



House of Commons
CANADA

Standing Committee on Finance

FINA • NUMBER 031 • 1st SESSION • 39th PARLIAMENT

EVIDENCE

Friday, October 6, 2006

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Chair

Mr. Brian Pallister

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

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•(0905)

[English]

The Chair (Mr. Brian Pallister (Portage—Lisgar, CPC)): We will commence.

Welcome, first of all, to our esteemed panellists this morning. We certainly look forward to having a chance to hear your presentations this morning.

To our committee members, who have experienced quite a week, we've travelled about 10,000 miles, I believe, and visited Whitehorse, Fort McMurray, Vancouver, and Saskatoon. But of course, this is the centre of the universe. Portage La Prairie is the place to be, and we're glad to be with you this morning.

As you know, the finance committee is charged with the responsibility of making recommendations to the finance minister for the upcoming budget, and this process is part of the preparatory work involved in that. We will be travelling to nine communities across the country, as well as hearing submissions in Ottawa. We just passed the 250-submission mark, so we're over the hump in terms of our work and we look forward to hearing the rest of our submissions.

I'll begin this morning by reminding you that you have five minutes to make your presentations. I will give you an indication when you have one minute remaining and when you have less than that, and I will cut you off at five—in the interest, of course, of dialogue thereafter.

Again, thank you for being here. We will begin with Lloyd Axworthy.

Welcome, sir, and over to you for five minutes.

Hon. Lloyd Axworthy (President and Vice-Chancellor, University of Winnipeg): Thank you very much, Mr. Chairman. I'm glad to be here with a distinguished panel of many of my colleagues in the field of higher education. And it's good to be back in front of the committee and to be in the garden spot of North America, here in your constituency.

In the brief time I have today, I want to raise one very specific issue that I think is really vital, not only to my own university and to Manitoba but to the country as a whole, and that is the urgent need to invest in the education of aboriginal people in Canada. It is absolutely crucial for the development of Canada's human potential, its economic well-being, its sense of fairness and equity, and for the advancement of both national and international goals.

What currently exists is not working, and just throwing more money at it will not fix what is basically a broken system. What I

think is really needed is a much more coherent, practical, concrete, innovative set of actions that are tied to a common strategy. I'm not here to talk about things in the abstract. I think it's time to get down to practical necessities, because the time is passing.

Here in western Canada we have what is one of the unique comparative advantages of any developed country in the western world—a young and growing aboriginal population compared to most other societies where the population is aging and in decline. This is an enormous asset that must be developed and nurtured in terms of the future well-being of all of us. But this opportunity will be lost if we don't take the educational challenge seriously.

Far too many aboriginal youths are disengaging and dropping out of school. In the provinces of Manitoba and Saskatchewan virtually 70% do not finish high school at this point in time. That means that the pool of people available to go on to post-secondary education in colleges and universities is so small that the draw is really meaningless and actual numbers are declining in the rates of participation. With some notable exceptions, many still do not move into post-secondary education.

There's a lack of skill preparation in crucial areas, a shortage of aboriginal teachers, administrators, researchers; and in certain areas of skills such as the sciences and other areas, the fall-off rate is really quite drastic.

I think you will have received from us a paper that we developed in consultation with a number of aboriginal organizations, both in our university and in the community, trying to set out a strategy from the point of view of a university that is in the downtown part of Winnipeg, where 40% of our surrounding population is aboriginal and 10% of our student population is aboriginal. It does propose what I call a holistic approach to the issue, but one that has a very specific interest to it. It's a blueprint, basically, for action to make aboriginal education a national priority.

We have to first address the need for an ongoing shortage of aboriginal educators, from teachers in K-to-12 to scholars and academics in post-secondary education. There simply are not enough people going into the system. That is compounded by a lack of administration in many aboriginal communities and reserves to make sure that the organization and the development of effective school systems is under well-trained hands. Aboriginal science and mathematics are in high demand but in very low supply, as is a curriculum that includes science and math from an indigenous perspective.

One of the things we are working on at our university is how to meld the experience of wisdom that comes out of indigenous science, the knowledge, with the conventional western science, so we actually can begin to understand very much the very dramatic changes taking place in the world around us. As we work with a major program in access for aboriginal teachers, two programs called WEC and CATEP are both designed to bring people into that area.

We are also, Mr. Chairman, exploring the fact that the financial system presently available to support aboriginal students is not adequate, not so much just in pure tuition terms but in being able to provide the support services—the housing issues, and the other areas of incentive and support—that will be required to bring aboriginal students back into these areas. That also means, as we've seen at our university, a major outreach into the public school system so that we begin to provide the universities of higher education. We all are resource bases and we're public institutions. We have a responsibility to be able to share those resources with the public school system to be able to substantially increase and upgrade the number of aboriginal students graduating from high school and therefore coming into our colleges and universities.

I hope members of the committee will look seriously at this issue. To me, it is one that sits as a priority. If we do it right, we can provide a major asset and development that will serve us well into the future.

Thank you very much.

The Chair: Thank you very much, sir.

We continue with the president of the University of Manitoba, Emőke Szathmáry. Welcome, and five minutes to you.

Dr. Emőke Szathmáry (President and Vice-Chancellor, University of Manitoba): Thank you very much, Mr. Chair and members of Parliament. I am grateful for the opportunity to appear before you today.

As Dr. Axworthy has indicated, my university is very pleased that you're paying attention to the post-secondary sector. We're here speaking collectively on issues we identify as quite important.

I'd like to give the University of Manitoba's perspective on the upcoming federal budget, but I do want to thank the federal government for its ongoing commitment to promoting a more competitive and productive Canada.

To ensure national prosperity within the global economy, Canada has to produce more highly skilled individuals, generate new ideas through innovate research, and transfer knowledge to the workplace. I believe all three of these activities are the natural outcome of a strong post-secondary education system. Certainly the drivers of the

21st century are knowledge and innovation. In my view, a nation that ignores this does so at its own peril.

There are four major points I want to make, and a fifth, if there's time.

The first has to do with investment and infrastructure in human capital. In terms of capital investment, the primary reason behind this is that universities can't teach, students can't learn, and you can't undertake research under canvas—certainly not in our climate; it's impossible.

The challenge for today's universities is twofold. One has to do with the aging campuses and rapidly changing technology, just when there is an increased need and demand for advanced education. Urgent critical investments are required to enhance universities' infrastructure and equipment, as well as related institutional services. The \$1 billion post-secondary education infrastructure trust announced in the last budget is a very welcomed step towards assisting with this reality.

The second item I want to emphasize is that institutional operating budgets have to be large enough to provide appropriate instruction and an appropriate learning environment. As we all know, education falls within provincial jurisdictions, but the federal government still has a strategic role to play in making sure the nation has a strong and excellent supply of well-educated people. An educated population is absolutely necessary for national economic growth, prosperity, and international competitiveness.

Traditionally federal investment in post-secondary education has been part of this larger social transfer, but it's been very difficult to discern any link between federal transfers and provincial funding levels for post-secondary education. Overall, constant dollars for student operating and research funding from governments in Canada have decreased by 20% since 1980. It is my view that a dedicated post-secondary education transfer can rectify this enormous short-sightedness. A dedicated transfer needs to be established and adequately funded to assist universities to build and renew institutional and human infrastructure.

The third item has to do with continuing investments in research. A strong research investment is necessary for long-term economic development. I'd like to reference the Minister of Finance by what he said in the last budget: "Scientific research and technological development are essential for higher productivity and a rising standard of living."

The research-based funding contained in budget 2006, combined with previous investments, is making a difference at Canadian universities, including the University of Manitoba. I'd like to see government move forward with enhanced future investments to improve Canada's productivity and keep our country at the forefront of the world's knowledge-based economy.

There are four elements you will be hearing about from AUCC, if you have not already talked with them. They emphasize the four pillars in this regard.

One has to do with the support for ideas generated through the direct funding of research.

Obviously the second pillar is people. You need people to actually do the work on the ideas. Trained researchers and quality graduate programs are absolutely essential to attract and retain tomorrow's researchers, including those of aboriginal descent, as Dr. Axworthy indicated. Government has to enhance its investment in graduate programs and also in the Canada research programs, because you need the instructors to teach the students, and we have to keep that pool coming forward.

● (0910)

As for the third pillar, research infrastructure, I would like to encourage continued funding in the Canada Foundation for Innovation.

The fourth, the indirect costs of federally funded research, is critical. I believe that something like 24.9% of direct costs are funded, but 40% would be a better investment in terms of covering the indirect costs of federally sponsored research.

The final note I'd like to make in terms of research investment is that although these matching funding programs the federal government initiated through a variety of agencies such as CFI are wonderful, one thing to remember is that provinces like Manitoba don't have the large industrial base to provide some of those matching funds. So even though the Province of Manitoba, for example, will match CFI investments 40%-40%, the universities still have to come up with the remaining 20%, and that's very difficult in a province with a small industrial base.

That, essentially, is my presentation. I hope there's funding available for CANARIE, which is really quite important, Mr. Chair.

I want to thank you and the members of Parliament for being here today.

● (0915)

The Chair: Thank you very much, Madam President.

We will continue with the president of Red River College, Jeff Zabudsky. Welcome, sir.

Mr. Jeff Zabudsky (President, Red River College): Thank you very much, Mr. Chair, and thank you to the committee for the opportunity to speak to you today about technical education.

I represent Red River College, which is the largest institute... [Technical difficulty—Editor]...150 institutions of...in Canada, representing a presence in 900 communities. So there is really an opportunity for the tools of public policy.

I want to go directly to my punch line so I make sure to get my major priority items in.

I would concur with my colleague on the development of a direct transfer. It is an opportunity to establish direct post-secondary education funding that is part of the Canada social transfer and to negotiate a direct transfer that responds to the needs in Manitoba. That is vitally important for us. We know we're in an environment in which health is a major priority. On the other hand, we also recognize the importance of post-secondary education.

The second item would definitely be infrastructure. We look toward the development of a college enhancement fund for facility and equipment modernization. In colleges across Canada, aging physical plants, deferred maintenance, aging program equipment, and older classrooms require upgrading to maintain capacity. Many of our technical institutes and colleges were developed in the 1970s, and that infrastructure is failing at a time when there are more critical needs for skilled people and when technologies need to be upgraded to keep pace with the competitive influences that are there. So second is direct investments in infrastructure.

Then there is research in colleges, which is a different type of research than what is described in universities. It is research that we do directly with industry and business to solve problems and to develop opportunities for commercialization—new products, new services, innovation—that comes through partnerships with industry.

The other item I would focus on is the opportunities to enhance apprenticeship programming. We are confronting a major skills shortage, not just in Alberta but right across this country. In Manitoba right now, there are critical needs for skilled labour, for people who have gone through an apprenticeship program.

I can tell you that we have significant lineups in our institution of young people who want to get into the skilled trades. The federal government has done a fabulous job in raising the profile of the need for skilled tradespeople, and that has created demand. Now we need to address the issues of capacity so that young people who choose to get into the skilled trades have the opportunity to study in those areas.

The other opportunity, again reinforcing what my colleague has said about the importance of aboriginal people, is that we know that the aspirations of the aboriginal community in Manitoba actually are very much towards post-secondary education—in fact, more than in the general population. They want to make their way into post-secondary, but we need to be there to respond in ways that will support them financially, culturally, and with special programs. A focus on aboriginal people is a great opportunity for Manitoba, because it is the only growing home demographic in Canada. Manitoba benefits from a very youthful aboriginal population, and we would love to have support there.

On support for immigrants, Manitoba's population is growing, and it is largely because new Canadians are starting to choose Manitoba as a destination, not just Montreal, Toronto, and Vancouver. They have special needs for bridging programs and opportunities to get them into the workforce to fully utilize the skills they come with. We believe colleges can serve as wonderful places for new Canadians to bridge into our economy.

We would also look to alleviate student financial barriers by working with the provinces to provide scholarships and loan remediation programs. At Red River College, we want to be an institution of access so that anyone who wants to have an education has the opportunity, but for many the barrier is financial. We look forward to working with the federal government on creating solutions to those financial barriers.

Again, we're very pleased to see you here today, and I'm proud to say that Red River College has a presence right here in Portage la Prairie. We have one of our main campuses here. We are proud to have you here today.

Thank you very much.

The Chair: Thank you very much, sir.

The Manitoba Chambers of Commerce, executive director, Graham Starmer. You have five minutes, sir.

Mr. Graham Starmer (Executive Director, Manitoba Chambers of Commerce): First let me thank you all for providing me the opportunity to present to you.

The Manitoba Chambers of Commerce represents 75 chambers and in excess of 10,000 businesses across Manitoba. It is the largest cross-sectoral organization in Manitoba and represents businesses from small to large companies. You've received a brief that we've provided, and I hope you find it interesting.

First, let me say that we have examined the Canadian Chamber of Commerce presentation and support their recommendations, which I understand they previously submitted to you. You will, however, note that while supporting the Canadian Chamber, we challenge you to join us in thinking outside of the box. You will see that this presentation crosses the barriers between business and labour and asks you to think past those policies that government frequently places in silos, and think globally with a national context.

One of those areas of thinking outside of the box is what we in the Manitoba Chambers call the "Great Jobs Agenda". It's based upon developing a creative capital mindset by judging all policies against the basic standards of whether they are empowering each individual to obtain employment that fully taps into their creative potential. We encourage programs that measure their outputs, not only their inputs. It aligns with those who have skills. We example the aboriginal peoples, immigration. With appropriate jobs, it helps enhance skills to meet the needs of the workforce.

We caution you against simply pursuing an agenda of productivity. For all its considerable benefits, the productivity agenda has flaws. One of the things is that workers often equate productivity with fewer jobs. Such fears are hardly stuff of unifying agendas. And we delude ourselves if we do not see an element of truth to workers' concerns in this regard.

A significant element of productivity is mechanization and technological innovation. And most international economists agree that the vast majority of job reductions are traceable not to outsourcing or globalization, but to consequences of labour-saving technologies. So we caution you not to take a productivity agenda by itself and look at all aspects of the economy in a sort of global face.

We leave you with the contents of the "Great Jobs Agenda" and we hope it will encourage discussion among your committee.

Thank you or your patience, and we encourage you to think outside of the box.

• (0920)

The Chair: Thank you, Mr. Starmer. I assure you that no patience is required. It was a very good presentation. Thank you.

Lorne Boguski, on behalf of the Association of Manitoba Municipalities. Welcome. It's nice to see you again. Five minutes to you.

Mr. Lorne Boguski (Urban Vice-President, Association of Manitoba Municipalities): Thank you, Mr. Chairman and members of Parliament.

I want to first of all identify some of the major issues that confront municipalities. We are another order of government, along with both provincial and federal. One of the key issues we are concerned about is the municipal fiscal imbalance. It is no longer a buzzword across the country, but rather it is a hard fact and a reality. Our FCM convention in June was devoted primarily to addressing this specific issue and the Prime Minister in his speech addressed the issue as well, recognizing that it is a very important issue that municipalities, as well as other orders of government—provincial and federal—must work together and identify their roles and responsibilities so that we can work together in order to make things work across the country.

Municipalities are today being asked to not plan for five years, but to plan for 10 and 20 years. We cannot do that unless we have long-term predictable funding. This is key to the survival of what we can or cannot do. We are an order of government that is being asked to do more. We're now being asked to go into areas that were unknown to us five to ten years ago. We cannot do that, considering the fact that we get less than 8¢ out of every tax dollar, whereas the provincial government gets 42¢ and the federal government gets 50¢.

Our only source of revenue is municipal taxes. They are not growth taxes, and as a result of that we find ourselves really strapped and we cannot do the things and provide the kinds of services that our residents are asking us to do. So we're urging the federal government to engage the provincial, territorial, and municipal governments in a review of the roles and responsibilities, and resources, of all the Canadian municipal governments.

The next topic is also extremely important to us, and that is the municipal rural infrastructure fund, MRIF. We've just completed our final disbursement of funds a couple of weeks ago, where we had \$22 million and we had upwards of \$500 million of applications. We cannot continue to upgrade our infrastructure based on those kinds of numbers. We received 238 applications requesting over \$550 million of support.

We are very much appreciative of the federal government's 2006 budget commitment to increase MRIF by \$2.2 billion over five years. However, there are no details forthcoming regarding this as to how or when the funding will in fact be allocated among the provinces. While this was a five-year program, we have dispersed our funds in three years, and much more is actually needed. Therefore, the AMM urges the federal government to move quickly to distribute new resources to the municipal rural infrastructure fund and ensure that long-term predictable infrastructure funding is available to all communities.

The prairie grain roads program is an excellent program that has now ended, and we are also asking the federal government to renew the prairie grain roads program to support grain transportation infrastructure in Manitoba. These are 50¢ dollars, and it was an excellent program, with many rural and municipal roads being upgraded. We feel that the work that has been done has alleviated a lot of the issues and concerns that were identified, and this program was one whereby that did happen. Neighbouring municipalities that identified trucking routes worked together in order to upgrade certain municipal roads, boundary roads, in order for this all to be completed so they can get their grain to market.

I have a couple of other things, quickly. There's the national water supply expansion program, and that is the PFRA, for the boil water orders across the country. This program, again, was an excellent one. We're asking for a commitment to that program.

The final one I want to bring to your attention is the recreation infrastructure program. We're asking for a tripartite infrastructure program for the repair, upgrading, and building of recreational facilities in Manitoba, and also in Canada. Recreation is important, and the wellness of our communities and our residents is based on that program being put in place.

Thank you.

• (0925)

The Chair: Thank you very much, sir.

We'll continue with the president of Brandon University, Louis Visentin. Welcome, sir. Five minutes to you.

Dr. Louis Visentin (President and Vice-Chancellor, Brandon University): Thank you very much, Mr. Chairman. It is a pleasure to be here to speak with people who are our representatives. It's always great to see them in the city where the west begins. I believe that. It's

great to see people out of Ottawa, actually, coming out to the roots to find out how we work.

I always say that if you really want to understand the changing social structure of the country, all you have to do is go down into the subway in Toronto. If you can't understand it, then you really shouldn't be in politics.

But if you want to understand the financial pressures that the universities are about, you can stop in Winnipeg and take a walk through Lloyd's buildings or Emöke's. You could walk through the buildings of almost any university in the country and look at the roofs, the windows, and the laboratories. Think of the Laval bridges, and think about the fact that most of the buildings across the country were built in 1963, when I graduated from St. Francis Xavier. Look at where the students live, and look at where the faculty do the research. Start in Newfoundland and go right through to Victoria, at University of Victoria. The picture is quite the same, except maybe in Alberta—but let me remind you, we're not in Alberta right now.

We have a crumbling infrastructure. I'm going to quote and echo a recent AUCC document about campus infrastructure and deferred maintenance. I think this is a pressing issue and an issue that often is forgotten. We heard briefly about a \$1 billion trust, but I don't think that's enough. The document says:

Universities are facing mounting costs for repairs to physical infrastructure on their campuses including, among other things, classrooms, residences and other buildings. In 2000, a study by the Canadian Association of University Business Officers on accumulated deferred maintenance estimated that Canadian universities had a combined ADM bill of \$3.6 billion—a legacy from the years of public funding cutbacks in the 1990s. That number is likely considerably higher today. At the same time that many campuses face mounting repair and renewal bills and student enrolment pressures, universities are expected to invest heavily in new learning technologies in order to enhance the student experience and ensure that today's students receive training in much-needed technology skills.

If you look around at new technologies that, like biotech, are just beginning to become profitable, then you see, and that underscores the difficulty of remaining modern internally and externally.

Deteriorating campus infrastructure leads to greater health and safety concerns for students and faculty and staff living and working on campus. Deferred maintenance means classroom and laboratory space may not be fully utilized. Run-down student residences can disrupt the day-to-day living of students, and specialized research equipment can become easily damaged and can hamper students' abilities to learn on specialized equipment. And students with special needs may be unable to fully take part in the university experience.

Deferred maintenance refers to both buildings and research infrastructure in Canada. Both need to be dealt with for the long-term health of the country. Laboratories, communications infrastructure such as CA*net 4, and actual facilities at universities are all part of the infrastructure.

We have things like the Canadian Light Source, TRIUMF, SNO, and reactors. They all fit under the rubric of deferred maintenance. They're all as old as I am.

We need a longer-term national strategy for renewal, maintenance, and renaissance. The health of our teaching, research, and cultural enterprise—and it's a cultural enterprise as well, let me remind you—makes it imperative over the next 20 years. It can't be ignored any longer.

I was reminded when I left the hotel this morning, or last night in Ottawa when I went to the ATM.... It wasn't a regular ATM, and I had to pay \$1.50 in order to get the transaction done. We should begin talking again about a kind of Tobin tax to cover some of these educational needs.

Thank you very much for listening to me. I hope it was informative.

• (0930)

The Chair: Thank you very much, sir.

We'll conclude our presentations with Trevor Sprague, who is here representing the Winnipeg Chamber of Commerce. Welcome, Mr. Sprague.

Mr. Trevor Sprague (Chairman, Winnipeg Chamber of Commerce): Thank you, Mr. Chairman. It's always a pleasure to come out to Portage la Prairie. I've always enjoyed the hospitality of the people here, and it's great to be here.

Actually, this is my first official function as the new chairman of the Winnipeg Chamber of Commerce, having been sworn in yesterday.

I'll tell you a bit about our organization. We were founded in 1873, so we have a long...[*Technical difficulty—Editor*]...history in Winnipeg. Our organization is the largest organization representing business in Winnipeg. We have more than 1,750 members, who employ over 80,000 people in the city of Winnipeg.

One of the things we've done on a reasonably regular basis over the last few years—and I know you've seen it in our brief—is conduct a survey of Manitoba business leaders to get an idea as to what these individuals are thinking, since they are key decision-makers. While I know you have all of the details in the brief, I want to point out a few things.

First, this survey was taken in 2005. There was still concern among business leaders that the federal government was not doing enough to contribute to creating a positive business climate in Canada. At that time, 22% felt that way. But with new initiatives, I'm hopeful those numbers will improve, because it's important for government to recognize that creating a positive business climate and creating competitiveness in our country are essential to the success of our nation.

When asked what types of initiatives the government could do to improve the business climate in Canada, 43% of business leaders pointed to taxation, which is an area of great concern to them. When we asked them specifically what types of taxes should be cut, it's interesting to note that after the provincial payroll tax here in Manitoba, the most cited case was the GST. So we would applaud the government for its recent initiatives in reducing the GST from 7% of 6%, and in future to 5%.

We see 2007's budget as a critical turning point for Canada. The initiatives in that budget need to focus on productivity and growth for our country. In terms of the types of changes we would look for in budget 2007, we feel we should be focusing on three areas: tax relief, program spending, and debt reduction.

In the area of tax relief, the Chamber of Commerce has put together a comprehensive policy book, focused on or guided by three principles: one is that our tax system should contribute to economic growth; the second is that our tax system should be transparent, so that it's clearly understood by taxpayers; and third is that our tax system should be accountable, and the government should be publicly accountable for the moneys raised.

In terms of specific tax areas, again we would applaud the government for eliminating the federal capital tax, which was a huge barrier to capital investment. We acknowledge the planned corporate tax reductions that are going to happen over the course of the next two to three years.

We still feel there's more work to be done on the tax relief side. Middle- and lower-income taxpayers should also benefit from personal income tax cuts, as the marginal tax rates for some individuals in those categories can be well in excess of 50% when clawbacks and other tax-related issues are factored in.

We also believe that cities are an important part to this. I know the Association of Manitoba Municipalities mentioned this. We agree that cities need to be given more powers, so they can share in growth taxes and address some of the infrastructure needs facing them today.

In the area of program spending, our primary comment would be that program spending should increase only at the rate the general economy increases. Again we applaud the government for its initiatives in the area of the reallocation of spending, in terms of recent announcements, where \$1 billion was reallocated to other priorities. We would encourage the government to continue and enhance that activity.

•(0935)

In the area of debt repayment, we still believe there's a role to be played by the government in setting out a plan to reduce our national debt. We would caution that previous practice has been that governments have had very strong unanticipated surpluses, and we would encourage government to forecast their revenues more accurately, so as not to lead to a situation where Canadian taxpayers are overtaxed for the services they receive.

That's the nature of our brief, and thank you for the opportunity.

The Chair: Thank you, Mr. Sprague.

Thank you all for some very excellent and stimulating information for the committee.

We'll begin with Mr. Savage. You have seven minutes.

Mr. Michael Savage (Dartmouth—Cole Harbour, Lib.): Thank you, Mr. Chair.

Thank you to all the witnesses. I want to say how nice it is to be here. I've never been to Portage La Prairie before, but by the time I landed yesterday, having listened to Mr. Pallister describe every single farm as we flew in...he knew who owned every farm, and what was being grown there. He didn't tell us how they voted, but looking at the results of the last election, there's not much question. The people here can certainly be proud of their native son; he's an excellent chair of this committee.

The Chair: Order, Mr. Savage. Get to the point.

Mr. Michael Savage: Even though he sometimes confuses my statements of fact as a preamble, I'll accept it.

As a point of clarification, the Manitoba Chambers of Commerce, in their presentation, didn't mention the GST as a priority for a cut. Mr. Sprague, with Winnipeg, is it a priority of your members?

Mr. Trevor Sprague: It is. It was identified by 15% of people surveyed.

Mr. Michael Savage: We always hear any kind of tax cut is great—blah, blah, blah—but the fact is that this allocates certain amounts of money. Is it a priority for your members to go to the next per cent, as opposed to reducing personal income tax?

Mr. Trevor Sprague: I think there's room for both.

Mr. Michael Savage: Is there a preference for one over the other? We are here to identify priorities, not wish lists.

Mr. Trevor Sprague: In terms of priorities, I would say that the GST cut would be the priority. That's what business leaders have told us.

Mr. Michael Savage: That's not what the other chambers of commerce have told us across Canada.

Mr. Graham Starmer: We've held out for a half per cent reduction on the personal income tax rate, which we assess at being \$1.4 billion. This is consistent with the Canadian Chamber of Commerce position.

Mr. Michael Savage: Thank you.

I want to get into post-secondary education, which I think is a favourite topic of all of us. We have four members here from three universities and a college. It's great to see you. I have had a chance to

visit some of your institutions in the last year or so, but not all. I'd like to get to all of them.

I think we all know that how we harness the skills of all Canadians is a really important issue. In fact, in my view it's the number one public policy issue in the country. How do we recommend to the government how we should go about doing it?

We've heard a lot of support for the dedicated transfer. Assumed in that is that we will not only have a dedicated transfer but put more money into post-secondary education through that transfer. The problem is to know whether that is the best way to go about actually hitting the number one challenge. I guess that depends on what the challenge is. To me it's the issue now of access.

We have come a long way in research; there's no question. But I understand there's a \$200 million deferred maintenance bill in Manitoba alone. We do need infrastructure, and we need to go to the next level. Indirect costs are probably going to 40%. All those things are part of the mix.

But the question is, how do we get children in Canada who don't have access to university...? Dr. Axworthy, you mentioned aboriginal Canadians; I would also state, generally, low-income Canadians and also persons with disabilities. How do we do that? We've heard about the cuts in transfers in the 1990s, but since that point in time the federal government has put money into research to the tune of some \$13 billion, as well as addressed somewhat the issue of access through the millennium scholarship, the Canada learning bond, and things like those.

If the issue is access, and I would ask each of you whether that for you is the number one issue facing Canada.... And if we do this, how do we as a federal government best allocate our money? Is it as a dedicated transfer? Is it direct to students, in the way we've done it with research?

I would ask you not to say both. That's an easy answer. Try to give me some priorities.

•(0940)

Dr. Emőke Szathmáry: If I may, I'd like to remind you that the federal government was directly involved. It may have been an experiment that the federal government pulled out of in the early 1990s when something called the access programs was established.

This was a partnership, or it had begun as a partnership, whereby the federal and the provincial governments in Manitoba were supporting access for aboriginal students. We've now graduated more than roughly 1,800 people through the access programs altogether, not just the ones for which the province gives money, because the federal government withdrew and the Province of Manitoba has been pouring money into access.

We also established, from the operating budget of the university, the University of Manitoba's own suite of access programs so that we don't waste any segment of humanity. In other words, we have educated students who come to us from Somalia, Central America, and north of 53°, regardless of ethnicity and ancestry. All of them come in. It's the ideal form of education for people who really require special assistance. They have instructors who know them, counsellors, and a place where they can get together. There's peer support.

I can give you some examples of this. For example, there are about 155 professional engineers of aboriginal ancestry in Canada and we've educated 55 of them. The numbers go on when you're talking about lawyers, doctors, pharmacists, occupational therapists, physiotherapists. Something like this that is dedicated for a specific purpose is an approach that we can show works. But it is labour intensive and it costs money. For some unknown reason, in the early to mid-1980s the federal government pulled out of that, and our province has been carrying the weight.

The dedicated transfer, though, is absolutely necessary, because of course the costs are high, and in order to be able to afford the instructors as well as the support staff and all of those other things that Dr. Visentin mentioned.... Microsoft owns the world. The cost of the kind of cyberspace-type education that our students demand is enormously expensive. and that's on a cycle of having to replace anywhere from three to five years.

The Chair: We will let President Axworthy come in here.

Hon. Lloyd Axworthy: Let me just give a quick response

I think the universities and the colleges no longer are agencies of social mobility in the country. The number of students from low-income families across Canada, proportionately, going to higher education has not changed in 10 years. I think we've really lost that public purpose. The reason for that is partly that the funding framework that was put in place simply doesn't meet those kinds of needs.

The other side of the equation is that the colleges and universities don't have the capacity. For example, we have launched an aboriginal learning centre in downtown Winnipeg, which has a major computer program to help overcome digital divides, but that's all privately funded because there is no public funding for those kinds of outreach initiatives. Yet what we know is that if we can break that barrier where we have 60% of our students not completing their high school, then not only would their personal achievement, personal income, and personal contribution improve, but so would the entire economy.

That is where I say the system is a little bit broken, and you have to fix it.

The Chair: Thank you very much.

Thank you, Mr. Savage.

We must move to the next questioner.

● (0945)

[Translation]

Mr. St-Cyr, you have four minutes.

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

My first question is to Ms. Szathmáry.

In your brief, you suggested establishing a dedicated transfer for post-secondary education. A number of educational, student and university organizations have made the same suggestion. The request we frequently hear is a rise in the amount currently set aside for education, although we see nothing in your brief about this.

If we were to keep the same budget, without any increase, and dedicate it to education, nothing would change in practical terms. Would your university support a demand for higher transfer for post-secondary education? If so, how high would you like it to be?

In your brief, you state that the establishment of a dedicated post-secondary education transfer would be to:

...enhance universities' to build and renew institutional and human infrastructure.

Are we to understand that the universities should not use that transfer for other purposes, be it for teaching or any other reason? In your view, the funding should not be used for other ends, is that correct?

[English]

Dr. Emőke Szathmáry: I would prefer to answer in English. I wasn't able to find the interpretation channel, but if I can understand your question, you're asking what we would use that dedicated transfer for. Is that correct?

Mr. Thierry St-Cyr: Would you raise it right now, because if you have a transfer in education and you don't raise the amount—

Dr. Emőke Szathmáry: But that's the problem, Mr. St-Cyr. We don't know what component of the money that is currently transferred actually does go to post-secondary education. With a dedicated transfer, we would know. And we don't think that enough is going. Whether the problem is at the federal level or whether it's at the provincial level, there's no way we can tell.

[Translation]

The Chair: Just a moment, Mr. St-Cyr. I apologize.

[English]

Apparently we're having technical trouble with the interpretation. Are you now getting some interpretation or not? It's on channel one.

Let's keep going and you won't lose time on this, Thierry. Proceed.

[Translation]

Mr. Thierry St-Cyr: Thank you.

I will continue with Mr. Visentin, from Brandon University. In your brief, you stated that dealing with the deteriorating infrastructure was a priority—

[English]

The Chair: Thierry, I think we'll defer your question for a moment while they work on the technical difficulties to make sure you get a full response.

[Translation]

Mr. Dykstra, you have seven minutes.

[English]

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

We certainly appreciate the hospitality that's been provided by the group here in Portage La Prairie. I know we'll have to put it up there as probably the highlight of the week. So thanks very much for having us here.

One of the significant themes in the hearings we've held over the last three weeks that comes up time and time again—and it was mentioned a lot this morning—is the aspect of a dedicated transfer. One of the biggest issues that I think we face is trying to negotiate with the provinces to be able to do that, because as you all know, the provinces would much prefer that the federal government pay its fair share to them—and more where needed and more where wanted. But the fact is that negotiating that and trying to come to an agreement on that is going to be extremely difficult.

I only have seven minutes, so if you could try to keep your response brief it would be appreciated. But the type of...[*Technical difficulty—Editor*]...universities or the chamber or colleges could provide in terms of pressuring the provinces, specifically here in Manitoba, to agree to that type of arrangement where the funds would be dedicated.

Hon. Lloyd Axworthy: I'll make one suggestion. I think that because there is already a number of transfer programs—but as Emőke said, they are sort of fragmented—you'd have to consolidate them. And I would tie that to a very clear set of goals and achievements. I think what we're lacking in higher education is real targets that could be properly measured and where the funding could be really tied to a performance test about graduates and whether it's just for low-income students or in certain fields. I think that then would become a basis for developing a national framework for post-secondary education, both for colleges and universities.

• (0950)

The Chair: Let Mr. Visentin come in here.

Would you like to respond to that dedicated transfer question?

Dr. Louis Visentin: The dedicated transfer payment?

Mr. Rick Dykstra: Yes. How to make it work, how to get the provinces on side so that the negotiation would actually be successful in terms of doing it.

Dr. Louis Visentin: We've been trying to make it work for the last thirty years and it hasn't. I think it's time for the federal government to realize that it has a role to play in post-secondary education, and that is in the area of research and infrastructure. It may be that you're not going to be able to get an agreement, but you're going to have to set a kind of standard—this is what we're going to contribute—and tag it. This is what it is for. Performance is a very difficult thing to measure. I could speak all day on that issue.

The Chair: Let's go to Red River, Jeff Zabudsky, and give him a chance. Then we'll go to Emőke.

Mr. Jeff Zabudsky: I would say identifying priorities would be a good start. So rather than it simply being a component of the general transfer, there is a post-secondary component, but it's tagged with some priorities. Those priorities might be infrastructure, those priorities might be aboriginal people, or immigrant populations. So

it's a starting point for negotiation, setting some goals and then subsequently some targets associated with that.

Dr. Emőke Szathmáry: I think certainly the provinces will kick in when they recognize that it's in their interest to kick in. I'm more concerned about the issue of performance measurement, for this reason: it's not a level playing field, and some of us may be stuck precisely because we've done so much work already—for example, in trying to repair our infrastructure. We had a major capital campaign in a province of 1.2 million people; we raised \$237 million, but nevertheless, we still don't have the physical infrastructure that we require if we're going to be able to attract students from out of province and out of country. As I've pointed out to our chamber, for example, 5,700 students coming to the University of Manitoba, as they did last year, at a minimum translates into \$144 million flowing into the Winnipeg economy. The point is that certain things need to be addressed in order to be the drivers of the provincial economy, as the post-secondary institutions have the ability to be.

I think the dedicated transfer essentially allows the universities and colleges to do what they're supposed to do.

Mr. Rick Dykstra: I agree. I'm not disagreeing with the commitment to dedicated transfer. What I'm looking for is this. If we're going to enter into negotiations, we're going to need support from every level to be able to convince the provinces to come on board.

Dr. Emőke Szathmáry: You'll have it.

Mr. Rick Dykstra: I have a question with respect to the apprenticeship program. I know it's one of the commitments the government made during the election, and it was in this budget. You spoke a little bit about enhancing it. Could you comment for a couple of seconds on that?

Mr. Jeff Zabudsky: I meant enhancing in two respects. One is increasing the capacity to address the demand that's currently there. We looked at our skilled trades and technologies programs before the start of this September. We left about 1,000 students who wanted to get into our programs at the doorstep; we didn't have the existing capacity. If a young person from high school doesn't get into post-secondary, all bets are off about where that person is going to end up. Often it's outside of this province.

The second issue of enhancing is the existing infrastructure. The technology is in dire need of modernization. As you know, industry has been on the move, technology has changed, and we've not been able to keep up with those technological changes in many of our skilled trades areas as part of the modernization, both in terms of the technologies and in terms of the physical infrastructures, the leaking buildings and the declining and depreciating spaces.

The Chair: Mr. Starmer, you wanted to get in on that one.

Mr. Graham Starmer: Yes. We concur with Jeff. In fact, with the Manitoba Chambers, we've been in discussions with the provincial government to try to revamp the apprenticeship program.

There are things that get in the way. Some of the unions have a particular interest in seeing that their existence is perpetuated. We have problems with some of those types of groups that don't want to change, so we feel there needs to be some understanding on the part of the provincial government and the independent apprenticeship board that we have to modernize our processes and free up more apprentices—and also have the understanding that it's a cost of business when you take on an apprentice. That's not necessarily always recognized.

• (0955)

The Chair: *Merci, monsieur.*

We will continue with Madam Wasylycia-Leis and go back to Mr. St-Cyr for the rest of his time.

You have seven minutes.

Ms. Judy Wasylycia-Leis (Winnipeg North, NDP): Thank you, Mr. Chair, and thanks to all of you for coming to Portage and giving us a new venue for holding these hearings in Manitoba.

I think this concerns everyone and I have to ask about it. I think this is about hard choices.

I listened to Trevor, and it's something we've heard from chambers right across the country. You say we've got room for both the GST tax cut and personal income tax cuts and all of these other cuts for the corporate sector, yet I don't think we probably disagree with what our universities and colleges are saying. You also have publicly called for federal dollars for the floodway, expansion opportunities for the Public Health Agency, support for the Manitoba gateway strategy, and support for the Canadian Museum for Human Rights.

You can't have it both ways. Are you prepared to put tax cuts on hold to do some of these important items that will actually build a more competitive environment?

Mr. Trevor Sprague: I think the key issue is that the tax cuts and those other initiatives are not mutually exclusive. It's our opinion, and I think historical evidence will show, that the key to having the money to fund all those other priorities is to have a growing economy, and that you can only have that when people feel the investment climate is one in which their efforts will be rewarded.

Tax cuts generally have increased revenues that governments have taken in over time. If you look at governments across Canada or governments across the United States, whether it's at the federal or the state level, governments today are taking in far more revenue than they ever have in the past, to the credit—

Ms. Judy Wasylycia-Leis: Yes, but the problem is that a lot of the money that goes to corporations for taxes doesn't come back by way of investment in this country. Even Mr. Drummond has said this.

Let me go to you, Mr. Starmer. Your paper is excellent. You go into this wonderful strategy about jobs, and you also agree, I think, that there has to be some sort of cost-benefit analysis of tax breaks.

Yet your recommendations are fairly simplistic, saying 20% across the board for a corporate tax rate.

How do you justify that in the face of what's been happening?

Mr. Graham Starmer: You know, your question is very similar to that of a gentleman who talked to us five or six years ago—Paul Martin. As finance minister, he asked exactly the same question that you've put.

Our answer at that time—

Ms. Judy Wasylycia-Leis: He chose tax cuts, not education, and now we're paying.

Mr. Graham Starmer: No, no, at that point in time he wasn't going that route particularly; the environment changed, as you know.

At any rate, it's a matter of balance.

Ms. Judy Wasylycia-Leis: Sure—but I don't see the balance in your proposal.

Mr. Graham Starmer: What we're saying is that where you have a requirement such as we have, which at the moment is with skills, you have to look at the issue of what comes first and how to prioritize. If your infrastructure of universities is collapsing around your head, then you're not going to have good skills down the road. We're building not just for today; we're also building for tomorrow.

Ms. Judy Wasylycia-Leis: But that's my point. If education is the key to our future, and you have crumbling infrastructure and inadequate access for aboriginal people, then surely that's your first priority.

I want to ask the university and college representatives, how do we make this case to the government? The Liberal government didn't do it. When it comes to money, we're down to single digits in terms of the federal government's share in education. How do we convince this government, a Conservative government, to have a direct transfer and an increased transfer?

Jeff.

Mr. Jeff Zabudsky: I would start by demonstrating the government's economic return from investment in education. We as a college did a recent study with a consultant, using a methodology that's been tested across North America, demonstrating that the increased income of individuals who have education, whether it be college or university, easily pays back the investments that governments make in the form of increased income and the associated taxes. The number that we were able to demonstrate was over \$1 billion in increased income, through Red River College in Manitoba, as a result of the increased wages and the taxes they subsequently paid.

So I would look at it from the perspective of both the economic and social returns for individuals who have education—they're healthier, and all those other pieces.

• (1000)

Dr. Emőke Szathmáry: I'd like to go back to my longer brief, where I make reference to that issue. I'll read it to you:

During the recent federal election, the Conservative platform contained a commitment to "remove postsecondary education funding from the Canada Social Transfer and create an independent Canada Education and Training Transfer to ensure that there is dedicated funding for postsecondary education and training."

Our Prime Minister has been good about keeping his word, and I would like to see that continued through the dedicated transfer. I think it is in Canada's interest to do this.

It is my personal conviction that every provincial politician and every federal politician ought to visit China, ought to visit India, to see what is happening to post-secondary education there. There isn't national awareness of how far we're going to be left behind unless the current situation is rectified.

Ms. Judy Wasylcia-Leis: Right. And I don't think you can actually eliminate the debt, as the Conservatives want, bring in big tax cuts, as Jim Flaherty says he wants, and still invest in post-secondary education, as you want.

So what are the choices, Lloyd, or Louis, or even Lorne, since you also have recommendations for spending? If you have a hard choice between, as the chamber says, tax cuts, debt reduction, and government spending cuts versus investing in things like education and infrastructure, what is it?

[Translation]

The Chair: Thank you, Ms. Szathmáry.

We will continue with Mr. St-Cyr. I appreciate Mr. St-Cyr's cooperation enormously. Since we are having technical problems, we will continue in English.

[English]

We hope we can solve these technical problems for a second panel's enjoyment of Mr. St-Cyr's lovely language.

We'll continue now with Mr. St-Cyr.

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

I'll start from scratch, just to make sure you understand my point and my question. It's for all the representatives of universities.

We had a lot of colleges, universities, and student unions come before us, and the recurring recommendation was to raise the education transfer—in fact, up to where it was before the cuts in 1995, and taking into account the inflation and the growth of the student population, which was getting us up to \$4.9 billion per year. That was almost everywhere, in all provinces, Quebec and outside.

When I look at your brief, there's no such number. There's not even the word "raising", in terms of the money transferred for education. You just talk about creating a dedicated transfer. Right now, we have an amount of money that is given for both social programs and education. To say our recommendation is just to put in a line doesn't cost a lot. That's probably fine for Conservatives, but it doesn't put any new money into the education system.

On the other hand, in your brief you go into detail on where the money should go. In my opinion, it's not our role as federal MPs to do that. This is a provincial jurisdiction.

Some of you just talk about renewed infrastructure and human capital. Once again, I think it's a very nice thing, but it should be up

to the provinces and the colleges and universities to decide what they will do with this money.

Others go very far, to put in place or improve a learning program for college. I really don't see why the federal government should go that way—funds to improve installation and modernization of equipment, and stuff like that.

Don't you think it would be preferable to ask this committee to just raise the transfer to the provinces for education, and then do your lobbying with your province?

•(1005)

Mr. Jeff Zabudsky: I think the federal government should be interested in issues of national standards associated with education because of the potential for labour mobility. I don't think we would agree that there should be a complete retrenchment of interest on the part of the federal government in how those dollars are spent, recognizing that this does need to be negotiated with the province.

But the point on the direct transfer is that you can then define exactly what is going to post-secondary education. We are confronted by the gaping maw of health care that we constantly have to be competing against. Knowing how much of that dollar from the federal government is intended to go to post-secondary education would be a good start. Certainly increasing those dollars back to the levels of investment we saw in the 1990s would be the next step.

The Chair: Mr. Axworthy.

Hon. Lloyd Axworthy: I'd like to provide just one historical perspective and a couple of quick thoughts.

First, as someone involved in the negotiations in 1995 on the Canada social transfer, I think we should understand one thing. We talk about restoring the transfer, and in fact it was restored, because the major universities, the four or five big universities, at that time lobbied very hard that the money go into research and innovation, CFI and technology. That's where the money went, and it was the lobby of the universities that asked for it.

Hopefully, the CST was to have a merged, blended form. Clearly the money was cut back to deal with the deficit issue, but the question is, how do you rebuild it? My view, which I've expressed twice now, is that if it is to be dedicated, it should be dedicated to those areas in which the federal government has clear responsibilities, such as aboriginal education, where there is a clear jurisdictional issue, and I think you can also begin to provide it in other areas where there is clear federal responsibility.

On housing—this is where I'll make one other point—I think members of the committee would be interested to know of some research that I did a few years ago, where, if you looked at what happened in this country after the Second World War, when a depression generation, which didn't have two nickels to rub together, came back as veterans—over a million and a half Canadians came back—there were two federal programs, one on post-secondary education and one on housing, and we created a middle class in this country as a result. That was the basis of our economic changeover from a depression country to a middle-class country. Those were two national programs closely integrated with the provinces and municipalities. It wasn't one on. But you can go into any city in the country and see post-war housing that was provided, which gave people ownership. It was turned over to them and they became the middle class. And it was the same thing with education.

You gave people a stake in their country—that was all you were doing—and I think that's what we have to look at now. I favour dedication, but with clear targets, meeting federal responsibilities.

[Translation]

The Chair: Thank you.

Mr. Pacetti, you have five minutes.

[English]

Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.): Last year we were in Manitoba, and Portage la Prairie showed us some excellent hospitality. Thank you, Mr. Chair.

Thank you, witnesses. Good presentations are always interesting.

Mr. Starmer, I want to understand you so I don't misinterpret what you were saying. You don't want us to concentrate on productivity? Can you clear that up? It makes no sense, especially in light of what other witnesses are saying.

Mr. Graham Starmer: I'm saying that we've talked to all the economists from the banks, and their sense is that Canada's productivity is going down the tube as fast as a speeding train. They call it a crisis in productivity. My point is that we shouldn't focus totally on productivity, because there are so many variables that make it up. So instead of looking at productivity with tunnel vision, we ought to consider other issues at the same time.

Mr. Massimo Pacetti: I think it's a question of how we interpret what productivity is. If we don't concentrate on productivity, then it looks like we want the whole thing to go down the drain. I just don't understand it.

That's why we're here. We want to increase productivity, and one of the best-known ways to do it is by education.

•(1010)

Mr. Graham Starmer: Correct.

Mr. Massimo Pacetti: This brings me to my other question, which I'd like to ask of Mr. Axworthy.

You believe we should be investing in the aboriginal community, which has a high dropout rate in high school. In Quebec we have a CEGEP system. I don't know what it would be in other provinces. But in Quebec there's a junior college, an in-between step. If they drop out of high school, it's too late for the university to do anything.

Isn't this a problem with the high schools? How are universities going to benefit from implementing any type of plan?

Hon. Lloyd Axworthy: I agree with that analysis, and that's why I think the universities and colleges have to be much more involved in a coherent strategy. We provide the resources to make public education work from K to 12. We provide the teachers, the research resources, the support systems.

My own university right now is actively engaged with kids from the inner city—six, seven, and eight years old. We are beginning to teach them science and environmental management, because that's a targeted need. We want to provide two things: first, a skills set that the public school systems are finding difficult to supply; second, an awareness that university and college are possible. Those are the two things we can do. If we stay in the silos—K to 12 here, colleges and universities there—it's not going to be a success.

Mr. Massimo Pacetti: Wouldn't there be a way that the university could recruit and better fulfill that part of their need?

Hon. Lloyd Axworthy: As a public institution, part of our mandate is to ensure that the recruitment load is equally shared. It really is a form of prevention strategy.

In the cities and towns of Manitoba and Saskatchewan, if we don't provide an effective educational transmission, then we will have serious breakdowns, economically and socially. It's about as serious as that.

Dr. Emőke Szathmáry: On the same issue, let me give you this example. The access programs are a way for adults to come to university. We apply the same criteria for admission as we would for any mature student—in our case it's people over the age of 21. The important thing is that it involves no change of standards and no stigmatization.

As to the inner city programs that Dr. Axworthy mentioned, we have done this with particular reserve communities at our own expense: 85 workshops last year. Next year, in grades 9 through 12, we expect to have 90. It's an open invitation to all the aboriginal high schools across the province, of which there are many, some in remote communities.

We need money to be able to fulfill the double-barrelled mandate.

Mr. Massimo Pacetti: That's what I want to hear.

Dr. Louis Visentin: You're talking to the wrong people about the right thing—access. The critical periods are zero to 6 and K to 5. It's not K to 12. If you're a follower of Fraser Mustard, and you have children, and you've been on the reserve, pick up on those age groups. We need university input to develop programs for zero to 6 years. That's where the real literacy and numeracy problems lie. You're talking to the wrong people about the right thing.

The Chair: Thank you, sir.

We'll move now to Mr. Del Mastro. It's over to you.

We're going to go with four-minute rounds, ladies and gentlemen, so we allow everyone who wants a question to get one.

Mr. Dean Del Mastro (Peterborough, CPC): I have to put five minutes into four minutes, so everybody's going to answer really quickly for me.

Mr. Sprague, do you believe that creating a hotter business environment is mutually exclusive of investing in education?

Mr. Trevor Sprague: Certainly not. In fact, I think the two go very much together.

Mr. Dean Del Mastro: By making a better business climate, governments often raise—in fact virtually always raise—total tax revenues, don't they?

Mr. Trevor Sprague: Absolutely.

Mr. Dean Del Mastro: A lower tax rate does not mean lower government revenues. Thank you.

The 2006 budget was titled “Focusing on Priorities”, and one of the things we put in there was education. We did talk about a dedicated transfer and we also talked about development of skilled trades.

I want to go back to Mr. Axworthy because I believe he has a very interesting proposal. This year the Department of Indian Affairs is going to spend about \$9 billion. You came forward with a fairly modest \$60 million program for education. Is it your opinion that this would work nationwide, for this kind of an investment?

• (1015)

Hon. Lloyd Axworthy: I go back to the issue. Because the country is so diverse, being able to have the flexibility to target in on the special needs region by region or province by province really makes sense, but there has to be management on that. I did talk about setting goals, because when you get the different parts and pieces together, you can then say that we've been able to increase enrolment of, say, aboriginal students by another 5,000 this year. Right now there's a gap of 30,000 students compared to the non-aboriginal population.

That's where the federal government can have a real role, but it has to be tailored to very specific areas, and that's where the cooperation with the provincial and municipal governments comes in.

Mr. Dean Del Mastro: Thank you.

Ms. Szathmáry, when we listen to student groups, when they talk about the dedicated transfer, they're talking about it in terms of reducing tuition fees, reducing their costs. When we talk to

universities, they're talking about investment in infrastructure and research and being able to provide much better programming for them and better education. Is there a balance here, or is it one or the other?

Dr. Emőke Szathmáry: I think it's very important for parliamentarians to realize that CFS, which is the largest voice across the country, actually would like to see the elimination of tuition fees altogether.

My own view is that the individual benefits from a university education directly, and there's lots of evidence to bear on that, as does society. I'm not a supporter of the view that students should not bear some of the costs of their own education, which is going to be directly to their personal benefit.

Mr. Dean Del Mastro: Agreed on that. I know if I hadn't made an investment in it, I probably wouldn't have appreciated it.

Mr. Visentin, you also spoke about infrastructure.

Dr. Louis Visentin: I think there's balance. The students are paying a tuition rate that's about the same as it was in the 1990s.

Mr. Dean Del Mastro: So you actually feel that it should be more towards the infrastructure then, that universities or colleges should actually be given the money to deal with as they see fit.

Dr. Emőke Szathmáry: Remember that institutions set their own tuition fees. In our province right now, tuition is at the 1999 level, at provincial request. The national statistics are not accurate. There are large differences across provinces. I'll give you an example. If we could charge the same tuition fee as does the University of Saskatchewan, we'd have \$28 million more in our budget annually.

Hon. Lloyd Axworthy: Could I make one observation on tuition? What I would ask the committee to look at is a shift from the increasing burden of the loan system to more targeted grant programs, so that you begin to target the students who really have needs. I think that's where the objectives should be.

The Chair: I'm sorry, we have to move on.

I'm just going to insert a quick anecdote and say that if I hadn't had to pay tuition, room and board, and travel costs to go to Brandon University, I never would have been forced to take a job refereeing basketball, which prepared me for this.

We move on to Monsieur St-Cyr.

Mr. Thierry St-Cyr: Thank you.

My question will be for Mr. Starmer, from the Manitoba Chambers of Commerce.

I've read your brief, and I also listened to Dean's comment that if we lower taxes, we don't necessarily always lower the income of the government. I think this Conservative theory comes from the Reagan years in the United States. In fact, it's just that—a theory. In reality, it didn't work. It was miserable, both a social and economic failure. The middle class was very badly hurt economically, and the deficit of the American government just exploded during those years.

So I wonder how we can still bring this argument to the table.

I've seen your brief. For example, you suggest raising to \$150,000 *le seuil*, the moment at which you pay the maximum rate of income tax. Now, I wonder how this could improve our economy. We know that if we give tax breaks to lower-income people, most of it will go into consumption, because their budget is so tight that if they have more money in their pocket they will spend it. When we give those same tax breaks to wealthier persons, most of the time it goes into *épargnes*, savings and stuff like that.

So isn't it just basically a way to put more money in the pockets of the richest ones, without really impacting our productivity?

• (1020)

Mr. Graham Starmer: I think you'll find that if you change that—and as you see, it's a \$0.3 billion change—the money that goes into those pockets will in fact turn around in investments, because you'll find that a lot of our senior corporation managers, the CEOs, reinvest into other businesses, and the economy goes around.

What we've suggested is that when you look at trying to decrease certain taxes, you need to look at what impact that will have on jobs. We've met with the finance minister in Manitoba and tried to make him aware that if you have job-killing taxes, you don't expand.

Mr. Thierry St-Cyr: Well, I agree with that. Then would it be more useful to take this \$300 million and, instead of lowering it for the richest person, just have investment measures that are more interesting, like *amortissement*—how do you say that?

An hon. member: Depreciation.

Mr. Thierry St-Cyr: Depreciation.

This really gives investment back, because you're sure it's a tax break that you give to enterprises that invest in their future and in the future of the economy. But frankly, if I give a tax break to an American CEO that comes to Motorola.... I was working in Motorola before. When their mandate is finished, they go back to the United States. They're doing nothing here.

Don't you think it would be more productive?

Mr. Graham Starmer: No.

[Translation]

The Chair: Thank you.

[English]

Okay, we continue with Michael Savage.

Mr. Michael Savage: Thank you, again.

I'm going to go back to the issue of the dedicated transfer. In my view, there are two things. One, the most important recommendation the committee should make to the government is how do we get a handle on post-secondary education?

Secondly.... We have four people from distinguished institutions, so I want your opinion on this. I haven't got a lot of time, but I want to try to be as specific as possible.

Judy indicated that the percentage of post-secondary funding from the federal government has declined to single digits. In fact, it stayed constant, and those are numbers from the government's budget document, but it's been taken from that allocation to the provinces. Lloyd indicated that some of it goes to research. We set up the millennium scholarship, learning bonds, and all that sort of thing. So if we do a dedicated transfer... I brought this to a Liberal policy convention last March, and got it passed as a priority resolution. So I support the dedicated transfer.

I have two concerns. One, a dedicated transfer does not do anything to close the inequities in Canada between a province like Nova Scotia and a province like Alberta, which can afford a lot more now than Nova Scotia can. If there are dedicated transfers per capita, then I assume it won't close that gap. It also won't allow us to target specific areas that are a problem, like the aboriginal communities in Manitoba and Saskatchewan.

I don't want to beat a dead horse here, but I do want to try to get a succinct recommendation from you guys. The choice is a dedicated transfer.... And negotiating with the provinces is not all that easy. We did it in health, but it didn't come without a certain amount of blood on the floor. So the choice is either a dedicated transfer and allow the provinces a large amount of control, or the federal government saying they are going to continue to invest in research and innovation and they're going to go directly to students, particularly, as Dr. Axworthy indicated, not to lower tuition overall but specifically to help aboriginal Canadians, low-income families, and persons with disabilities.

I would like your views. I'll start with Jeff.

Mr. Jeff Zabudsky: I would suggest that it would be the former rather than the latter, a dedicated transfer to the provinces, negotiating with them, in consultation with the institutions, around setting some targets and some goals, goals that have national interests, national standards. Many of those having to do with aboriginal student skills are very much in the national interest.

Mr. Michael Savage: Would you leave the millennium scholarship and research as it is now, or would you roll all that in, cancel those out, and let the provinces decide?

• (1025)

Mr. Jeff Zabudsky: I would...*[Technical difficulty—Editor]*

Hon. Lloyd Axworthy: I have one comment.

When you use a dedicated transfer, it can have different equations to it. One equation can be a base transfer, not based on population per se but on a series of criteria. Secondly, you could have a component that is clearly income support for students in need. Third could be a transfer that's based on targeted priorities that the federal government could set commensurate with its own responsibilities, such as those in the federal jurisdiction. Then you have a dedicated transfer that has a proper formula to it.

The Chair: Louis, do you want to comment?

Dr. Louis Visentin: I think a dedicated transfer is a good way to go, with targets. In 1983 the Liberal government at the time announced a research strategy to be biotech information technology and material. We had no biotech industry in the country. They targeted both the physical infrastructure and the development of human expertise. We've got 500 companies in this country that we didn't have in 1983. So this kind of targeting is possible.

The government is saying that this is where they want to go, and then saying to the universities that they need this much for infrastructure, this much for training, and this much if you want to target aboriginals for access education. But we need some specific targeting so that we have an idea and can make sure the strategy is achieved.

The Chair: We'll conclude with our final questioner for this panel, who is Mr. Tweed.

Welcome, sir.

Mr. Merv Tweed (Brandon—Souris, CPC): Thank you, Mr. Chairman, and thank you, witnesses, for your presentations today.

This is my first pre-budget meeting, and what I seem to be hearing is that over the past several years the federal government has gotten into negotiations with provinces, universities, municipalities, and cities. I think what we've seen is that the line of responsibility and the line of where funding should go and how it should be applied has become so blurred that we don't really even understand how the funding happens and how the funding is disbursed.

I've spoken to a lot of people whose greatest fear is that every time an announcement is made of transfers of funding to the provinces, they'll take that amount out of the province's current budget and backfill it with the amount that's being sent over by the federal government.

I think that has created the need for dedicated funding. You get into jurisdictional arguments all the time with provinces. We saw that in the recent health announcement by the previous government—\$41 billion and no accountability or no outcome results that we can measure to see if the money actually did what it was intended to do.

My question for all of you—and I think it could be answered very quickly—is this. Would you agree that the lines of responsibility have to be re-established between the federal government and other jurisdictions and also maintained?

Dr. Emőke Szathmáry: I would agree to that, and I think Mr. Savage set up a false dichotomy. I don't think there can be any backtracking on the research front, especially when we're talking technology transfer in the four primary areas in Canada that are regarded as particularly important.

But I think with reference to the main mission of universities, which is to educate—mine has a dual-pronged one, to do research as well as educate broadly—lines are blurred. If we don't have the funds to do that primary educational responsibility, we won't even have the people to do the research. I really do think you've put it properly.

As to what is done within that in terms of targeted sectors and so forth, there are any number of ways of doing that, but I do think that the research funding has to, at the minimum, be maintained, but then there have to be clear lines of responsibility in terms of institutions' missions to educate.

Mr. Graham Starmer: I tend to agree very wholeheartedly with that. When we talk to many non-profit organizations and groups that receive funding from a whole multitude of sources, frequently they feel that the lines are confusing. Not just in education, but in a lot of other areas, I think those lines have to be made very clear.

• (1030)

Mr. Lorne Boguski: I found the discussions with the universities and their needs very interesting. I've been in the field of education for some 40 years.

But let us not forget that those students have to come from somewhere. They come from municipalities, and we as municipalities are continually being asked to do more and more for our citizens. We're into such things as making sure they have safe potable water and looking after recreation, wellness, health, doctor recruitment, economic development—all those issues. We want our students to come back to our communities. Yes, they are going to be educated, but they have to come back, and as municipalities, we have to have something for them.

What we're asking is this. We require long-term predictable funding so that municipalities can do the things they have to do in order to keep our young people coming back to our communities. This is extremely important. This is the one message we do want to give you. We require long-term predictable funding like the gas tax. That's an excellent program. We want that to continue and others like it.

The Chair: Thank you, Mr. Tweed.

Thank you to all the members of the panel for your fine presentations. We appreciate your time and the effort you've put into participating in this process today.

I'll invite the next panel to make their way up and replace the panel that we have here now.

We'll suspend for five minutes only. Then we'll recommence.

• (1035)

The Chair: We'll recommence.

We are giving priority to our panel. Welcome, panellists. Thank you so much for taking the time. Thank you for the work you put into preparing your briefs. Thank you for providing us with an opportunity to participate with you in making recommendations to the upcoming federal budget. It's wonderful to see you. It's a great day and it's nice to have you here with us.

We are going to hold you to the times that we've asked you to stick to on your presentations because we want to make sure we allow time for exchanges with the panel members thereafter, and also because some of these people, believe it or not, after having flown 10,000 miles this week, have to fly again to get home for the Thanksgiving weekend. So we're going to start right away and get right into it.

We'll begin with Donna Riddell, from the Child Care Advocacy Association of Canada. Welcome, Donna. You have two and a half minutes. I'll give you a sign when you have a minute to go, just so I don't have to cut you off in mid-sentence. When I indicate your time is almost over, just wind up your presentation, and we'll move on, so that everybody has a chance.

Thank you, Donna, and welcome.

• (1040)

Mrs. Donna Riddell (Manitoba, Child Care Advocacy Association of Canada): Good morning.

Thank you for the opportunity to present to you today. I'm Donna Riddell. I live in Miami, Manitoba, with my husband and four daughters. I'm also the board representative to the Child Care Advocacy Association of Canada.

Quality child care services support children, families, communities, and the economy, and will improve Canada's competitive stance with peer nations. I'm here to say that child care in rural areas of central Manitoba does work for our families. Child care provides an essential service to my family. In 1996 my husband was self-employed, and I needed to re-enter the workforce. I needed to find child care for my two daughters. I tried local home-based child care, and while families have been lucky enough to find competent care, I was not so lucky. I hired someone to come to my home, and this was inconsistent. I had three different people who took turns providing care.

In discussion, I and other parents in Miami saw a need for child care in our community. That led to the development and building of the Miami Children's Facility. Governed by a local board of directors, this facility continues to be successful, using an integrated service delivery model. It has been vital, since the beginning, for this facility to provide inclusive services for both working and stay-at-

home families. Quality child care with extended flexible hours, family resources, and nursery school programs are a few of the priorities of this facility.

Many other rural communities have developed and built their own child care programs tailored to meet their needs. With the support of grants, land donations, municipalities, bankers, and good luck, they have been successful. There are families who have moved to rural communities because of this provision of child care.

Community businesses have been able to retain a more secure workforce, farmers have been able to farm safely, centres provide employment opportunities, employees are able to increase their skills by taking training volunteer boards of directors also develop their skills, and rural children deserve early childhood education. Quality child care programs provide many developmental benefits. These benefits, however, will only be realized through a focused public investment strategy, ensuring that families have access to quality services. The child care space initiative will not succeed in rural areas. Rural communities do not have businesses willing or able to take advantage of any tax breaks to create new child care spaces.

Capital funding is needed for rural child care programs. Ongoing operating costs need to be covered, especially in rural communities, to compensate for the seasonal peaks and valleys in enrolment. Subsidy for rural families is critical. The farm economy, as you know, is quite dismal; also, lower incomes quite often are common in the rural setting.

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

Thank you.

The Chair: Thank you very much, Ms. Riddell, for your presentation. Well done.

We'll continue with SpecialLink and Debra Mayer. Welcome.

Mrs. Debra Mayer (Project Manager, SpecialLink): Thank you very much.

In my two and a half minutes I'm going to talk quickly and hope that you've had a chance to read the full brief.

I want to focus on the fact that in a time of increasing labour shortages it's very ironic that a significant subset of the Canadian population eager and ready to work is doubly ghettoized. To explain, I want to tell you a story of long ago.

My Uncle Morris moved to the local institution in Portage La Prairie when he was 12 years old, much against the wishes of my grandmother. She was an immigrant and a single parent whose husband abandoned her and three small children at a time long before welfare, child care, or the community living movement. The doctor said to send him away when he was just a baby, but my grandmother tried for years to keep him at home with her while she worked in a factory to support her family. As he grew up, he was harder to provide for, and there was no help in the community. That was in the 1930s, and he came to live here in Portage La Prairie in 1942.

I've spent the past six years working for Community Living Manitoba, with parents of children with intellectual disabilities and the early childhood workforce who help them care for their children. For the past year I've worked for SpecialLink, the National Centre for Child Care Inclusion, where we continue to hear the stories shared by parents of children with disabilities, like the single mother in Whitehorse who dropped out of a training program that would have brought her economic self-sufficiency because the child care program couldn't meet the catheterization needs of her child. A different northern community lost its only doctor because the community could not meet the special needs of his child.

Our research has shown that a significant percentage of parents of children with disabilities are unemployed, underemployed, or work part time because of the demands of their children's disability or health condition. Thirty-nine per cent report their employment status has been affected. Forty-six per cent say their work schedule has been affected. Sixty-eight per cent turn down overtime. Sixty-four per cent of two-parent families with one parent unemployed report that their child's special needs are the major factor in their family's unemployment. Mothers' employment is far more likely to be affected by their children's need for care and support and the extra logistics of balancing work and family.

We can support these families in regard to the many workforce barriers they face, and provide inclusive early education for their children. But SpecialLink recommends that, in order to do so, the federal government prioritize investments in building an inclusive children's public policy agenda in order to meet the social development needs and aspirations of children with disabilities and their families. We also encourage this government to develop specific policies that affect availability and access for children and parents, and policies that ensure all programs are physically accessible, with design features appropriate for care.

In budget 2007, we encourage you to move past tax measures and concentrate on sustained multi-year program expenditures focused on early childhood. And we ask you to track the impact of your policy decisions, particularly on these indicators: the number of children with special needs who are attending child care programs; the evidence of children with their range of needs and levels of disability being meaningfully included; the number of centres accepting children with disabilities; we know that about 40% of centres in Canada aren't able to include kids with disabilities because of the lack of resources they have; we have a high incidence of children with special needs being turned down and expelled from children's programs because of a very under-resourced system; and finally, we ask you to measure the quality-inclusive indicators and

quality improvement over time so that we can really see the impact of policy decisions in the long term.

Thank you.

• (1045)

The Chair: Very good; that's very interesting. Thank you.

We'll continue with Susan Prentice, who is here on behalf of the Child Care Coalition of Manitoba. Welcome, Susan.

Dr. Susan Prentice (Member, Steering Committee, Child Care Coalition of Manitoba): Thank you. Good morning.

I'm wearing three hats as I speak to you today. I'm the mother of two children, ages eight and ten; I'm a sociologist at the University of Manitoba who works on child care policy; and I'm active in the Child Care Coalition, an organization with a broad range of stakeholders.

I want to speak to the brief that you hopefully have already been able to read. I want to raise both a conceptual and a practical point that arises from our brief.

I'm only exaggerating slightly if I point out to you that we don't fund health care in Canada by giving all citizens their share of the health budget, that we don't fund roads and highways in our country by giving everyone a few kilometres' worth of asphalt, and we don't ensure firefighting and fire safety by giving everybody funds to buy their own water hose, but the current government has proposed that this would be a way to build a child care system—giving \$100 to all parents of children under the age of six.

I'm actually quite enthusiastic about family allowances. I'm sorry they disappeared when they did, in the early nineties, and I'm glad to see a version of them back. But the program that has been proposed as a choice in child care allowance will not build a child care system for Canadians, notwithstanding the child care spaces initiative, which perhaps we'll speak to.

I want to tell you one of the practical problems that will flow from this conceptual approach. Two years ago Status of Women Canada women's program funded the Child Care Coalition in order to produce some economic and social impact studies. We looked at the effect of child care in Winnipeg.

Now, with another round of Status of Women Canada women's program funding, we're able to go to three new regions—the large agricultural region of Parkland, the northern town of Thompson, and the francophone village of St-Pierre-Jolys.

One of the things we've discovered is that in all three regions there are waiting lists. Parents report that they are trying to get into licensed child care programs, but the spaces are not available for them. This is quite similar to what we found earlier this year in Winnipeg, where the best indications seemed to be that there are more children on waiting lists to get into Winnipeg child care centres than there are spaces available.

These problems of spaces are systemic and they will only be solved by direct funding to programs. That's why the coalition has made the four recommendations before you.

The first is for secure multi-year funding to provinces and territories in order to enable them to spend directly on services; the second is the importance of a federal-provincial-territorial social policy framework; the third is the requirement that funds be spent directly on improving access to child care that is quality, developmental, and educational; and the fourth is to ensure full accountability in the spending of public funds.

Thank you.

• (1050)

The Chair: Very good. Thank you very much.

We'll continue with Karen Ohlson, who is here from the Manitoba Child Care Association. Welcome, Karen.

Ms. Karen Ohlson (President, Manitoba Child Care Association): Good morning.

The Manitoba Child Care Association is a non-profit, entirely membership-funded organization incorporated in 1974. We have 3,800 members. We're the largest provincial child care organization in Canada and an affiliate member of the Canadian Child Care Federation.

In 2005, 70.8% of women aged 25 to 54 with children under six participated in Manitoba's workforce. Licensed early learning and child care services in all corners of Manitoba have very long waiting lists, as Susan has just illustrated, but Manitoba has the licensed space for only 15% of children. Parents on waiting lists have chosen regulated child care. Most will never actually use their choice of service.

In 2002, the Government of Manitoba developed a five-year plan for child care designed to first increase the child care workforce and then to significantly expand the number of licensed spaces. Good progress has been made, using a combination of provincial and federal funds. That progress and any future development of licensed child care in Manitoba is now seriously compromised with the cancellation of the funding agreement on early learning and child care, and termination of federal funds in 2007.

To ensure that children and families are supported, to ensure that our citizens are healthy and have the right skills for their own benefit and the benefit of their employers, to ensure that our businesses are competitive, and to ensure that our nation has the infrastructure it requires for its citizens and businesses, the Manitoba Child Care Association makes the recommendations that follow for program spending in the upcoming budget.

The Government of Canada must work in partnership with the provinces and territories to create an overarching early learning and child care agreement for a national child care system, including equitable funding for aboriginal child care services.

By 2020, federal funding for early learning and child care services should reach 1% of GDP through scheduled increases and annual increments.

The child care space initiative must include real dollars to create real sustainable spaces that are regulated, inclusive, accessible, community-based, and not for profit.

Income support programs such as the universal child care benefit or a tax credit should not be confused with child care services, and the federal government should not consider any of them a substitute for the national early learning and child care system.

I have more. They're all in our brief.

The Chair: That's good. We'll certainly have questions after your presentation. Well done. Thank you very much, Ms. Ohlson.

We'll continue with Paul Cenerini from the Lourdeon Wellness Centre. Welcome, Paul. Please proceed.

[Translation]

Mr. Paul Cenerini (Lourdeon Wellness Centre): Good morning. Mr. Chairman, I would like to thank you and the members of the committee for this opportunity to be here today.

My name is Paul Cenerini. I am the chair of the Steering Committee of the Lourdeon Wellness Centre in Notre Dame de Lourdes.

[English]

The Chair: We're on translation. Forgive the interruption.

[Translation]

Mr. Paul Cenerini: I see. Mr. Chairman, does this interruption count in the two and a half minutes? May I continue?

• (1055)

The Chair: Please do.

Mr. Paul Cenerini: Very well.

Canada's new government will focus on five key priorities for Canadians, the fifth being to deliver the health care Canadians need.

Your committee is interested in proposals that will ensure Canada's place in a competitive world, starting firstly with actions which will ensure that our citizens are in good health.

How will this goal be reached? We are confronted with two choices: increased spending in the present system based mostly on acute care or long-term investments directed towards prevention.

I'm happy to be here today to make you aware of a Primary Health Care project in Notre Dame de Lourdes, a project which comes within the framework of this second choice.

Our project closely follows Health Canada recommendations, and was initiated with the help of a grant from the Primary Health Care Transition Fund.

This community centre will provide access to a wide range of services, including health promotion, sickness and injury prevention, and management of chronic illness; it will offer primary and social health care in both official languages, French and English. In addition, we will form partnerships with other francophone communities in the province to provide services to the francophone population in the area.

We have adopted a pragmatic approach, which consists in sharing services with the regions of Saint-Claude and Saint-Jean-Baptiste by using a travelling health team, a service delivery model on which Manitoba's Central Regional Health Authority is working together with the Manitoba Centre Issue Table.

The construction of a community health centre in Notre Dame de Lourdes will be the corner stone for supporting health services delivery in French in our region.

A primary health care initiative can only be achieved through a federal-provincial-community partnership. Coming in at a cost of \$3.1 million, and work is now well under way, our project is no exception to this rule. Our community has covered half the cost of the project, and the province, through the Manitoba Central Regional Health Authority has contributed \$500,000. Private foundations have also pledged money. Only the federal government is left to pledge its contribution to fulfil its obligation towards its linguistic minority.

In conclusion, I would urge your committee to seriously consider renewing the financing of the Primary Health Care Transition Fund. But, I would especially like you to find a mechanism of one sort or another so that a financial investment could be made in community projects such as ours. It is only by enhancing the overall health of our community that we will be able to reduce the fiscal burden on our health care systems.

Thank you for listening.

The Chair: Thank you.

[*English*]

We do force you to give a lot of material in a short time, and we appreciate that you're able to do that.

We'll continue now with the Social Planning Council of Winnipeg. Sid Frankel, welcome.

Dr. Sid Frankel (Member, Board of Directors, Social Planning Council of Winnipeg): Thank you.

My apologies for being late; I had a flat tire along the way, and I got a little more exercise this morning than expected.

Canada's rank in the competitive global economy has been slipping over time. According to the World Economic Forum, Canada ranked 16th in 2006 on the global competitive index, down from 13th in 2005. The World Economic Forum, hardly known as a

left-leaning group, has argued that heavy investment in education, infrastructure, and a broad range of social services is responsible for the strong international economic performance of the Nordic countries. Finland, Denmark, Sweden, and Norway are always near the top of the index, exchanging who is leader.

Canada's level of economic competitiveness depends on its investment in developing human capital through education, training, and skills development. The recent federal announcement of cuts, worth approximately \$1 billion to many programs and services that support the formation of social and human capital, are, we feel, a step in the wrong direction. The cuts run counter to Canada's economic goals—and social goals, I might add. Our submission is that these cuts should be restored in the next budget.

A highly literate population is a necessity for a sound and growing economy. The adult literacy and life skills survey found a significant wage return for high skill levels. Another study found that upgrading the skills of Canada's least-educated workforce would lead to increases in the GDP and labour productivity. The study also found that increasing skills among those at the lowest level in the distribution would have more positive impacts than increasing skills at the higher levels.

Therefore, the \$17.7 million in cuts to literacy programs should be restored. Our argument is not necessarily that they be restored to exactly the same programs, but if there are problems in particular programs, that is no rationale for removing the funding.

The opportunity for working-age adults to gain and develop new skills, including literacy and numeracy, is essential in today's labour market. According to Scott, OECD findings confirm that countries that have invested more heavily in education and worker training have achieved higher rates of job creation and economic growth.

One can anticipate that the combined loss of \$73 million for training, upgrading, and employment and work opportunities for youth, aboriginal youth, unskilled, and low-skilled workers will have a strong negative impact on Canada's ability to meet demands for skilled labour and to compete in a global marketplace.

The voluntary and non-profit sector is a key part of Canada's social and human capital architecture, and a major ingredient of economic competitiveness. The economic contribution of the non-profit sector is larger than many major industries in Canada. It amounted to 6.8% of gross domestic product in 1999.

The sector is obviously very reliant on volunteers. The announced cuts to the Canadian Volunteerism Initiative and the Canadian Policy Research Network, which does major research to support the sector, will greatly impact on the capacity of the sector as a whole to contribute to Canada's economic performance.

Canada ranks high internationally in terms of health status and health care, but I don't have to tell anyone that there are great inequities among the Canadian population. Ensuring the health of aboriginal people through such preventive strategies as the first nations and Inuit tobacco control strategy offers long-term benefits by reducing the demand for costly acute health care and by increasing the capacity of aboriginal people to join the labour force and fill labour shortages.

•(1100)

There are many barriers in the labour market to the entry of particular groups whose labour is going to be more and more needed. These include women, lone parents, aboriginal people, new Canadians, and Canadians with disabilities.

The Court Challenges Program of Canada, the Law Commission of Canada, and Status of Women Canada—

The Chair: Your time has elapsed.

Dr. Sid Frankel: Thank you.

The Chair: We'll go over now to Gay Pagan from the Manitoba Government and General Employees Union. Welcome, Gay, and proceed.

Ms. Gay Pagan (Organizer, Manitoba Government and General Employees Union): Thank you very much for the time today.

The federal government has recently taken important steps towards acknowledging the importance of child care in Canada. The Canadian government's contribution of \$1,200 to families with children under the age of six is an admirable and important first step. However, much more is required in this area to ensure that Canada remains a competitive industrialized nation.

Many children beyond the age of six require day care. For example, I am a single parent and can't find any after-school programs in my area. These children and families do not receive any form of government assistance. However, any capital funding without an ongoing operating fund will not work and will not be sustainable. Tax incentives won't guarantee that new day care spaces will meet community priorities.

In order for Canadians to continue to contribute to the development of a competitive society, we need to ensure that we develop as flexible a workforce as possible, especially as the workforce continues to change. A not-for-profit universal child care system is essential to providing the support required to assist in this endeavour.

A universal child care program would enable individuals to take the necessary training required to upgrade their skills and re-enter Canada's workforce, thereby enhancing the country's economic and competitive position. This would also ensure that fewer people end up applying for various forms of social assistance, which might already be required, if they are unable to get sufficiently well-paying jobs.

The early years in a child's life have been demonstrated to be crucial to intellectual and psychological development. Therefore, it is of the utmost importance that children receiving child care be supervised by qualified trained professionals of the highest order. An early childhood educator who is paid a competitive salary will be best able to ensure that our children receive the quality of care they deserve, and this is most important in the formative stages of their life.

In order to attract and retain such quality individuals in the child care workforce, the federal government ought to take a lead role in ensuring that spaces exist in post-secondary educational institutions. Financial investment in the education system, in addition to well-

paying jobs after graduation, will pay greater dividends to the Canadian economy when skilled, educated people continue to flow into the workforce.

In summary, we would strongly recommend that the federal government take the following steps: create a publicly funded not-for-profit child care system; provide Canada-wide universal access to any such program; and most importantly, train and pay sufficiently the child care workers who are a key component of any such system.

Thank you.

•(1105)

The Chair: Thank you very much for your presentation.

We'll continue with Ken Bicknell, the vice-president of ENSIS Growth Fund Inc. Welcome, sir. Proceed.

Mr. O. Ken Bicknell (Vice-President, ENSIS Growth Fund Inc.): Thank you, sir.

Mr. Chairman, committee members, thank you.

I am Ken Bicknell, as mentioned. I'm also here as a committee member of the Association of Labour Sponsored Investment Funds, and I'm proud to be a Manitoban since birth.

I'd like to ask you to change your thought process from the very important child care and wellness issues we've heard about, which are interesting to me—I'm a father of four, as well—but I'd like you to think about capital requirements for growth-focused small- and medium-sized enterprises. I'd specifically like to speak to three topics: the importance of retail venture capital in economies such as Manitoba's, the current market conditions affecting liquidity, and recommendations to restore the flow of venture capital.

When we look at provinces like Manitoba, it's very important to have retail venture capital. Statistics on venture capital in Canada suggest that significant amounts of venture capital come from foreign and institutional sources. These statistics do not hold when we look specifically at a province such as Manitoba.

Analysis indicates that the primary source of venture capital in Manitoba is in fact retail venture capital. As evidence, Thompson Macdonald reported that Manitoba received about one-half of 1% of \$886 million invested in the first half of this year; this equates to about \$4.4 million. Our own fund, ENSIS Growth Fund, in fact invested \$4.3 million during that same period. In Manitoba, venture capital is only retail venture capital.

An equally troubling determination from the same statistic is that Manitoba is significantly underserved with regard to this type of capital. Manitoba represents approximately 3% of national GDP, and as such should attract similar percentage weightings of flows of capital to support that economic activity. Interestingly, at one-half of 1% of venture capital, we're severely underserved.

What are some of the market conditions that affect this? Manitoba's a small market with regard to institution and foreign players—they will not come here—so it's reliant upon our local economy. The retail venture capital marketplace, as you've heard from my colleagues in other centres, has been under stress because of alternative, more attractive tax-enhanced products such as oil and gas flow-throughs. The demise of our local competitor, the Crocus Investment Fund, has had an impact on inflows, and our industry's returns based on other inputs like the tech sector meltdown.

Market research supports our observations. Interestingly, 4% of Manitobans have participated in the LSIF asset class, though 32% of Manitobans indicated in a Probe Research study we funded that they would invest in retail venture capital under the right circumstances. In support of lower-risk venture capital, 45% agreed that it's a good idea to loan money rather than invest in equity. The Crocus story continues to be a drag, with 31% of Manitobans suggesting they're less likely to invest in retail venture capital than they were two years ago.

We also undertook to study the Investment Dealers Association investment advisers, and to find out their interest in our asset class. They indicated that Manitoba's significant move to increase the annual investment limit by individuals to \$12,000 was significant, but without the incremental additional federal government share of the 30% tax credit, there was not enough risk mitigation with only a 15% tax credit. Their lack of interest was, again, due in part to the availability of oil and gas flow-through LPs that provide a 44% tax enhancement, a two-year hold period, and no limits on investment.

Again, when I look at this and we ask what should be done or what could be done, we are looking to make three significant recommendations: reduce the hold period on LSIFs to five years, as the B.C. provincial VCC program has done, and it's been very successful at raising capital; increase the annual investment limits, as my colleagues have proposed, to at least the RRSP limit so that we can attract the investment advisory community, so that we can attract higher net worth individuals who will not look at a \$5,000 investment; and remove the restrictions on retail venture capital in providing subordinate debt investments, which significantly lower the risk while they are still venture capital investments.

As a new initiative, we would propose the creation of professionally managed technology and life science-focused investment funds that accrue the same attributes, investment limits, tax benefits, and hold periods as oil and gas flow-through LPs.

With the above-noted market-driven changes, we believe that retail venture capital could again regain liquidity and support the investment community.

Thank you.

•(1110)

The Chair: Thank you very much for your presentation.

We continue with the Manitoba Hotel Association, and our host, by the way, committee, at this facility, Leo Ledohowski. Thank you for your hospitality.

Mr. Leo Ledohowski (President and Chief Executive Officer, Canad Inns): Thank you very much. Thank you for providing me with the opportunity to speak before your committee.

My name is Leo Ledohowski, and as its chair I represent the Manitoba Hotel Association. It's an association that started in 1927, and out of 327 hotels in this province we represent about 90% of them. We're a not-for-profit that's dedicated to improving the hospitality and tourist industry.

My full-time job is as president and CEO of Canad Inns. We have about 2,100 employees. That puts us up in the same cluster as Great-West Life, Investors Syndicate, and Inco. We're probably in the top four or five private employers in the province of Manitoba. Last year we had 7.5 million customers go through places such as this.

We have, speaking in my role as chairman and from my position in my company, a vested interest in the tourism and hospitality business. In Manitoba, at last count—and these numbers change—about 65,000 people are employed in the hospitality industry, with a contribution to the provincial gross national product of roughly \$1.3 billion. My numbers may be a bit dated; I think they're higher than that now.

We are in general very pleased with what we're seeing coming out of Ottawa, in the sense that lowering your spending while retaining essential services is, I think, important.

We have a bone to pick, if that's the right term. You recently removed the GST credit for foreign travellers, and that creates a bit of a problem for our industry. I'm sure there's a lot more to it than just recouping the \$75 million. Our challenge to you people, rather than screaming at you, is—at least from my point of view—how do we use these resources to create a better environment for our industry? Perhaps the \$75 million it was costing was not as good as some better use of the resources. My understanding from what I'm reading and seeing from Ottawa is that this seems to be the approach, and I'm hoping that's the case.

In Manitoba, export tourism is 40%, local is 60%—that is, from within the province it's that amount. My challenge to you is to use that \$75 million in a constructive way to make the industry even better, not necessarily spending more money, but taking the money that's already being spent and spending it more effectively.

I have some points outlining where I think we can make some very interesting and quick changes. The first one is in lineups at the border. In the case of export tourism, it really frustrates me when I fly back to Ottawa, coming from Boston or someplace—and that's a transit point—to come off and find there are two airplanes, there are 400 people, and there's one customs clerk. It's two hours in the lineup. She's a very friendly customs clerk, she's beautiful, and she handled herself with poise and dignity, but one is not enough. Somehow, I didn't think it was a surprise that there were 400 of us coming in. I think there are airline schedules, and people should know.

Coming across from North Dakota, where we're expanding into the United States, the lineups are really quite harsh sometimes. Included within them are not only the tourists from Manitoba who are coming back, but the American tourists coming forward. Solving some of this is something that could be done quickly.

I applaud the efforts being made, which have been somewhat successful, so that we don't all have to have passports and Americans don't have to have passports to come in and out. I think that's a great step.

Another easy one to do, I think, involves the exemption levels for goods and services. That amount has been flat at whatever it is—\$250 for 72 hours, or something—and I think some of those things are detriments. They really don't generate a whole pile of revenue, and they just annoy people and stop traffic. With free trade now, our prices are not that different, so there's not too much we're getting out of it.

To talk about efficiency, at our firm we're very dedicated to community—pay equity, and items such as this. However, to get into pay equity specifically, we've just spent probably a thousand hours, if not more, of time to go through the requirements of the federal bureaucracy for pay equity. I think sometimes the rules just impede. There was an energy program that we just bowed out of because it took simply too much time.

• (1115)

Another positive that I think we should focus on is that the highways are very important for us. I think maintaining the highways for the transportation of tourism is very important. Tourism is a world-class mover in the sense of employment, and I think we should do whatever we can to help it.

The final comment I have—and I know time is short—is that our industry, like every other industry, is short of skilled labour, and we applaud anything that will help in the provision of skilled labour. It fits in with the previous panel. It's very important for the expansion of our industry.

I thank you very much, and I think I kept it within the time.

The Chair: You did very well. Thank you very much for the good presentation.

Now we'll move to the Canadian Mental Health Association, Central Region, and welcome Don Boddy, who is the president.

Mr. Don Boddy (President, CMHA - Central, Canadian Mental Health Association - Central (Manitoba) Region): I thank you for this opportunity. I see it as an honour. As a citizen of Portage

and on behalf of the board and staff of CMHA Central Region, I welcome you here to Portage la Prairie.

I also want to say that I don't sit here alone; I sit here with the Manitoba division and the national division, so together our voices are echoing throughout the country.

The story goes that NFL coach Vince Lombardi always began his season the same way. He would walk into the dressing room of his players, men who had played football all their lives, and say, "Gentlemen, this is a football."

What I present to you today is so fundamental to Canada that it's the same kind of message, and there's not a hope of Canada going forward without this issue being dealt with. I say to you today, ladies and gentlemen, that a pan-Canadian mental health strategy is the football.

In the CMHA Central document we submitted to you, we made four recommendations. I just want to focus in on one: the need for a pan-Canadian mental health strategy. I'm not going to spend any time trying to describe it, because Senator Michael Kirby, in his report *Out of the Shadows at Last: Transforming Mental Health, Mental Illness and Addiction Services in Canada*, has articulated the values and directions better than I can. I just wanted to suggest the need for one. It is a shame to us that Canada is the only G8 country without a national mental health strategy.

Also, the need for a strategy grows when you think about the numbers. A diagnosis of mental illness is going to be given to one in five Canadians, or 20% of us, during our lives. That means that around this table here, three to five of us are going to experience it. Nearly every Canadian is going to be affected by it. That means the rest of us, who do not have a mental illness, are going to be affected by it. Just think about that for a second.

More important than any sense of wanting to keep up with the Joneses or just reciting statistics is the importance of hearing the voices. I want to quote from Kim, who said before the Kirby commission:

Broken. Lonely. Hopeless. Ashamed. Rejected. Isolated. Afraid. Unsupported. Lost. Anxious. Disbelieved. Overwhelmed. Embarrassed. Dark. Pained. Desperate. Fading.

I'm a 31-year-old Canadian woman who's been fighting the disease of Depression since my late teenage years. The words above are words that come to my mind when I think of what it's like to live as a Canadian in Canada with Mental Illness.

It's pretty sad when you sit around wishing you had any (literally ANY) other disease other than a Mental Illness.

Jan, a mom from right here in central Manitoba, when speaking of her daughter's suicide, said:

In some ways I feel it's better that she took her life, because the road to recovery is hell, and I don't think she would have made it in this system.

Can you hear the voices? This is only two of the millions of Canadians who are struggling and calling out in the wilderness for a pan-Canadian mental health strategy.

There are two significant questions you must be asking. The first one is what the first step is.

Ladies and gentlemen, the good news is that the genesis of the first step has already happened: an agreement in principle of a Canadian mental health commission. The primary goal of this commission is to articulate the strategies; we simply ask that you enable to commission to do its job by giving it a proper mandate and by funding it appropriately.

The second question is how much all this will cost. According to Senator Kirby's report, the cost of the commission would be \$17 million per year. This amount is less than one-tenth of one per cent of the \$30 billion cost of mental illness to the Canadian economy per year. It's less than one-tenth of one per cent of mental illness in Canada.

Ladies and gentlemen of the committee, my message today is so essential to Canada it can no longer be ignored. Like Coach Lombardi, I stand before you with football in hand, calling for something fundamental to Canada: taking care of each other.

In closing, Mr. Pallister, I ask that you accept this football as a gift from us at CMHA Central, and I ask that as you guys are making decisions about the budget, you bring it out and play with it a bit, and you remember the need for a pan-Canadian mental health strategy.

Honoured members of the committee, this is a football. Thank you.

• (1120)

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

We'll start five-minute rounds immediately with Mr. Pacetti. Take it away.

Mr. Massimo Pacetti: Is it five minutes? I thought I was getting seven.

Anyway, thank you to all the presenters. It was very interesting. It's a dilemma or a challenge that we face; we're going to have to try to focus on a few issues.

Mr. Bicknell, just mainly for education, what is retail venture capital? Are you saying it's all that is available here in Manitoba?

Mr. O. Ken Bicknell:

Retail venture capital is venture capital that is raised through the retail financial planning system, through IDA brokers or MFDA brokers, typically into labour-sponsored investment funds.

Mr. Massimo Pacetti: Is it a competitor of the labour-sponsored funds, or is it—

Mr. O. Ken Bicknell: No, it is venture capital that is raised from what is called the retail investor. That is an average Canadian making an RRSP investment or doing financial planning for retirement.

Mr. Massimo Pacetti: I don't have your brief, but you listed four or five recommendations. Some of them were interesting. Some of them I didn't write down because you were talking too quickly. Basically, even if any of those recommendations is going to be recommended by us, is it going to help here in Manitoba? The population is so small. It's not as though the investment community is going to get any larger. Would it actually help?

Mr. O. Ken Bicknell: It will expand the market available to us. Very clearly, we've attracted 4% of the RRSP-aged population into the asset class historically. If we look at what the IDA, which is the stock brokerage community, is telling us, their high net worth clients and their firms are blocking them from making positions in our funds. The firms themselves take an onerous commission split on a small ticket of \$5,000, so the rep is getting no reward for undertaking the trade, no income.

With regard to the investor, who could be a higher net worth individual for whom a \$5,000 position in their portfolio is a rounding error, that individual would not take a position in our fund but would look at a larger position as something that's realistic.

Mr. Massimo Pacetti: Thank you.

Mr. Ledohowski—you have not contradicted yourself, but just to help out a little bit—when you arrived from Boston there was only one customs agent. But then you turn around and say that when you're applying for government programs, there is too much bureaucracy. On one hand we're saying there is not enough bureaucracy, and on the other hand there is too much bureaucracy when applying for a program. Do we need to get these people out of the office and in uniform in other fields? What typical programs are you having difficulty with?

Mr. Leo Ledohowski: The situation in Ottawa.... I don't think they are contradictory at all. I think we need better border service, plain and simple. Obviously security and safety and all these issues come into play. We need just more bodies on a long weekend when people are crossing the border, rather than fewer.

The specific bureaucracy I was talking about here is the pay equity group. We take that position very seriously in our firm, and just the sheer amount of time and effort it takes to get it done tells me that some of the principles of efficiency you're espousing should be—

Mr. Massimo Pacetti: Isn't it just one time, where you determine whether there is pay equity in your organization?

Mr. Leo Ledohowski: All I can tell you is that this has taken a tonne of time. They've been compassionate in the sense of being understanding of the amount of time and giving us extensions, but it should be much simpler than that.

There was another program, an energy program, that we just basically bowed out of. We put thousands of hours into it. You know what? Keep the grants. I can't devote this much of corporate resources. They're both very great ideas, but somehow in the execution it just seems to go on and on.

• (1125)

Mr. Massimo Pacetti: Thank you. I understand.

Ms. Riddell, in your brief you were talking about child care and perhaps increasing funding or continuing the funding. My question is specifically this. You seem to be one of those advocates for rural child care, and everything we've heard is that it's not plausible because of the fact that the rural communities are too far and there is no way you can have a decent child care or day care or early learning setup, because the rural communities are too far apart.

Mrs. Donna Riddell: There are samplings of rural communities across Canada that work. Central Manitoba has great child care programs in their rural communities; however, the system needs time to grow. It needs a commitment to funding and it needs a little bit of structure to help those communities grow across Canada. The model is there. It needs the capital, the funding to be able to spread.

The Chair: Thank you very much, Mr. Pacetti. Your time is up.
[Translation]

Mr. St-Cyr, would you like to continue?

Mr. Thierry St-Cyr: Yes, thank you.

Thank you to all of you for having come here today.

Throughout the trip, Brian said that we would keep the best for last: Portage. I would tend to agree with him. I would say that we have just heard one of the best witness panels ever. With respect to the child care services we need and in which we have to invest large amounts, I have to say that everyone who dealt with the issue here today was very favourable to that approach. This leads me to say that, if Brian was elected, it was certainly because his personal attributes were much more appealing than his political party affiliation. I can see no other explanation for it.

Ms. Prentice, I liked your fire-fighting example. I hope you don't mind if I use it frequently in future arguments. My Conservative colleagues will not be too pleased with you for having given me this very good example.

Nonetheless, after looking at your recommendations, I must concede that I cannot agree with your second, third or fourth recommendations. You are asking the federal government to impose health legislation and standards, and to link funding to conditions and principles. You are asking the federal government to make the provinces accountable, and so on.

But in Quebec, as you know, people object to that approach. We have established our own child care services, and we believe that we can manage it best.

Do you have any objection to a province—Quebec, for example—opting out of the regulations, or the standards? In other words, the province would opt out to some extent, yet receives a full funding?

[English]

Dr. Susan Prentice: Thank you very much for your question. I'm glad to know my examples may live on.

You're a member from the only province in Canada with which I would have sympathy for the question, because Quebec is such an inspiration to the rest of Canada for the steps that have been made.

I'm sympathetic to the suggestion that Quebec is exceptionalist, the national question for Quebec, and the need to do it. At other moments in time I would have said yes, unquestionably. I'm now very much concerned at the way it's opportunistically taken up by other provinces—Alberta, for example, which proposes spending federal dollars, not even necessarily on regulated care. My preference would be to work very much with colleagues in Quebec to find a piece of legislation that both responds to Quebec's particularities and yet provides a national framework.

[Translation]

Mr. Thierry St-Cyr: I should point out something which may not have been brought to your attention: in my view, the current federal tax system actually discourages provinces from doing what Quebec has done.

When parents in Quebec complete their federal tax returns, they get a somewhat smaller tax rebate than parents in the rest of Canada do, because they actually pay less for child care services. They pay the rest of it through their taxes. As a result, every year the federal government takes in \$250 million at the expense of Quebec parents who have chosen to go with a public child care system.

If we truly wanted to encourage provinces who wish to establish similar child care systems, would it not be better to make a commitment to reimburse the funding the federal government saves when a public child care system is established? Would that not be better than establishing regulations?

• (1130)

[English]

The Chair: You have approximately 20 seconds.

Dr. Susan Prentice: No.

Mr. Thierry St-Cyr: Should we at least give it back to the provinces that do have a national system?

Dr. Susan Prentice: Yes.

[Translation]

The Chair: Thank you.

Mr. Del Mastro, the floor is yours.

[English]

Mr. Dean Del Mastro: Thank you, Mr. Chair.

I'm going to start with Dr. Frankel.

I have couple of questions for you, Dr. Frankel. You compared Canada's productivity to OECD nations. I have some problems with that calculation and I'll tell you why. As a resource-based nation, there's no question our productivity is skewed. In fact, most of the people who measure productivity even say that Canada's productivity is skewed. When we look at the auto sector, even the softwood sector, which survived a horrible system or tariffs, they are amongst—in fact, in the auto sector they are—the most productive in the nation. How do you reconcile that with your statement?

Dr. Sid Frankel: So you're questioning the World Economic Forum's index then?

Mr. Dean Del Mastro: I'm questioning that we're comparing apples to oranges.

Dr. Sid Frankel: I would agree it's complex. There are many factors that contribute to competitiveness. You mentioned some factors. Any global comparison is difficult.

The point we're making—and I think it's a good point—is that it's not accidental that countries that spend higher percentages of their GDP in human capital and social capital are higher in competitiveness. For example, a country with the kind of economic power of the U.S. is lower than the Nordic countries, so I would accept that this is not a simple comparison. I think there's a reasonably clear message, and the chief economist of the World Economic Forum underlined that message.

Mr. Dean Del Mastro: Okay. Thank you.

I'll ask this very quickly because I only have five minutes. You were talking about the cuts that the government made on the basis of effectiveness, efficiency, and accountability. We are spending \$81 million on literacy this year. We have cut \$19 million from the fund. How do you reconcile these “effective” programs with the fact that adult literacy is declining?

Dr. Sid Frankel: Again, I think there's a lot of complexity here, and the case we're making is not to defend particular programs but to defend solid spending in those areas. So we would have loved to see a process whereby the government consulted broadly and found ways to use those funds more effectively, but we think—

Mr. Dean Del Mastro: We are working on that. Thank you. I appreciate your answer.

I guess I'll go to Ms. Prentice.

You spoke about the fact that you couldn't build a health care system if you were to give money to everybody equitably. But everybody has access to the health care system. Everybody doesn't have access to a day care centre. In fact in Quebec one in five—35,000 people—are on a waiting list.

My riding, for example, is going to get \$7.8 million from our program. We were slated to get only \$2 million under the former government program. Isn't that discriminatory funding? Don't my taxpayers deserve the same benefit?

Dr. Susan Prentice: The argument I had made, that we don't fund the health care system by just giving all citizens their share of a health care budget, was to make the point that we actually need services. We need hospitals. We need doctors. We need infrastructure, and it's available for all Canadians who want to use it.

The long-term vision of a child care system in Canada, a well-developed system of early learning and care, is a system of integrated services in all communities—rural, northern, remote, aboriginal—that respond to the needs of those communities so that they are available to parents and children when and as they need them.

I'll point out that this is required not only because parents work or because parents are in the labour force. It's a part of child development, early learning, human capital investments, and a host of other very positive outcomes for all Canadians and their children.

• (1135)

Mr. Dean Del Mastro: Ms. Ohlson, would 1% of GDP by 2020 fund that?

Ms. Karen Ohlson: It would be well on its way, using those figures.

Mr. Dean Del Mastro: I would suggest that's not correct, because the CAW specifically came out—and they're amongst the most conservative of the spending analysts—and said that to provide what Ms. Pagan has suggested, a universal child care system, costs right now are pegged at \$13 billion. So with inflation, 1% of GDP might be \$10 billion, so it might be half of what you're actually looking for.

So if we're going to commit that much, where do you propose we cut from? Or how do we fund it?

Ms. Karen Ohlson: I would say there's a cost to not funding it. Certainly I would say that the OECD is making recommendations as well. These are not recommendations that we come up with on our own. So certainly we understand what the implications are of a well-funded, well-rounded system that's equitable across the country. So at this point, that's the focus we're looking at.

The Chair: Thank you, Mr. Del Mastro.

Ms. Ohlson, thank you very much.

We'll continue with Madam Wasylcia-Leis.

Ms. Judy Wasylcia-Leis: Thank you. May I have a point of order first?

Mr. Chair, first of all, I won't get another chance to thank you for inviting us here this morning. I had a wonderful time, and I wanted to let you know that when we went to the Chinese restaurant you recommended last night, something very interesting happened. I received a fortune in my fortune cookie that said, “Do not hide your feelings. Let others know where you stand.”

So, Mr. Chair, I want to do just that, because I'm not accustomed to showing my feelings.

And I want to focus on this issue of child care because in fact—

The Chair: Ms. Wasylycia-Leis, would you like a ruling on the point of order?

An hon. member: It's a point of order that that's actually not true.

Ms. Judy Wasylycia-Leis: If that means you're going to give me an extra five minutes, sure.

The Chair: No, your clock's been running for quite a while. Proceed.

Ms. Judy Wasylycia-Leis: Child care is, I think, one of the biggest issues we're facing. I think Dr. Visentin from Brandon University said it all. At an earlier panel, he said all our focus is wasted if we're not going to deal with kids aged zero to twelve.

I think there's every bit of evidence to suggest, contrary to Dean's comments, that in fact, if we get to 1% of GDP, we're getting there, and at least we're not sitting at 0.25%. In fact, if we planned this, it would cost \$1.2 billion annually just to get to that over 20 years. We can do it. It's not impossible. Yet we can't seem to get through to these Conservatives. We've been on the road for a week. We've been having hearings for three weeks. We can't seem to convince them that it's absolutely a public policy imperative.

So I want Gay and Karen and Debra and Susan and Donna to get through to the Conservatives for me. Why do we have to do this now?

Gay, do you want to start, and then we'll go around.

Ms. Gay Pagan: It's interesting. I received a number of items in the mail the other day talking about crime and how we can tackle crime. What we need to look at is dealing with children in their formative years so that, if we invest in child care now, we're not going to be investing in tackling crime in years to come. Every dollar invested means \$2 to \$4 returned in the health, education, or justice system. So instead of sending these flyers around, let's send flyers around that deal with children in their formative years, and not only in their formative years—because those are ages one to six—but until they are twelve, because you can't leave a nine-year-old at home by themselves. I have a nine-year-old. I can't get day care in my area, and being a single parent, I need to find something. So let's look at dealing with child care.

Dr. Susan Prentice: I'd like to ensure that your committee knows three important economic facts: one comes out of a 1998 study done by University of Toronto economists Gordon Cleveland and Michael Krashinsky, who tell us that there's a 2:1 return for every dollar spent on child care. That's a long-term cost.

Evidence from Quebec's experiment, the wonderful program that's made so much progress, tells us that 40% of the cost of Quebec's child care system is recouped the following year in increased taxes. That comes from Lefebvre and Merrigan.

Finally, the study that we were able to do in Winnipeg in 2004 tells us that every dollar spent on child care in Winnipeg that year returned \$1.38 to the Winnipeg economy and a \$1.45 to Canada.

These are prudent investments in Canada's economic infrastructure and competitiveness, and they tell us that the cost of child care is largely returned to Canadians at par and possibly even more than par.

• (1140)

Mrs. Debra Mayer: So that may be of interest to you folks that are here from the investment industry, as well, because there aren't very many investments out there that give you that kind of return.

Judy, I think your question about how we help the Conservative members understand the child care dilemma that we face really goes to people's familiarity with the kind of child care that we're talking about.

Mr. Pallister, you're here from Central Region. You know very well the excellence of the child care program that has developed here in Manitoba. It has developed over the years through various partnerships between the federal and provincial government, but overarching that has been a framework in which there has been broad agreement across Manitoba about what kinds of services we want for children and families.

So here in Manitoba, we have a system that includes part-time care for families that are at home. We have extended-hour care. We have seasonal care. We have care in northern and first nations communities, work site programs, etc. So we have a much broader base of public support and familiarity with that.

Sadly, grown-ups lose the ability to imagine something they've never seen, unlike children, who are great at pretending all the time. So I would really say, while the Conservative members are imported here, they should take the opportunity to maybe visit some of the excellent child care programs that are right here in this community. We have an extended-hour program—actually, the director is sitting in the audience—right here in Portage that's been running for many years to meet the needs of families for evening care. Come by for a visit and really take the opportunity to see what excellent kinds of programs are at work in this province for rural families and for families that need extended care, part-time care, etc.

The Chair: Thank you.

I'm sorry, Judy, your time is up.

And thank you for employing my niece, as well. I appreciate that very much.

We'll continue now with Mike Savage.

Mr. Michael Savage: Thank you, Mr. Chair, and thank you to all the panellists.

I want to save a little time for a question for you, Mr. Cenerini, because you're into an area that is important to me, the health promotion act.

I also want to talk about child care, since we have four or five experts here.

Ms. Pagan, I am little surprised to hear you commend the government's contribution of \$1,200 to families through the universal child care benefit. As we go around the country, one of the things we're doing is making choices. We're prioritizing, because we can't do everything. In light of the fact that people at the Caledon Institute, for example, have done work indicating that the \$1,200 is disproportionately going to higher-income single families as opposed to lower-income families—in fact, the \$200,000 single earner keeps more than the \$30,000 dual-income—I am surprised that you would think this is a good first step.

Ms. Gay Pagan: It is a first step. Further to that, as I said, we need to do much more. Families need help in the area of early childhood education.

So I don't agree with this issue, but I think it's giving.... You're looking at child care in some formal way, but it does need to be looked at a lot more.

Mr. Michael Savage: Yes, but the people who....

I'd be interested in the point of view of others. Do you think we should have both a universal child care program and a universal child care benefit payment?

Dr. Susan Prentice: Yes.

Mr. Michael Savage: Anybody else?

Mrs. Donna Riddell: I'm thinking of my four daughters—one who wants to be a lawyer, one who wants to be a vet, one who wants to be a doctor, and one who just wants to be a mom. While I appreciate the \$100 or maybe \$60 a month that I'm getting, it's not going to do Phoebe any good when she is trying to be a mom and maybe work part time. If she has an emergency and is in the hospital, where is she going to find child care that she can use?

The \$100 isn't doing the system any good, in that sense.

Mr. Michael Savage: Anybody else?

Ms. Karen Ohlson: I can give you another example.

I do this position as a volunteer, but I have paid employment as an executive director of a child care program in Winnipeg. I had a call one day a couple of weeks ago, just as I was leaving, from a very distraught father. He said, "I've never needed child care before, but I just had a shift change, and I need a space for my child on Monday."

Well, this was Thursday afternoon, and he thought he was really ahead of the game. He thought by calling and booking time a day early, it would give him the chance to come and visit the centre. But I had to tell him we had a waiting list, which, depending on the age of the child—his child was three—would probably be about two years. He couldn't believe it.

So for him, the \$100 didn't make a lick of difference. He might have had it in his pocket, but he couldn't pay a dime of it on child care. He needed child care when he needed it, and that was Monday, not two years from Monday.

•(1145)

Mr. Michael Savage: That goes to my point, that it's not just a matter that both are good and that we'd like to have both. There is only so much money.

Again, let me ask the child care folks, would you have preferred that it be delivered through the child tax benefit, or at least through the low-income supplement of the child tax benefit?

Ms. Gay Pagan: I would have preferred that the national child care program be kept.

Mr. Michael Savage: Anyone else?

Mrs. Debra Mayer: If there is going to be a benefit directly to families, then certainly it's always been the position of the child care movement that child care is just one piece of a family policy to make sure that money is flowing in a way that is non-taxable, that does not penalize low incomes, that really is there to provide support for all families.

Many countries are able to offer that kind of direct family support and also do a universal early learning system. There isn't really a reason why we can't do both.

Again, it's a matter of prioritizing and taking a look at other budget areas. Perhaps we don't need to spend quite as much on letters going out congratulating the new government on the fact that families are getting the cheque. We can take that \$2 million and put it directly into services.

The Chair: Thank you, Mr. Savage.

I will use my chairman's prerogative here and just ask a couple of quick questions.

In Donna's example, one of her daughters wants to be a mom. We probably shouldn't dismiss—and I know you're not—the possibility that of course some mothers do prefer to stay in the home. I'd like to get some feedback from you on one of the proposals we heard in other meetings. The proposal, which isn't a new one to any of you, is to allow income splitting, to reduce the tax burden in those situations where one is working and taxed at a high rate and the other is choosing to remain home. I'm wondering if your organizations have an official position on this, or if you'd like to comment on this.

I'm thinking of Phoebe here, right? We reduce the tax burden. We allow the income splitting to occur. We leave more money in the hands of the family, who can perhaps decide, without the economic penalties present in our marginal tax system, that they'd like to stay home for a little longer with their child.

Mrs. Donna Riddell: I believe that Phoebe will still need access to the child care system. There will be times of emergency.

The Chair: This is not a zero-sum gain. I'm not talking about eliminating funding for child care systems here; I'm asking what your position is on income splitting. That's all I need to know.

Mrs. Donna Riddell: Does somebody else want to speak to that?

Mrs. Debra Mayer: I'm not sure whether any of our associations have a real position on that, but I guess it really gets to the issue of how we value women's work, and whether women are caring for children in the home or in a child care system. It is a very undervalued, under-recognized, and important contributor to our economy that is just not counted in anywhere.

So measures that would truly help families make decisions, be able to stay home longer, and know that you would have a job waiting for you when you go back.... It's great if you work for the federal government, otherwise there are no guarantees like that across the country. Again, look at progressive countries that are allowing families to get an amount of money that makes it a viable option to stay home. Twelve hundred dollars is not going to help any family make the decision to stay home. It's a night out on the weekend with a babysitter, and that's it.

The Chair: You've made that point, of course. The income splitting, depending obviously on the income levels involved, can be thousands of dollars left in that household. I was hoping for some endorsement of that proposal because it is one that's getting some encouragement.

[Translation]

We will continue with you, Mr. St-Cyr. You have four minutes.

Mr. Thierry St-Cyr: Four minutes! I will therefore put my question to Mr. Cenerini. A short conversation among francophones, another pleasant moment at the end of this trip, which I have enjoyed very much.

You were talking about your plans for your centre and the funding for the centre. You are asking the federal government to contribute its share.

In practical terms, what in your view is that share? Can you put a figure on the funding you expect from the federal government?

Mr. Paul Cenerini: First of all, I would like to explain why we are asking the federal government to get involved.

Mr. Thierry St-Cyr: But since we only have four minutes, I would like to know just how much you would like this funding to be, and to which program would you apply it.

Mr. Paul Cenerini: Yes.

We know that the cultural identity and language component are extremely important in health. We are therefore asking the federal government to do its share to help us, given that we are a minority.

Our project comprises educational, library and other components. We are asking for a contribution—at least through the infrastructure system. Ideally, a million dollars would be very hopeful indeed.

• (1150)

Mr. Thierry St-Cyr: Thank you.

Mr. Paul Cenerini: After all, our community comprises 600 of us, and we have already injected \$1.5 million.

Mr. Thierry St-Cyr: I see.

I would like to ask another question which may not be specifically related to your project, but which is related to your being a francophone community outside Quebec.

The Conservative government has abolished the Court Challenges Program of Canada, which made it possible for people involved with the Hôpital Montfort to fight for and keep their French hospital. Are you concerned about the possibility that francophone communities will no longer be able to exercise or fight for their rights in the future, because they will not have the means to do so?

Mr. Paul Cenerini: I don't think I have a great deal to say about this, because health is an area under provincial jurisdiction. Nonetheless, when it comes to the future—which is coming towards us very quickly indeed, we are told that in 10 years the provincial government will be spending 50 per cent of its budget on health care. We cannot go on at this rate. We are already at 30 per cent now. Something has to be done.

In the brief I put before you today, I suggest investing in prevention rather than in acute care. This will help everyone.

In my view, French-language service delivery—as we have in Notre Dame de Lourdes—is a policy established under Mr. Vic Toews. It is a very pragmatic policy that works very well. We could do the same thing in health.

Mr. Thierry St-Cyr: In your brief, I read that you provide services in both French and English. I don't know whether other English-language institutions also provide services in both official languages. If they do not, would it represent an additional cost for your organization if your organization provide services in both languages but others do not?

Mr. Paul Cenerini: It may not represent an additional cost, but it certainly represents additional effort. If you look at the file on our small project, you will note that we have a training component for bilingual professionals who will provide services not only in our region but also in the regions of Saint-Claude, Saint-Jean-Baptiste, Saint-Boniface, and the French-language service network in Manitoba as a whole.

Mr. Thierry St-Cyr: I see.

The Chair: I am afraid you are out of time.

[English]

Continue, Mr. Dykstra.

Mr. Rick Dykstra: Thank you.

It's interesting. I've learned a little bit this morning.

I must say that it does bother me somewhat, on a personal level, that from a child care perspective you all started your introductions noting that you were parents. I too am a parent, and my spouse and I both care a lot for our children. I feel that, coming back from what I heard this morning, because I believe in a different type of national program, for some reason that makes me less of a parent. If that's a perspective, I accept it, but I certainly don't agree with it.

In fact, my spouse has spent a lot of her career working in the area of mental health. She's a therapist in mental health.

I really wanted to turn over to you, Don, to see if you could comment on the component we've talked about, that it would cost anywhere from \$10 billion to \$15 billion for a program. I wonder if that's definitely going to impact other areas of spending. I really would like to hear what your thoughts are from a mental health perspective.

Mr. Don Boddy: I think there has to be a national plan. One of the problems with the mental health system is that the entry points are often gatekeepers. One of the things that could begin to happen with the national strategy is they could expect to become more navigators through the system to help people. Now that there are national standards among all the provinces and programs, we know what we're aiming towards. A definition of what mental health looks like would be helpful.

Also, there is the question of access to systems. There's someone here in the Central Region who every Thursday has to pull her kid out of school. She's on assistance. Every Thursday, she hops on a bus, pays her own money or sometimes she gets help from assistance, takes her kid into the health science centre, and gets programming for her there.

Why can't those programs start to come out here, and why can't there be federal money for that kind of stuff in the rural systems?

• (1155)

Mr. Rick Dykstra: Is that the purpose of the national mental health commission? Is that what you're driving at?

Mr. Don Boddy: The national mental health commission is going to begin to articulate the values and determine what this thing is going to look like. So if the experts, people far smarter than I am, determine that it should be decentralized and there should be a focus on rural programs, either through using telemental health with phone systems, or by sending people out there, or by providing proctors to drive, then those are the kinds of values this commission could begin to articulate.

Mr. Rick Dykstra: So it would be the fundamental purpose of the commission?

Mr. Don Boddy: My understanding is that yes, it needs to begin to articulate the values and see what the strategy is going to look like. Then once that's done, the commission shuts down, and the strategy takes over. That's my understanding of it.

The Chair: You've got a little bit of time left.

Mr. Rick Dykstra: I have a quick question for Paul.

Developing and building the centre here would obviously, from a local perspective, be very positive. From a federal perspective, I'm interested in finding out how spending the \$3.2 million here is going to be an advantage for the rest of the country.

[Translation]

Mr. Paul Cenerini: I think the main advantage would be to demonstrate leadership with respect to a new approach in health, nationally and provincially. In other words, the advantage would be putting the focus on prevention rather than on acute care.

This could be an example for Canada as a whole. Moreover, it is something that will fulfil the committee's goals, which are primarily to ensure that people are in good health, in order to improve

productivity and efficiency in general and also to ensure that our system can operate on the budgets we have, without excessive spending. In other words, our project is an example of investing in health to save in the long term, in my opinion. Moreover, if—

The Chair: I'm sorry, but we are out of time.

[English]

To conclude, we'll have Mr. Tweed.

Mr. Merv Tweed: Thank you, Mr. Chairman. I'll be very brief. I have two questions. One is for Mr. Bicknell.

I would like to ask you this in light of the Crocus concerns that are in the province of Manitoba. You're suggesting that in order to enhance labour-sponsored funds, RSP limits be increased. Do you think that has become a detriment, or has that become the story that's told across Canada to demonstrate why people shouldn't take such a high risk? You said it's impacted your business to some degree.

Mr. O. Ken Bicknell: In Manitoba—and my statistics are for Manitoba—it has affected our ability to raise capital. That's one of the drivers for expanding the market available to us through a larger ticket and attracting a higher net worth individual who would be more accustomed and more aware and more able to bear the risk profile of a venture capital investment.

With regard to the rest of the country, my colleagues have presented to the committee. The other provincial jurisdictions feel that the Crocus conclusion—it's not yet concluded, but the outcome thus far—has been isolated within the industry. It was a governance management issue. For many of the funds, like our own, the managers are separate entities. They're not employees of the fund, so the fund attracts a professional venture capital manager.

The provincial Government of Manitoba has amended provincial legislation twice. We have provincially registered LSIFs and therefore we now have legislation in Manitoba that demands that the class A shareholder, as the individual who provides the capital, have a majority representation on the board of directors of the fund.

Mr. Merv Tweed: Thank you.

Mr. Ledohowski, thank you again for your hospitality.

You mentioned in your comments that you own and operate businesses in the United States. Is there one thing you would recommend to the committee as a benefit to Canadian business, since you have worked on both sides of the border?

Mr. Leo Ledohowski: Yes. As I listen to all these presentations here, one thing that comes to mind is that to be able to afford all these things, we must have a healthy economy, and we must make sure governments don't waste money so that we can provide the basis for that.

Yes, I'm finding in our limited experience that it is a little bit easier to do business there, and that the environment's a little bit better.

Again, I go back to the idea that regardless of which side of the equation we hear with regard to day care, whether private, public, whatever, these things all cost money. There are two things that I think are imperative to being able to fund these issues, regardless of where you sit. One of them is government efficiency. The government sets the tone. For us, the private sector, we need to be able to provide the funds so some of these things can be done.

But yes, there does seem to be a bit of a difference.

• (1200)

The Chair: There is time for only a quick question, Mr. Tweed.

Mr. Merv Tweed: Yes, I'll be very brief.

In your experience, how does the Canadian health care system compare to paying for health in the United States? Cost versus service.

Mr. Leo Ledohowski: I think we have an excellent health care system once you're into it. There's a problem with access. I've had some personal experience with my mother, etc., and I've been very satisfied here, but there is a problem with access and queueing, and that's going to have to be addressed, whether by privatization or through some balancing of something.

But the system's excellent once you're in it.

Mr. Merv Tweed: Thank you.

The Chair: Thank you very much.

Thank you to all of our panellists this morning. These have been fine presentations, and I hope you'll continue to do the good work you're doing.

Before we leave, I would like to conclude also by telling you that this past week we've travelled 10,000 miles by air. We've spent two dozen hours hearing presentations, and this is just the tip of the iceberg in this process.

We couldn't have done that work without the support of our staff, our clerks, our research people, translation people, the sound people, and so on, who've travelled with us, and the logistics people who've organized these things. I know that as a committee we want to offer our sincere thanks to them.

I would like to express special thanks to you for taking the time to be here and for your presentations, which were very good, and for the briefs you've submitted. I assure you that those that needed translation—we can't distribute them, of course, until they have been translated—will be translated. Also, there are recordings of the proceedings that will be reviewed thereafter, and so this process will continue. I think it's an open one.

I'm honoured you could be here. I'm honoured that Portage la Prairie could host one of our meetings.

I will especially thank the committee members for their diligent work throughout this process. It is a tremendous effort. This is the hardest-working, most effective committee, bar none, in the House of Commons. It is.

Committee members, I hope you have a wonderful weekend with your families at your homes, and I look forward to seeing you a week Monday, at 10 o'clock. We'll be back at it. All the best to you as well this weekend, and always. Thank you for being here.

We are adjourned.

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

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

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