especially with TB, Canada is one of the world leaders. In fact, CIDA claims to have saved over a half a million lives with their TB funding alone. And particularly on the Global TB Drug Facility, which provides cheap drugs for tuberculosis patients around the world, Canada was a leader in establishing that, and other donors have now jumped in and followed our lead.

Ms. Diane Ablonczy: I do understand that in spite of promises made by Canada, no actual AIDS drugs have actually reached third world countries where they're needed. Do you have any suggestions as to how we can alleviate that? We have to stop talking and start delivering. What's the hold-up?

Mr. Blaise Salmon: I'm not as familiar with that one, other than that there's no actual AIDS drugs through the Jean Chrétien pledge to Africa act. There has been lots of other AIDS drugs delivered through our other AIDS funding, but I think there's still work needed on that one to engage the generic drug companies, and on the government side to make that actually work.

Ms. Diane Ablonczy: Do you have any suggestions as to where the roadblocks are? Are the pharmaceutical companies being a problem? Is it the conduit, the delivery about the system that's a problem? Can you identify where the roadblocks are?

Mr. Blaise Salmon: Sorry, I'm not the guy to ask on that one. It's not one of our issues.

Ms. Diane Ablonczy: I want to talk to Mr. Winter for a moment, because his outline of the research that's being done is very exciting.

Canada, of course, can be a leader in knowledge-based initiatives like this because of many factors in our country. Where do we rank in the world in this kind of research? What do we need to do to take the lead and keep the lead and to be predominant in important areas of Canada?

Dr. Alan Winter: I think there's a number of ways, actually, to measure that. You can measure it at a scientific level, and then you can measure it really at an industry level.

On the scientific side, Canada ranks around sixth or seventh in the world in the area of generating genomics or proteomics papers, which are then ranked, as you know, on a peer review system and cited. Since we started to concentrate in this area over the past several years, we've moved from about seventh to about fourth in the world—

Ms. Diane Ablonczy: That's good progress.

Dr. Alan Winter: —which is, I think, good progress. The next stage, though—that is, in science and technology, if you like, generating the information—is critical. The issue, to some extent, is then making sure this information translates both for social good, in terms of how we change the health system, etc., and also in terms of industrial good or commercial opportunities.

There, in terms of, say, the biotech sectors, we're doing reasonably well. In terms of the number of companies in Canada, we're again at about fourth or fifth in the world. The problem is that we don't have very many large ones. So we have a lot of very small biotech companies in Canada, and I think the challenge we have around competitiveness is making sure that we have the intellectual property and the business environment to allow that to grow.

So we have good investment, if you like, in terms of the science, and I think we can show progress there. We have good investment in terms of the number of companies. I think to move those companies up to the level of a Genentech, as I mentioned, is something that would really be very exciting for us in Canada, if we could.

The Chair: Thank you, Dr. Winter.

We'll continue with Madam Wasylycia-Leis, for seven minutes.

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

It seems to me what I'm hearing most of the panellists say—and I don't want to put words in your mouth, and I don't want to try to bias the discussion, which the chair will accuse me of—what you seem to be saying is that it's more important at this point to be looking at investing on a strategic basis in various sectors of the Canadian social fabric and economy, as opposed to tax cuts.

I think, Rita, you said it in your answer to John McCallum that tax cuts at this point are not a very positive public policy in the face of the dire needs we're facing.

I'd like some of you to comment on that, because I don't think the question is the GST cut versus the personal income tax cut at this point. It is really investing in areas where we can see some growth and positive changes.

Maybe I'll start with Tenants.

● (1405)

Ms. Martha Lewis: The thing with what's being proposed is that it doesn't require money on an indefinite basis. We're at a point of crisis at the moment. We don't go on building social housing forever. It has a long life and can be privatized when the need for social housing drops, which is happening all over Europe now. So it's worth putting the money up now for long-term benefits.

These include the fact that children who grow up in stable housing are proven to do better in school, and are more likely to join the workforce and be “productive members of society” rather than being so damaged as children that they're dependent on assistance for much of their lives.

I think it's short-sighted not to go into social programs now, just because it's cheaper this year.

Ms. Judy Wasylycia-Leis: I think on the environment we have a similar kind of issue.

Mr. Tak.

Mr. John Tak: Canada is an exporting nation. Our wealth comes from exporting, and in terms of our sector for hydrogen and fuel cells, we are going to be exporting and generating revenue that comes into Canada. So we're looking for an even playing field with the major markets.

Obviously the U.S. is Canada's largest export market. In the United States, they actually have a hydrogen and fuel cell strategy in which they have allocated \$4 billion over the next five years for R and D, demonstration programs, and tax incentives—credits on early procurement.

Ms. Judy Wasylycia-Leis: What you're talking about is strategic investment and maybe some tax changes or credits based on a very targeted basis, as opposed to blanket corporate tax cuts, as we heard the Vancouver Board of Trade and the Chamber of Commerce suggest this morning.

I want to ask Rita, because one thing the Vancouver Board of Trade didn't mention is that Canada has the lowest expenditure on early childhood education and care of all 14 OECD countries. I think it's only 0.25% of GDP.

I think it would be important for you to put this whole scenario in context—the wisdom of investing in early childhood education programs.

Mrs. Rita Chudnovsky: I want to repeat that we are well aware that many families are struggling financially and that there are a range of supports those families need. The point I was making before was that the evidence and the experience is very clear. Generally a tax cut—and Michael can speak way better than I can to the effectiveness of various tax cuts—will not create the child care system that children, their families, the economy, and the community benefit from.

We think the evidence is indisputable, and it is indisputable among our trading partners. Actually, just this morning I received the chart from the latest OECD report that shows public expenditures on early childhood education and care services in selected OECD countries, and Canada is spending less than 0.5% of GDP—the lowest of the 14.

This is not a wise way to think about both our current and future social and economic health, and clearly we are in a position where we can afford to do way better.

I'm not sure if that answers your particular question, but again we don't think this is a choice between a series of measures that ensure families have a decent enough income to put a roof over their head and food on the table, and investing in a range of quality early childhood services to promote healthy development.

Ms. Judy Wasylycia-Leis: I know Mr. Lazar would like to answer this question, and I also want to ask Results Canada this. It's an excellent paper, but how do you deal now with the complete elimination of the whole social economy initiative as announced by the government on September 26, part of the \$1 billion cuts? In terms of this whole idea of trying to bolster local economies to overcome great problems around poverty and unemployment, we seem to be cutting off our nose to spite our face.

• (1410)

Mr. Blaise Salmon: I'd have to agree. I think in economic terms when you look at the cost of addressing global poverty, when you work in the cost of disease, the cost of terrorism and fighting violence that comes from poverty, and the lost trade and trading partners, and prosperity that is lost when you have extremely poor countries, I think it's a case that's overwhelming. When you're considering the small slice of our budget that we spend on aid, the costs are far worse.

Ms. Judy Wasylycia-Leis: I would ask Mr. Lazar to comment on this, plus on the softwood lumber issue, just to change tactics a little bit.

Mr. Avrim Lazar: I'd like to comment on your first question, if I may.

Ms. Judy Wasylycia-Leis: You could, and then pull in, if you would, the whole question of the 19% charge on companies that don't abide by the government's blackmail—

Mr. Avrim Lazar: Let me use my 30 seconds. It's a false dichotomy to say that we can have social values without having a competitive business climate. If you've ever gone to a mill town where we've shut the mill—

Ms. Judy Wasylycia-Leis: But no one's saying that. We're not saying not a competitive climate; that's not my question.

Mr. Avrim Lazar: Please, let me finish. I just want to make it clear for the whole committee that if you ever went to a town where we've shut the mills, you'd realize that investment in Canada has a social impact beyond anything any government program can do. And a second thing—

Ms. Judy Wasylycia-Leis: [*Inaudible—Editor*]...have that impact, then what?

Mr. Avrim Lazar: Let me finish, please.

The Chair: I'm sorry, I hate to get in the way of a good wrestling match, but we are out of time.

Mr. John Tak: Mr. Chair, can we stick to the mandate of the committee? It seems to be a political debate rather than direct questions about what's being put into the budget. From everybody, if we could do that, I'd really appreciate it.

The Chair: Thank you, Mr. Tak, for your input. Nonetheless, the members will decide how they question. Unless they threaten decorum to a degree that I determine is a threat to the relevance of the whole process, I'll let them go. But let's just use some discretion.

I'll use my prerogative to ask a couple of questions now.

Rita, you said tax cuts don't build a child care system. It would be implicit in that comment that tax increases do. You replied to Mr. McCallum that you agree with his sort of "leading the witness" questions about GST. So let me ask some straightforward questions.

What is it going to cost? What are you proposing? How much is it going to cost?

Mrs. Rita Chudnovsky: There have been variety of projections. The one the committee would have available is a document called *From Patchwork to Framework*, which lays out a 15-year plan for building a child care system across Canada, and that—

The Chair: How much is it going to cost, Rita?

Mrs. Rita Chudnovsky: When it's fully running, \$10 billion a year.

The Chair: Ten billion dollars? Okay.

On the foreign aid front, how much is that going to cost to get to 0.7%?

Mr. Blaise Salmon: About 3% of the federal budget.

The Chair: Which is how much?

Mr. Blaise Salmon: That would be \$10 billion to \$12 billion, depending on what the economy grows to.

The Chair: So those are going to require some tax increases. Which taxes would you suggest we increase, Mr. Salmon?

Mr. Blaise Salmon: I don't know if it would require tax increases.

The Chair: It most certainly would. Which ones would you suggest? Would it be the GST that you're talking about here? A 1% increase would be approximately \$10 billion, so we could just raise the GST to 8% and pay for both those programs.

You see, this is the challenge we face, and that's why I'm asking these questions. We need some specific suggestions and recommendations.

Mr. Goldberg.

Mr. Blaise Salmon: I'd like to answer the question, if I could.

The Chair: Yes, sir, quickly.

Mr. Blaise Salmon: Just to start, to get to 0.7% we need about \$700 million. We just had a surplus of \$13 billion. That's the answer.

The Chair: Thank you.

Mr. Goldberg.

Mr. Michael Goldberg: The answer is yes, I would very strongly urge that you increase the GST, perhaps to 8% or 9%, to get the revenue that you need, on condition that you also continue and expand the credit for low income so that it doesn't have the disproportionate effects that Mrs. Ablonczy was raising.

The Chair: Thank you.

Mr. McKay, it's your round, for five minutes.

Hon. John McKay (Scarborough—Guildwood, Lib.): Thank you for that neutral, non-partisan question, Mr. Chairman.

• (1415)

The Chair: I don't like being put on the defensive, but we're here to discuss specifics, not vague generalities and ideologies that were preconceived before these meetings began.

I'm asking for numbers. That's what we're here to do.

Mr. McKay, it's your five minutes.

Hon. John McKay: Thank you, Mr. Chair.

My first question is to Dr. Winter, who I have to declare a conflict of interest with, because Alan and I have been friends for 30-plus years, more years than we care to admit.

You made the point very graphically that if Genome Canada doesn't get funding, your access to funding may in fact dry up, or at

least part of your funding may dry up. What is the timeline in terms of a typical project? If you're not getting funding, how long does it take, effectively, for your projects to dry up?

Dr. Alan Winter: Most of the large-scale projects are of an order of three to four years. That's from science through to application—so application in terms of, for example, a lung cancer project or something like that.

Some of the projects are ongoing, with a life of about a year and a half beyond this point, and some of the projects go to about 2008. That's the length of time that the longest project goes. Part of the issue, though, is not only that but the fact that, to attract very good people into places—for example, Dr. Tom Hudson just moved to Ontario to take over the cancer effort there—the sort of people who have come from the States and other places generally look well ahead in terms of funding. So if there is not a plan for ongoing sustainability, then within a fairly short time—I would say within a year to a year and a half—you'd probably lose some of the very good people.

Hon. John McKay: So it's a huge signal to the research community that if funding doesn't come to Genome Canada, or funding doesn't come to CIHR, or funding doesn't come to the health or sciences research, or to the research chairs, or to the variety of foundations that we've funded over the last number of years, within a year or a year and a half some of the top researchers will be finding alternate places in which to do their work. Is that a fair comment?

Dr. Alan Winter: I think the issue, John, is really the fact that there needs to be some signal, one way or another, of the plan of the government to invest in science and technology generally, and that plan needs to be well understood. Any particular government needs to be able to send that particular signal, and that signal is the one that will determine our place in any particular area of research.

Hon. John McKay: Thank you, Alan.

To Blaise Salmon and to Michael Loo, first of all, thank you for the endorsement of Bill C-293. We're out of the House and into committee and hope to encourage the government members to see the light. We'll see.

I picked up on your point with respect to microcredit. I was kind of surprised to see, and in fact I'm shocked by, the reduction in microcredit funding. So I take it that it would be a specific recommendation of yours that it not only be restored to original levels, but actually enhanced. I see that as probably one of the leading tools for a reduction of poverty. Is that fair?

Mr. Blaise Salmon: Correct, and I think it's also part of the answer to the concern about aid, and about aid not working. This is a form of aid that actually is not pure charity; it's aid that becomes self-sustaining.

CIDA does not have an explanation as to why their microfinance funding has declined. It's actually more than I have in the brief; it was close to \$100 million seven years ago.

Hon. John McKay: I take it, Mr. Loo, you would adopt that answer.

With respect to the school funds, if in fact Canada picks up supplementing school tuition or whatever, how do you prevent the actual national government from simply, in other ways, replacing that money? In some terms, it has no effect.

The Chair: Unfortunately, your time is up.

[*Translation*]

Mr. St-Cyr, you have five minutes.

Mr. Thierry St-Cyr: Thank you, Mr. Chair.

First, I'm going to ask a few questions to Mr. Salmon, from Results Canada.

You are certainly aware that an act requesting that foreign aid be given according to the fight against poverty objective was passed in Parliament. This legislation was passed and only the government did not support it.

Despite everything, do you think that the government should conform to this legislation, respect the advice of the House and devote all its international development efforts to the fight against poverty?

• (1420)

[*English*]

Mr. Blaise Salmon: I think it's particularly important to maintain the poverty focus. For example, in Afghanistan and Iraq there's a tendency for aid to be diverted into areas that aren't purely poverty reduction. They sometimes have nothing to do with poverty reduction. I think it's very important for CIDA and our foreign aid money to stay focused on poverty reduction.

[*Translation*]

Mr. Thierry St-Cyr: I agree. You also talked about the issue of the fight against terrorism. We often hear this comment that, in the end, when we fight poverty, we fight indirectly terrorism.

I would tend to think that this is the case but is this something which is documented and demonstrated?

[*English*]

Mr. Blaise Salmon: In fact, I don't think it's exactly fair to say terrorism is caused by poverty. I think the general instability that comes from poverty might in fact create terrorism, but I'm not aware of any studies. I don't know about anyone else.

Mr. Michael Loo: No, I'm not aware of any.

[*Translation*]

Mr. Thierry St-Cyr: The other thing I wanted to know concerning your experience in foreign aid is whether you consider that the literacy issue is a good way to fight poverty in the world. Is it important or is it not really a priority?

[*English*]

Mr. Blaise Salmon: Absolutely. I think the World Bank has done a study that shows literacy, especially for girls, and education for girls is probably the single biggest investment that a country can make to fight poverty. In fact, the so-called Asian tiger countries that did this 20 to 30 years ago reaped the benefits of that.

Mr. Thierry St-Cyr: Was it done by the World Bank?

Mr. Blaise Salmon: Yes.

Mr. Thierry St-Cyr: That's nice to know.

Mr. Blaise Salmon: I can get it to you.

[*Translation*]

Mr. Thierry St-Cyr: It would certainly be interesting to do the same thing in Canada in order to continue to fight illiteracy.

It was said that fuel cells possibly could help us reach our objectives under the Kyoto Protocol in order to reduce our greenhouse gases emissions.

Mr. Tak, do you have an idea of the cost asked from government per ton of reduction of greenhouse gases?

What would be the efficiency of a program where we would invest in fuel cells?

[*English*]

Mr. John Tak: Yes, the hydrogen and fuel cell technology definitely improves emission particulates for clean air and greenhouse gases. It's a zero emission or a near zero emission technology.

As to the cost, we're making a proposal to match what the private sector is doing. We're calling for \$300 million a year in investment for the three areas I discussed. You can see that the \$1 billion the private sector has invested in the last five years alone—and the 2,000 jobs that have been created—clearly pays for itself. We're talking about an investment that has a yield, an economic yield, but it also creates jobs and income. Hopefully, those jobs will then alleviate some of the problems we're talking about with poverty in the country.

The Chair: Thank you, Monsieur St-Cyr.

We will conclude with questions from Mr. Dykstra. You have five minutes, sir.

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

Mr. Tak, I'd like to continue with a couple of questions and a couple of points.

We spent a lot of time talking about the benefits, the cost-benefit or not, of what the result of an investment would make. Obviously, research is one area that you've been talking about. If the industry has invested \$1 billion over years, it would necessitate partnership with the federal government to be able to try to do something similar. What is the cost-benefit?

We talked a little about greenhouse gas emissions going down. But on the cost, what are the hard facts? How much money are we actually going to invest versus how much revenue we can actually divert to other causes that are at the table today?

• (1425)

Mr. John Tak: Again, the investment the federal government has already made has been completely returned. The \$100 million alone, in terms of the income tax of the 2,000 jobs and the economic spin-off benefits, have already been returned multi-fold. So there's the immediate yield.

In terms of your question related to the impact on greenhouse gases, we're talking about implementing a 20-fuel-cell bus fleet in Whistler before, during, and after the Olympics. Over the course of that, there will be a reduction of, I believe, 50,000 tonnes of carbon dioxide, which is a major greenhouse gas.

The yield on investment is clear. The impact on the environment is clear as well. And it's technology that's made here. Canada is the leader in this technology.

Mr. Rick Dykstra: One other to follow that up is, what do you think a reasonable investment would be from the federal government over the next two to three years?

Mr. John Tak: I think \$300 million a year over the next 10 years would be a reasonable investment and would be matched by the private sector. It's not nearly what the U.S. is doing, but we are much more focused in what we're doing.

Mr. Rick Dykstra: Thank you.

Ms. Lewis, I had a couple of questions. One was if you were familiar with the fact that this budget actually included \$800 million for affordable housing across the country to be allocated on a per capita basis, and if you were aware of the fact that the funding would kick in actually in September and October of this year, based on a \$2 billion surplus being found at the end of the fiscal year.

Ms. Martha Lewis: Yes, I'm aware of that, and the fact that it's going to roll out over three years instead of two. That certainly helps, but I think we do need more. I would refer the panel back to the numbers that Michael Shapcott of the Wellesley Institute provided, showing how investment in social housing could be funded. So yes, we're very aware of that.

Mr. Rick Dykstra: To your point that more is needed, that's where I wanted to go with that. British Columbia is going to get \$108 million out of it directly, and for off-reserve aboriginal housing, \$50.9 million. It's not a bad start.

Ms. Martha Lewis: A very good start.

Mr. Rick Dykstra: One of the questions I have asked and would like your response on is with respect to provincial and municipal responsibilities with respect to this issue. If the federal government is prepared to put \$800 million on the table, should not all of the

provinces collectively put the same amount of money on the table, and should not all the municipalities collectively put the same amount of money on the table? That would mean that all of a sudden we're talking about an investment of over \$2 billion.

Ms. Martha Lewis: The municipalities do not have that sort of money to gather. It's not going to happen. But they can do a great deal in terms of density zoning, providing incentives for builders to include affordable housing in new developments—

Mr. Rick Dykstra: It doesn't necessarily have to be cash.

Ms. Martha Lewis: It doesn't need to be cash. Of course the province has a responsibility too. We're not letting anyone off the hook. We'll criticize every level of government equally. They should all be working together to do something that's important.

Mr. Rick Dykstra: Fair point. I take it that you'll be demanding that the Government of British Columbia match the \$108 million we're investing, as the federal government.

Ms. Martha Lewis: I actually have a press conference at 2:30—come to the lobby here—to talk about Minister Coleman's announcement this morning. I'm running off to that right now.

Mr. Rick Dykstra: All right. He'll be happy to hear we've made a pretty positive commitment to this. Thanks.

I have a really quick question. Mr. McCallum chaired an expenditure reduction committee for cabinet over two years and claimed it found \$12 billion in savings. Were any of you consulted on the cuts that the previous government made?

Voices: Oh, oh!

Mr. Rick Dykstra: I take that to be a collective no.

The Chair: On that note, good luck with your press conference, Madam Lewis.

Thank you all very much for your input today, for your briefs and for the time you've taken to be with us. If you think this was tense, wait until the end of the process. We have another month of this to go. Thank you once again.

This meeting is adjourned.

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