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Chair

Mr. Brian Pallister

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• (0900)

[English]

The Chair (Mr. Brian Pallister (Portage—Lisgar, CPC)): We'll commence. We will not punish those who are on time by waiting for those who are not.

Welcome. Thank you for being part of this process.

The committee and I have been hearing consultations for the last month, and we look forward to hearing your input today. We thank you for the preparation, the presentations that you've prepared for us, and the material you submitted in advance.

We'll keep your presentations to five minutes. You'll understand that's to allow an exchange with committee members. I'll give you an indication, if you wish. If you wish to look up during your presentation, I'll give you an indication that you have one minute or less remaining. I will ask you to conclude right at the five-minute mark.

Very good. We'll commence with Patricia Devine, Atlantic Canada Airports Association.

Welcome. You have five minutes.

Ms. Patricia Devine (Executive Director, Atlantic Canada Airports Association): Thank you.

Good morning, Mr. Chairman, committee members, ladies and gentlemen.

I believe you have our brief in front of you. I won't bore everyone by reading the brief, but I will speak to our recommendations that are in the brief.

I'd like to thank you for this opportunity to meet with the committee and present the recommendations of the Atlantic Canada Airports Association for budget 2007.

The Atlantic Canada Airports Association represents 14 airports in total, with members in each of the Atlantic provinces. Each provincial government and Transport Canada's Atlantic Region belong to our association. Most of our association and our airports are also members of the Canadian Airports Council, which you heard from last week.

ACA airports vary in size and cover a broad range in terms of passengers served from our largest airport, which serves 3.25 million passengers per year, to our smallest, which services about 15,000 passengers per year. But regardless of size, our airports play an integral role in the economies and the quality of life in the communities served by these airports.

Our recommendations to the committee today relate to the competitiveness of our airports and, by extension, to the businesses and communities that they serve. Each area that I will speak about is directly impacted on by Government of Canada policy and specifically by the choices the government makes in its investment priorities.

Our first recommendation concerns the Canada Border Services Agency, which has a significant impact on the ability of our airports to grow by attracting transborder and international air service. The problem is that CBSA's customs services at airports don't meet the demands.

At some airports, CBSA offers customs service at only certain hours, and at other airports there are none at all. In our region, for example, customs services are offered 24/7 at Saint John, New Brunswick. There are none at all at Deer Lake, and there are services only until midnight at Halifax, which is one of the country's eight largest airports.

If an international flight arrives outside the regular working hours of CBSA, the airport or the airline must cover the costs of having passengers from the flight clear customs and enter our country. As such, Fredericton airport pays \$200,000 annually to cover seven Delta Airlines flights that arrive outside CBSA's regular working hours.

When an airport has to contract with CBSA for additional service, the airport may end up losing money because the customs fees paid for customs service may be greater than the revenue from the landing fees. If the airport passes the costs on to the airline, the airline may choose to land at an airport where there are no customs costs. Ultimately, the airport's ability to attract new air service to the community suffers.

The council of ministers responsible for transportation and highway safety agrees that the CBSA cost recovery policy causes a competitiveness problem for Canada's airports and as such have written to the Minister of Public Safety to ask him to address this issue and consider elimination of the policy as one option.

The ACA recommends, because customs is a federal responsibility, that the government allocate increased funding to the CBSA so the agency can provide sufficient customs service to meet the demands of the travelling public at all Canadian airports at no extra cost for after-hour service.

I would next like to address the need for adequate and predictable federal funding for the infrastructure needs at small airports in Atlantic Canada and across the country.

Small airports are those serving fewer than 200,000 passengers. These airports play an important role in the overall transportation system and make significant contributions to local and regional economies. By their nature, airports require extensive and ongoing safety-related capital improvements, for example, for lighting and snow removal.

Accessing capital from operational sources is unrealistic for airports with operational deficits. The airports capital assistance program was created to provide for the infrastructure needs of small airports and was meant to be funded by lease revenue from the airports in the national airports system.

Our recommendation is that the Government of Canada recognize the vital role played by small airports, increase the funding to the airport capital assistance program to a sustainable level, and create a infrastructure program for small airports.

I would finally like to talk about airport rent. Essentially, ACA echoes what the Canadian Airports Council said last week. As an industry, we don't believe in the rent in principle and we believe it should be eliminated.

• (0905)

Our recommendation is that the federal government eliminate airport rents, or at a minimum see the rent tax decline over the life of the leases. As an interim measure, we also support the recommendation that revenues raised by airports to cover debt servicing costs be excluded from the total revenue used to calculate rents, and in particular—

The Chair: To allow further exchange with members and to reserve time for the other presentations, I'll have to stop you there.

We'll continue with Gerry O'Connell from Newfoundland and Labrador Chamber of Mineral Resources.

Welcome, sir, and over to you.

Mr. Gerry O'Connell (Executive Director, Newfoundland and Labrador Chamber of Mineral Resources): Thank you, Mr. Chairman, committee members, ladies and gentlemen.

Our province's mines will create \$2.6 billion of new wealth for Canada this year. Of course, a lot of that will end up in various government coffers through taxation. We have the potential to increase this contribution to the economy through higher levels of investments in exploration, which will lead to new mines.

In this province, all our mines are located in rural and remote areas—of course, that's true for most of Canada—and most of our mineral production comes from Labrador. I'd like to highlight the Voisey's Bay mine in Labrador, as an example of the enormous positive impact that mining can have on rural, northern, and aboriginal communities.

This project alone has stimulated resolution of the Labrador Inuit land claims and progress on the Innu claim. It has resulted in the creation of a large number of aboriginal companies that have received over \$500 million in procurement and construction contracts for the project. Some of these companies have continuing contracts with the mine, and some have gone on to seek other opportunities. Currently 52% of the Voisey's Bay Nickel Company

workforce in Labrador is aboriginal. Clearly this mine has made a significant difference to the outlook for the aboriginal and other communities of the region.

Now we must stimulate investment in Canadian exploration. We need new discoveries to maintain Canada's pre-eminent position in the global mining industry, and we need to expand the economic opportunity that mining creates for our rural, remote, and aboriginal communities.

There are two things that the federal government can do to help. The first is to invest in geoscience, since up-to-date geoscience data is critical for successful exploration. Unfortunately the resources provided for geoscience surveys by both federal and provincial governments have declined significantly over the past 10 to 15 years. Updated geological information is important for areas of current interest, while parts of Labrador, for instance, have never been adequately surveyed.

We urge the federal government to fund the cooperative geological mapping strategies, CGMS, as soon as possible. It's a 10-year, cost-shared plan that has been developed by the provincial, territorial, and federal governments to fund geoscience. Our provincial government has indicated strong support for this project, and I'm sure if it were approved by the federal government, they'd have their chequebook open.

The second thing is to adopt a mineral exploration tax credit on a permanent basis. This program is often called the super flow-through program, and it is due to expire in 2007. The reason for this is that these days most exploration is conducted by relatively small exploration companies that are dependent on the capital markets to fund their projects. There's fierce global competition for this high-risk capital. The super flow-through program provides a significant incentive to invest in the high-risk grassroots exploration that is critical for new mine discovery. At the same time, this program ensures that the capital remains in Canada to ensure our domestic industry's future.

I'll conclude there. Thank you very much for your attention.

• (0910)

The Chair: Thank you very much, Mr. O'Connell.

We'll continue now with the Association of Cultural Industries of Newfoundland and Labrador. Danielle Irvine. Welcome.

Mrs. Danielle Irvine (Executive Director, Association of Cultural Industries of Newfoundland and Labrador): Thank you very much. It's a pleasure, Mr. Chair, and all the honourable members.

One of the distinct features of Canada is that we are not focused solely on material gain but on quality of life for both our own citizens and those in other countries. We are a reflective people who embrace understanding. This understanding of ourselves and our world comes from an understanding and respect for culture and how that shapes the individual and society.

The difficulty that has arisen in identifying ways to support this industry has come from trying to look at it through the lens of for-profit business. Profit is not what drives culture. It is necessary to make that shift in focus in order to build a support network that will address the needs of the citizens who work in this industry. Our culture is a growing industry, both within the country and abroad. As the nation continues to grow both in population and richness of culture, it's important to make sure this growth is supported and nurtured wisely.

The very nature of culture is that it's not fixed in stone. Therefore, when you look to citizens who are ready, willing, and able to adapt to growth and change, you need only look at the artists and cultural workers of our country. They have much experience and understanding about being proactive, flexible, and dedicated. Now they are looking to the federal government to think proactively and flexibly to enable them to reach their full potential, a potential that will affect not only each of them but all Canadians everywhere.

We would like to take this opportunity to encourage the federal government to consider and implement federal programs and tax incentives that support the growth of the social economy. Status of the artist legislation is something that the federal government is currently addressing, but immediate action can be taken through tax benefits for those citizens.

Furthermore, we would like to request that the federal government work specifically to address funding programs that would provide core support for the not-for-profit grassroots associations, which are the main infrastructure of the cultural industry.

Thank you very much.

The Chair: Thank you.

We continue with Nancy Griffiths from the Newfoundland and Labrador Science Centre. Welcome.

Ms. Nancy Griffiths (Executive Director, Newfoundland and Labrador Science Centre): Good morning, ladies and gentlemen. My name is Nancy Griffiths, and I am the executive director of the Newfoundland and Labrador Science Centre. I am here to describe the vision of the Newfoundland and Labrador Science Centre, to talk about the role that science centres play in a knowledge-based economy, and to request your support not only for our local science centre but also for all Canadian science centres.

The Newfoundland and Labrador Science Centre was founded in 1993 to deliver science and technology programs to school children around the province. In 1997 the science centre established a permanent home to host hands-on exhibits, school workshops, and public programming. With a mission to spark curiosity and inspire interest and participation in science and technology, the science centre continues to focus on science promotion and learning through interactive activities both in the centre and around the province.

While the current facility has allowed the science centre to grow, the needs now exceed the available space. Because of this constraint, the science centre has examined redevelopment strategy. The City of Mount Pearl has emerged as a partner that wishes to include the renewed science centre in a proposed multi-purpose recreation complex to be located in that municipality. The Newfoundland and Labrador Science Centre asks the federal government to support this

infrastructure project, which will provide inspiring and stimulating experiences for the young people of this province.

Unique in the field, science centres engage children in truly interactive activities. We know that hands-on is the best way to learn, and that through positive education experiences, children are more apt to become confident students who are interested in post-secondary studies in science and technology. Developing a culture of entrepreneurship and inventiveness includes increasing participation in science and technology careers. This is critical for maintaining and improving Canada's competitiveness in an international knowledge-based economy.

The success of the Newfoundland and Labrador Science Centre is largely due to partnerships that have been forged with educational institutions and other like-minded groups. The science centre has long-standing partnerships with many agencies, but most notable are Memorial University and the province's school boards. The Newfoundland and Labrador Science Centre is not alone in its quest to establish a lasting relationship between Canadians and science. The Canadian Association of Science Centres' mission is to increase the capacity of science centres to enhance public understanding and enjoyment of science and technology. The Government of Canada can help, too, by supporting this network of 40 centres that deliver science and technology to new generations through seven million visitors a year.

Thank you.

● (0915)

The Chair: Thank you very much.

We continue with the representative from Newfoundland Ocean Industries Association, the president and CEO, Ted Howell. Welcome, Ted.

Mr. Ted Howell (President and Chief Executive Officer, Newfoundland Ocean Industries Association): Thank you, Mr. Chair. Good morning, ladies and gentlemen. Thank you for the opportunity to address this committee today.

I am Ted Howell, president and CEO of NOIA. We're an industry association representing the petroleum supply and service sector in Newfoundland and Labrador and in the Atlantic region.

In 2006, Newfoundland and Labrador's budget projected almost a billion dollars in revenue from oil production, translating into some 20% of provincial spending. Beyond direct revenues to the treasury, the petroleum industry provides much-needed economic stimulus to the province. In 2004, the last year for which detailed economic analysis is available, petroleum activity accounted for 24.3% of provincial GDP and 17,000 direct and indirect jobs.

These fiscal and economic benefits are helping and can continue to help the province become a stronger contributor to the Canadian federation. While strong reserves of bitumen are concentrated in Alberta's oil sands, Canada's reserves and production of conventional oil are declining. To foster a secure and diversified conventional hydrocarbon energy supply, continued exploration and development of Canada's highly prospective frontiers here on the east coast and in the Arctic is much needed.

Therefore, NOIA maintains that a portion of royalties and other government revenues derived from petroleum production should be reinvested in the industry in order to contribute to its growth and success for the benefit of the province and the country as a whole. Although the Atlantic accord enables the Government of Newfoundland and Labrador to manage key aspects of petroleum resources off our shores, the Government of Canada retains significant areas of responsibility and authority, and therefore can establish policies and target investments to stimulate offshore activity, foster development, and strengthen the industry.

NOIA recommends that the federal government invest in three key areas: attracting exploration through geophysical marketing initiatives and appropriate fiscal incentives, providing new resources to the Canada-Newfoundland and Labrador Offshore Petroleum Board, and establishing a petroleum-focused office of Natural Resources Canada in St. John's.

On exploration attraction, our offshore is critically under-explored, with 132 wells drilled, as compared to 3,500 wells in the North Sea, an area of approximately comparable size. Without exploration, development cannot occur and no new production comes on stream to replace rapidly depleting reserves. To encourage replacement-level reserve growth and avoid a gap in development, new investment is urgently needed.

Consistent with Gerry's comments, NOIA recommends that the Government of Canada provide direction and targeted funding to the Geological Survey of Canada for collection and analysis of geophysical data on Newfoundland and Labrador offshore for distribution to potential investors.

Further, as matured jurisdictions around the globe are implementing changes to their fiscal regimes to attract exploration, Newfoundland and Labrador is at risk of falling further behind in global competition for its investments. NOIA recommends that the Government of Canada work with industry to develop and implement an appropriate and effective fiscal incentive program, with the goal of attracting exploration investment to the east coast offshore region.

With respect to the C-NLOPB, the C-NLOPB is the federal-provincial authority that administers, monitors and regulates every aspect of offshore petroleum operations to ensure that our resources are developed safely, strategically, and to the best benefit of the people of the province and the country.

The industry has grown substantially since 1985, when the board was established. NOIA recommends that the Government of Canada provide funding to ensure ample resources for the C-NLOPB, matched to the growth of the industry.

With respect to the Natural Resources Canada office, the Atlantic accord recognizes the important role the Government of Canada plays in offshore development. Section 49 of the accord commits to establishing regional offices with appropriate levels of decision-making for all departments directly involved in activities relating to offshore areas. The department most directly involved is Natural Resources Canada, particularly in terms of its role of providing input to the C-NLOPB. NOIA recommends that a Newfoundland and

Labrador office of the energy branch of Natural Resources Canada be established to facilitate decision-making and industry growth.

In conclusion, by investing a portion of revenues derived from oil and gas production, the Government of Canada can strengthen the province's petroleum industry, stimulate activity offshore Newfoundland and Labrador, and foster sustainable resource industry development for the benefit of the province and the country as a whole.

● (0920)

Thank you, ladies and gentlemen.

The Chair: We'll now continue with GrowthWorks Atlantic Ltd., Thomas Hayes, president and CEO. Welcome, sir, over to you.

Mr. Thomas Hayes (President and Chief Executive Officer, GrowthWorks Atlantic Ltd.): Thank you, Mr. Chairman. Thanks for the opportunity to address an important economic development issue for Atlantic Canada.

I would like to request that the federal government increase the tax credit limit so that a purchase size of \$10,000 would maximize the tax credit limit for investors in the GrowthWorks Atlantic venture fund. Atlantic Canada has a growing need for increased venture capital to be raised and invested in this region. While we have 8% of the population of Canada, we have less than 2% of the venture capital assets under management available to our entrepreneurs; \$1.2 billion leaves this region annually during RRSP season, and for the most part, those funds are managed and invested outside Atlantic Canada. Our young people are receiving outstanding educations at our universities and community colleges, which have great reputations, but then they are forced to leave for job opportunities elsewhere, particularly in western Canada. We need to provide greater economic opportunities both to keep our young people here at home and to draw back those who have already left. Fostering more venture capital in the region is one of the best and most effective ways of doing this.

GrowthWorks Atlantic venture fund was started in January 2005 and is truly an Atlantic Canadian initiative. We raise all our funds from residents here in Atlantic Canada and we invest exclusively in businesses located here in the region. The fund has local management, has a local board of directors, and we have offices in Halifax, Fredericton, and here in St. John's. We have broad support from the governments of Nova Scotia, New Brunswick, and Newfoundland and Labrador, and all four provincial federations of labour serve as the fund's sponsors. We have \$28 million in assets and we currently have 12 companies in our portfolio. We are committed to investing in entrepreneurial Atlantic Canadian companies, helping to grow and diversify the economy and provide jobs here at home.

To increase the amount of venture capital raised and invested in Atlantic Canada, the tax credit limit for GrowthWorks Atlantic venture fund should be increased from a purchase size of \$5,000 to \$10,000. Since the program was established in 1985 nationally, there has been no increase in the purchase size to maximize tax credits for investors. The RRSP contribution limit, however, has increased from \$5,500 in 1985 to \$15,500 today and will increase to \$18,500 in two years. Part of the problem with the \$5,000 maximum tax credit purchase size is the compensation grids brokerage firms now use to pay investment advisers. A recent survey, which we just had done, of 200 investment advisers across all four Atlantic provinces revealed a common complaint for advisers who are not selling the fund due to the small ticket size. There have been changes in recent years to these grids that now result in advisers getting paid up to 75% less on a \$5,000 purchase compared to a \$10,000 mutual fund purchase. A number of the large investment dealers are also proposing to remove purchases under \$10,000 from the compensation grid completely, effectively cutting off any source of income to the adviser for the purchase of our fund.

We are concerned that if the tax credit is not increased to apply to a purchase size of \$10,000, the amount we are able to raise and therefore invest in Atlantic Canada may effectively be cut off. By increasing the tax credit limit on the maximum purchase size for our fund, we will be able to raise larger amounts of capital for investment in Atlantic Canada, enhancing the economy and providing more and better job opportunities in the region. We estimate the cost to the federal treasury to be approximately \$20 million, due largely to sales caps that are in place across the country, with the exception of Ontario and here in Atlantic Canada. If Ontario dramatically increased in sales—something we don't think will happen—a cap could always be instituted there as well.

We would be happy to work with Department of Finance officials on studying this issue. By encouraging and raising the investment of venture capital here at home, in Atlantic Canada, we can provide economic growth and better job opportunities for the entrepreneurs in our region. To ensure that the capital is raised here, we need to have an increase in the tax credit limit to a maximum purchase size of \$10,000, so that advisers are not discouraged from selling our fund to their clients, and so that we can continue to raise money for investment in the Atlantic provinces.

Thank you.

• (0925)

The Chair: Mr. Savage.

Mr. Michael Savage (Dartmouth—Cole Harbour, Lib.): Thank you, Mr. Chair, and thanks to all the panellists. It's very nice to be back in St. John's again.

First of all, Ms. Devine, on the small airports recommendation infrastructure program, I'm trying to get a sense of what has been invested. Is this the number: \$229 million since 1994?

Ms. Patricia Devine: Yes.

Mr. Michael Savage: So that's just 1994. It says, "Transport Canada's reinvestment in Canada's small airports has totalled less than \$229 million, which amounts to less than one year's net result." Do you have a sense of what that should be?

Ms. Patricia Devine: I don't. Our president might be associated with that.

Rob.

Mr. Rob Robichaud (President and Chief Executive Officer, Atlantic Canada Airports Association): The federal government is determining exactly what it is that each airport individually requires so that we can put together something across the country.

Mr. Michael Savage: There's obviously quite a range of private airports in Atlantic Canada. I'm just wondering what's the smallest airport in this area.

Mr. Rob Robichaud: The smallest one would be Charlo.

Mr. Michael Savage: I know there used to be an airport at Yarmouth. How many airports have we lost over the last 10 to 15 years?

Mr. Rob Robichaud: We've lost two for sure: Yarmouth and St. Leonard. Charlo is in danger of being lost. In fact, they're working on an amalgamation with the city of Bathurst. There are a number of small NAS airports—less than 200,000 passengers—that are suffering in terms of capital requirements. They in fact are using the aeronautical fees that they collect for their daily operations.

Mr. Michael Savage: You don't have a sense of what the percentage should be for small airports?

Mr. Rob Robichaud: No.

Mr. Michael Savage: So 12% of Transport Canada's accumulated revenue—

Mr. Rob Robichaud: They have put very little back into the system since privatization or transfer has taken place. We started off with \$1.5 billion of assets being transferred to local authorities. To date, they've collected over \$2 billion in rent, with very little of that going back into the infrastructure of airports.

Mr. Michael Savage: Thank you.

This is to Tom Hayes of GrowthWorks. Atlantic Canada has produced our share of very successful entrepreneurs, if you look at Sobey's and McCain and people like that. But it's notoriously difficult to raise venture capital in Atlantic Canada. One of the things that the feds have done in the last two years is invest in research and innovation. They set up, through ACOA, the Atlantic investment partnership, and have put a lot of money into innovation in Atlantic Canada. I guess one of the keys for venture capitalists, in order to commercialize that, is that we need to set up some kind of venture capital...[*Technical difficulty—Editor*]

Do you have any thoughts on that?

Mr. Thomas Hayes: Certainly we are seeing a number of companies. We looked at over 100 business plans in the first year of operation of our fund. Many of these companies have taken advantage of the Atlantic innovation fund that's managed by ACOA, and that's a good thing. We're also working very closely with the universities in Atlantic Canada. For example, here in St. John's at Memorial University, the Genesis Centre is very active, in the form of a sort of incubator, in supporting a lot of very early-stage companies. So we get a lot of leads through the universities and through organizations that are representative of early-stage companies looking to commercialize technology.

So obviously there's a lot of work done at the early stage. As well, the St. John's Board of Trade has just initiated an angel network, which again is very important in terms of the funding spectrum. But at the end of the day, companies have to have access to a stable supply of equity, of risk capital, and that's what we're trying to do. But we focus on the early-stage side of the development spectrum.

• (0930)

Mr. Michael Savage: We've heard from GrowthWorks across Canada about a lot of the recommendations here that you're mentioning: the \$5,000 envelope, the low inflation adjustment. Specifically for Atlantic Canada, is there something specific you need from the federal government, over and above perhaps what the other GrowthWorks companies need in the rest of the country?

Mr. Thomas Hayes: No, I think if we can manage to convince both the federal government and the provincial governments where we operate to increase that maximum purchase size of \$10,000, that will enable us to go back to members, the investment advisers who in particular work for the bank-owned brokerages—the IDA firms—who in recent years have really not been supportive of the asset class simply because they don't make any money selling a \$5,000 ticket. And when it comes down to it, that's what motivates them and drives them. So a lot of the money in the earlier years of the labour-sponsored funds did come from the IDA advisers, and we're not seeing that now. So we really have to deal with that issue, and we think it's a real challenge on a go-forward basis, but we've been encouraged by the reception we've been receiving when we talk to officials at both levels of government.

Mr. Michael Savage: Ms. Irvine, of the cultural industries association, I'm glad we've heard from you here in Newfoundland. It is important.

I just wanted to see if you have any more specific recommendations on the general ask that you put in your presentation. Specifically, you mentioned the growth of the social economy and what initiatives the federal government had started on with the social economy, which in Atlantic Canada would be through ACOA.

Can you comment on that?

Mrs. Danielle Irvine: Actually, there aren't any for the social economy through ACOA. On their website, if you go to HRDC, which I've done, it tracks you down to go to ACOA. You go to ACOA and there's nothing there for the social economy. So that is one of the main places we'd like to see it.

Furthermore, I'd like to recommend that there be an investment back into the social economy through the libraries, through the voluntary sector, through the arts and culture. So much of the

programming for grants has moved away from core funding since the early nineties. Therefore, you're leaving out a lot of organizations across Canada in the voluntary sector and the cultural sector, which is a subsector of the voluntary sector; you're leaving thousands of organizations who operate project to project, but who then have no money just to pay the rent or to keep a staff.

The Chair: Thank you, Mr. Savage.

We'll move on to Mr. Dykstra now.

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

The committee had the opportunity to have a tour of the west a couple of weeks ago and now we have the thrill of being out on the east coast for a couple of days, so we appreciate being here and hearing your presentations, and we appreciate your welcoming us here.

I did want to pursue with you, Danielle, the question around the social culture and how those investments directly can be made from a federal perspective. I know that one of the things our government did in the last budget was ensure that those who wanted to make contributions through their investment and securities can now do that without—[*Technical difficulty—Editor*—]tax on capital gains.

I wonder if that is something you see as positive, and also something that has actually begun to happen here in St. John's,

Mrs. Danielle Irvine: We see it as positive, for sure. It hasn't made a big impact in Newfoundland yet. Corporate investment is really low in Newfoundland, as opposed to other provinces, especially in the arts. It's very difficult to develop those relationships.

• (0935)

Mr. Rick Dykstra: You were referring to libraries and the social sector. We've had a discussion and presentation with respect to the libraries, and I wonder about something. I'm from the province of Ontario, and the way we work our funding there is that the majority of it comes from the municipality the library is in, and some subsidiary funding comes from the provincial government. There really isn't any federal investment into libraries, at least from an operating perspective. I wondered how that works here, and how the province provides funding to the libraries?

Mrs. Danielle Irvine: I'm not actually sure how the funding works for the libraries in Newfoundland. I speak to that because, to me, it is a symptom of a larger fear that we in the sector have of the social economy not being supported and grown as it could be. So when you have no access as a people, especially in the rural areas, to Internet or to reading materials or learning materials, that has a huge impact with our population, and because the library budgets are so small, any cut, even if it's a small one, is significant.

Mr. Rick Dykstra: Thank you.

I did want to ask this. There are a couple of investments that have been made, certainly going back a little bit, and it sounds like what you're looking for is some infrastructure expenditures. I did note that at least over the last few months there have been a couple of announcements, and I wonder what the impact of those would be on the Labrador coast airstrip restoration program. The investment of \$1.2 million that was recently announced—how is that perceived in Labrador?

Mr. Rob Robichaud: I can't speak specifically for that particular one, but any investment in airports is welcomed by the Atlantic Canada Airports Association. The difficulty we have is, going back to an earlier question, today if we were to ask airports what they need in addition to what they've received, I think the amount would be significant. There's another portion to that, and that is the portion of funding they would need on a go-forward basis. Now, we're talking about infrastructure that is related to safety, security, and those types of things. We're not asking for infrastructure that would help the airport to go forward on, let's say, an operational basis in terms of revenue generation and so on.

Mr. Rick Dykstra: On another investment I noted related directly to safety, Minister Hearn made an announcement on March 27 regarding the airport capital assistance program and funding for projects at Deer Lake and Stephenville airport. Based on your point about safety, how are we trying to move in that direction?

Mr. Rob Robichaud: I believe the number I've heard that's currently in the ACAP is \$35 million. That is only accessible by small non-NAS airports, with less than 200,000 passengers. We know it has been underfunded for years and airports have extreme difficulty in accessing it, and when they do, it's oversubscribed. So generally speaking they don't get what they need.

Then there's another group of airports that I mentioned. The small NAS airports across Canada are struggling today for access to additional infrastructure capital through the federal government. That is just not possible under the current regulations.

Mr. Rick Dykstra: You talked about tax incentives that would drive further revenue and, hopefully, investment in research and development. I wonder if you have a couple of examples of what they might be.

Mr. Ted Howell: The relevant points here would be from our comments about diversification of Canada's energy resources. While the country is very rich in resources, with substantial reserves in Alberta, reserves and production are declining here on the east coast in conventional oil and gas in general. We have not had a significant discovery in over 20 years here in Newfoundland and Labrador. Much of the exploration activity that did take place in the late 1970s and early 1980s was pursuant to federal programs, petroleum incentive programs in particular. So while we're not advocating that sort of direct subsidy, we believe that some sort of fiscal incentive would be appropriate to encourage investment here in offshore regions where the costs of exploration and production are much higher.

We've done research on other jurisdictions, and they create balance in tax programs that allow investment attraction to be competitive on a global stage. We're suggesting that there be consultation between both levels of government and industry in order to keep this jurisdiction competitive on a global scale.

• (0940)

The Chair: Thank you, Mr. Dykstra.

Madam Wasylycia-Leis. Good morning.

Ms. Judy Wasylycia-Leis (Winnipeg North, NDP): Thank you to all of you. I'm very happy to be here in this province. I love the rain. It's better than the snow we're having in Winnipeg.

I want to start with a comment to Mr. Hayes. The whole issue of investment is one that our committee really has to tackle. We're all searching for ways to ensure investment by Canadians in Canada that will make our Canadian businesses grow. So far, investment policy seems to be characterized by creating tax havens offshore, so our money goes there. Through our own pension money we invest in companies in Europe and other places, which helps those countries. We create loopholes for corporations to invest in income trusts without paying taxes. None of those things are helping us at all.

I think what you're offering is an avenue to reverse that. It's small in comparison to the big investment picture, but it points the way to the future. I just want you to talk a bit about the payoff. You talk about it costing \$20 million a year. Clearly there are all kinds of benefits, long-term spin-offs for our economy. Can you describe them? Can you talk a bit about the whole investment scheme and what venture capital and growth funds can do in that context?

Mr. Thomas Hayes: Certainly.

Just to set the table, there is over \$22 billion of venture capital in Canada under management, and more than a third of that is represented by the labour-sponsored asset class, and over a million Canadians have invested in labour-sponsored funds to date. A number of studies have been done to show the payoff back to both federal and provincial treasuries in terms of the benefits that accrue to the economy as a result of the number of companies that have been helped, the number of jobs that have been created.

In our case, in Atlantic Canada, our goal is to raise the fund to be in the area of \$100 million. We think it's going to take five to seven years in order to do that. When we looked at the historical fundraising in the rest of Canada relative to the population size here, we thought that number was very doable. However, what we have experienced, as I mentioned earlier in my presentation, is resistance, particularly by the larger brokerage firms, to dealing with purchases in the \$5,000 range.

This is an opportunity to enable, particularly here in Atlantic Canada, residents of the region to invest back into their own region. It's very unusual for retail investors such as you and me to get exposure to venture capital as an asset class. We're not suggesting that people over-weight in venture capital. It would form a very small percentage of an individual's portfolio. But because the asset class, because the purchase is RRSP-eligible, what you find is a lot of folks investing in venture capital through their retirement savings. We have to be very diligent in terms of the kinds of companies we invest in. But in GrowthWorks we have a philosophy—and I think this is very welcomed by governments—that we play at the early-stage end of the spectrum, because we think that's where the real longer-term opportunities are for us in terms of returns to our shareholders.

So given the work we've done nationally, and regionally here since we have started the fund, I think folks are really believing that there will be a stable supply of VC available now in Atlantic Canada that wasn't available before. I should say that VDC is active in the region as well. Quite often, we partner with their venture capital division when we look at investment companies.

Ms. Judy Wasylycia-Leis: Aside from the cost to the treasury, which we have to take into account, is there any other downside?

Mr. Thomas Hayes: Is there any other downside? There is not, from our perspective. I'm not sure what it would be, obviously—

• (0945)

Ms. Judy Wasylcyia-Leis: Do you hear anything—[*Technical difficulty—Editor*]

Mr. Thomas Hayes: No. There was some concern when we had discussions with officials in the Department of Finance. They were projecting a huge loss in revenue to the treasury, but what they didn't appreciate was that in fact in most provinces there are sales caps on the amount that can be raised annually. That's how you control it. So we think the so-called cost would be quite minimal, but the benefits would far exceed those costs.

Ms. Judy Wasylcyia-Leis: Thank you very much.

Could I ask Patricia about this whole issue of Canada Border Services? Last night I was watching the news and I saw Stephen Harper's a press conference, and a reporter asked about this issue. He said you were losing large international flights. I had no idea that was happening, because the agency doesn't operate at certain hours. Can you tell us how much you're losing, and what happens to those flights? Who is benefiting? And wouldn't the benefits outweigh the costs in an area like this?

Ms. Patricia Devine: Rob Robichaud is the president and CEO of the Greater Moncton International Airport, so he is better placed to answer that question.

Mr. Rob Robichaud: I'm certainly glad you asked the question. Thank you very much.

It's the number one issue for Atlantic Canada airports and, in particular, for small airports.

As an example, in Moncton we received a call last year that Air Canada Vacations—we had a sun destination airline—called and said they probably wouldn't be back in 2006. They were true to their word and didn't come back because of the fees that were being charged.

For example, we have a flight from Germany, from Hanover to Moncton, and it's being charged \$3,500 a landing. We're in danger of losing that.

Perhaps the most explicit example is Fredericton paying \$200,000 a year to the Canadian Border Services Agency for after-hour services on a Delta flight, which is a daily flight to Boston, seven days a week. As a community and as an airport, they were successful in attracting that particular service. With the kind of money they're now paying, they are actually not making any money because of the fees they're expending in support of the Canadian Border Services Agency.

The other thing that's not known is that this isn't a fee that you pay for coverage, for example, from five o'clock until midnight, and it covers the entire spectrum. This is a fee that is charged every time you bring a service in. If they bring in another service, they will pay another \$200,000. It's very expensive.

At a time when airports, small airports in particular, are struggling to attract these types of flights, and you have to tell them they have to pay \$3,500 or \$200,000 a year to come into your community, they

certainly look around to see if there are other airports that don't charge these services for after-hour flights.

The Chair: Thank you, Mr. Robichaud.

We'll now go to the second round of questioning, beginning with Mr. McCallum.

Go ahead, sir.

Hon. John McCallum (Markham—Unionville, Lib.): Good morning, and thank you very much.

First of all, I would like to say that having frequently been in St. John's in an earlier life, I think it's great to be back again, even though most our exposure to St. John's today will be looking around this room.

Mr. Michael Savage: It's a nice room.

Hon. John McCallum: It is a nice room.

The first point is this. I was briefly an NRCan minister for a few months. I remember the geological mapping project as being very good and making a lot of economic sense. We failed to get it into the budget, and I think it failed again last year, but it strikes me as a good project.

Can you tell me about it again? I forget the acronym or the official name for it. How much would it cost?

Mr. Gerry O'Connell: It's the Canadian cooperative geological mapping strategy, the Canadian CGMS. The proposed cost for the federal government is \$25 million a year over 10 years. It would be matched by the respective territorial or provincial governments, for a total of \$0.5 billion over 10 years.

Hon. John McCallum: Thank you.

Mr. Gerry O'Connell: We have a big country.

Hon. John McCallum: I know. It certainly convinced me that it made a lot of sense.

My next question is for Nancy Griffiths. Your presentation was admirably succinct, and I really liked the ideas that you were conveying. But can you explain what it is exactly you're asking for?

• (0950)

Ms. Nancy Griffiths: On the Newfoundland and Labrador Science Centre, I talked about a partnership with the City of Mount Pearl, which you may know is the municipality next door. For the whole infrastructure project, the estimate right now is \$38 million, of which the science centre's portion will be \$5.1 million. The City of Mount Pearl is interested in organizing this project as a federal, provincial, and municipal infrastructure project.

The other thing I discussed was the interest by the Canadian Association of Science Centres in a national program for science centres. That request will be \$200 million for five years: \$150 million for the development of exhibits and capital infrastructure; and \$50 million towards programs, in-house and outreach programs.

Hon. John McCallum: Thank you very much.

Finally, this is something I did in Vancouver. Our responsibility was to produce a report recommending the overall thrust of the budget, including its components. As matters now stand, the second point of the GST cut, costing \$6 billion per year, risks crowding out virtually everything else.

If you don't mind, I would like to do a very quick poll, and I'd ask each of you to give an answer of yes, or no, or no comment.

The question is this. In your view, do you think going the route of the second point of the GST cut is a good idea or not, with "not" being if you think there are better things to spend the money on?

Maybe we could start with Mr. Hayes. Could you answer yes or no, or would you rather not say?

Mr. Thomas Hayes: I think there are better things we can do with our tax dollars to make it easier for people. Cutting consumption taxes is not the way to go.

Mr. Ted Howell: On a personal level, no, it's not a good idea.

Ms. Nancy Griffiths: No.

Mrs. Danielle Irvine: No.

Mr. Gerry O'Connell: On a personal note only—I can't speak for the others—no.

Ms. Patricia Devine: Likewise.

Hon. John McCallum: What a wonderful panel. I do appreciate that. Thank you very much.

Ms. Irvine, we talked about libraries, which involve reading and writing. There was also a cut to the literacy program, and I think your premier spoke about that. Do you have any comment on that?

Mrs. Danielle Irvine: That there shouldn't be a cut to the literacy program is my main comment on that.

Hon. John McCallum: What would be the effect in Newfoundland and Labrador?

Mrs. Danielle Irvine: In Newfoundland and Labrador we are at a time when our investments in education are growing, but our literacy rate is really low. Cutting these programs has the greatest effect on people of my generation and a bit older. The young people coming up are not as affected. They have a strong program in school, and they're more apt to attend school. But we need people of the older generations to be reading, to be literate, and to be fully engaged, and they've been taking advantage of those programs.

Hon. John McCallum: Thank you.

The Chair: I'm just curious, and I want to do my own poll. In the last month or so we've had over 350 presentations, and fewer than half have asked us to spend less. So I have to ask this question: how many of you, if it was necessary to raise the GST to fund your programs, would want the GST raised?

So everybody is happy with it exactly as it is? You don't want us to raise taxes, raise the GST? Does anybody want us to raise taxes if it is necessary to fund a program? Last call.

Mrs. Danielle Irvine: I can only speak personally. I can't speak for my organization on that.

In Newfoundland we were paying 15% with the HST, and now we're down to 14%. Why not pay 15% again to have all the programs back that we've lost and to get more?

The Chair: I just want to be clear on that, because as you know—

Mrs. Danielle Irvine: That's only me, not my organization.

• (0955)

The Chair: That's fine, because you can tell from the nature of this exercise that what we're all learning is that it's about prioritization. It's about establishing priorities that will benefit Canada to the greatest degree, which involves using revenue wisely. It also involves a balancing act when it comes to tax rates, and that's why I made the point.

Madam Ablonczy.

Ms. Diane Ablonczy (Calgary—Nose Hill, CPC): I foresee some interesting talk on the bus. We really do appreciate being here and experiencing your fine Newfoundland and Labrador hospitality. Even though it is raining outside, it's beautiful country, and we're really learning a lot just being here, especially talking to you.

I do want to correct my friend Mr. McCallum. I find that's happening more than it should. I think it's important to put on the record that tax reductions are not crowding everything else out. In fact, program spending increased in the last budget. There's lots of money for everything. And we know that, especially for low-income Canadians, tax reductions, especially GST cuts, are very helpful because of course many pay no other tax, so the GST reduction is the only reduction we can give them.

There are also no cuts to the delivery of literacy. The reductions are made in things like round tables and other tangential activities that do not directly affect the delivery of service. Please be assured that some of the myths around these reductions.... The reductions are actually designed to give more programs to people who need them, and maybe there is a little less activity for people who just want to talk about the delivery of literacy.

I want to get to the airports first. For some reason, airports are on our minds. I don't know if you know the story, but it was quite a challenge getting here, and that has been interesting.

Everywhere we've gone, though, we have heard concerns about airport rents and the fact that people feel that it is basically a tax, because the cost of the infrastructure, the land, has long been met, and now it's just a revenue stream. There has been tremendous concern about that. I'd be more concerned in this part of the country, where this is even more of a lifeline.

There has been some talk from some people about the federal government simply transferring land to an airport authority and letting the airport services regulation left locally. Is that something that you've been looking at, or are you happy to have the status quo, with the reduction in the GST, in airport rent—[*Technical difficulty—Editor*]

Mr. Rob Robichaud: If I may, because it's something that—*[Technical difficulty—Editor]*—the response varies from airport to airport. There are some who believe that if the rents were eliminated—*[Technical difficulty—Editor]*—to the Government of Canada, while there are others who see a tremendous benefit to taking over their airport. There is a danger, of course, across some of those airports that should they get control of their own airport in different communities, then regulation would be even greater than it is today, because we are, in fact, subject to a lot of regulations in terms of standards.

So there is that, but to say that there is a perception that we should all be—*[Technical difficulty—Editor]*—I can't say.

Ms. Diane Ablonczy: Okay.

You'll be encouraged to know that is being considered very seriously by the government. I know both the Department of Transport—*[Technical difficulty—Editor]*

The Chair: Mr. McKay.

Hon. John McKay (Scarborough—Guildwood, Lib.): When the deals were originally negotiated with the government, the airport authorities—*[Technical difficulty—Editor]*—for the first four or five years. We didn't hear too much complaint at that time about airport rent. Now the airport authorities come along and say, well—*[Technical difficulty—Editor]*—now we have to pay more rent, but that was the deal in the first place. What's your answer to the general taxpayer—*[Technical difficulty—Editor]*—Now we have to pay, and the general taxpayer says, "What for, who needs this?" What's your general answer?

• (1000)

Mr. Rob Robichaud: At the time of transfer, individual airports—*[Technical difficulty—Editor]*—and when we took over their airport, there was an agreement that every six years—*[Technical difficulty—Editor]*—For the most part, we didn't really fully appreciate how much across Canada—*[Technical difficulty—Editor]*

I don't think we knew at that time what would happen, but these facts became known later. They were shocking. Couple that with the fact that things have changed. Operating costs have skyrocketed. We had a number of issues: SARS issues, the Iraq war, fuel prices, increasing regulations. These are all extra costs that airports that transferred didn't know they were going to have to deal with.

Hon. John McKay: *[Technical difficulty—Editor]*—all airports in the Atlantic region have taken a bit of a hit.

Mr. Rob Robichaud: What we're really saying is that if we were allowed to have that money that would otherwise stay with the federal government, we could reinvest it back into airport itself to better serve—

Hon. John McKay: Or you could just—*[Technical difficulty—Editor]*

Mr. Rob Robichaud: That might be a possibility. That could be possible if we had that extra revenue coming in or if we didn't have the expense of—*[Technical difficulty—Editor]*—It's a possibility, absolutely, because it all boils down to the consumer. It all flows down to the consumer.

Hon. John McKay: There is a school of thought—*[Technical difficulty—Editor]*—there's not enough bang for the buck, and one of

the reasons there's a threshold—*[Technical difficulty—Editor]*—Their argument is that you should increase—*[Technical difficulty—Editor]*—construction is not lucrative enough for the broker and it will only cost—*[Technical difficulty—Editor]*

Mr. Thomas Hayes: Sure. Thank you for the question.

The argument has been made recently that the Canadian Venture Capital Association engaged a consultant to study the returns—*[Technical difficulty—Editor]*—labour-sponsored funds relative to the—*[Technical difficulty—Editor]*—three-, five-, and ten-year returns of the labour-sponsored funds in the top quartile of performance.

A number of funds never before reported—*[Technical difficulty—Editor]*—and that's what people generally refer to as—*[Technical difficulty—Editor]*

I should also point out that between 50% and 60% of deals that have been done in Canada in recent years have been led by labour-sponsored funds, and as you know, this game is cyclical, so it really depends on which part of the cycle you're in—*[Technical difficulty—Editor]*

• (1005)

The Chair: Thank you.

Mr. Del Mastro.

Mr. Dean Del Mastro (Peterborough, CPC): First of all, I should start with a particular problem. We have heard the types of request—*[Technical difficulty—Editor]*

Mr. Gerry O'Connell: Well, I think Canadians—*[Technical difficulty—Editor]*—and as you well know, a lot of northern Canada depends on the mining industry—*[Technical difficulty—Editor]*—These resources are depleting really quickly. We need to beef up our discoveries if we want to have an industry here in the future. We have too much in—*[Technical difficulty—Editor]*—If we don't reinvest in mapping our resources and finding new mines, we won't have much of a future in Canadian mining.

Mr. Dean Del Mastro: Mr. Howell, your proposal talked about attracting exploration resources through marketing initiatives and fiscal incentives to help develop the oil and gas industry. How—*[Technical difficulty—Editor]*—would you say the provincial government was getting in the way of exploration?

Mr. Ted Howell: Obviously we are focused right now on exploration—*[Technical difficulty—Editor]*—lots of exploration and development of mines are one way to offset some of those costs, starting with—*[Technical difficulty—Editor]*—Both the federal government and the provincial governments can support the industry—*[Technical difficulty—Editor]*—at the federal level. There are all sorts of representations from the provincial government. So that's on the collection of data, the examination of data. Obviously there are other elements, such as fiscal incentives.

In the past, there have been a series of credits and grants in the interest of trying to attract new players to this region. A series of credits would work very well for companies that are already producing oil here, but a series of credits would not necessarily have the advantage of attracting new players.

Mr. Dean Del Mastro: So a series of credits very similar to...you know, credits aren't that different except that they attract investment. If we were to put that in place, a number of political parties would actually come out and say, hey, you're giving money to big oil.

What do you say to that?

Mr. Ted Howell: Well, again, that's a point we made initially, which is that it is in the country's best interest to diversify our energy resources, in particular, our non-renewable energy resources. While Alberta is rich right now with the non-conventional oil, it's conventional oil and gas production...*[Technical difficulty—Editor]*

The Chair: You have thirty seconds, Mr. Del Mastro.

Mr. Dean Del Mastro: We have been touring across the country, and at every stop Mr. McCallum has encouraged people to sign up and join the "save the GST" club. In 1993 they actually campaigned to abolish the GST, which is a regressive tax. I really find his stand on this quite remarkable, really working to save the GST. If you guys would like to sign up, I think this you'd be the third or tenth people in the entire nation who have actually signed up for it.

Keep it up, Mr. McCallum. I think you might be catching a bit of steam on that one.

• (1010)

The Chair: We'll go over to Mr. Pacetti now, for five minutes.

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

Thank you to the presenters. I missed some of them, so some my questions you may have answered in your briefs.

I have a couple of quick questions to the GrowthWorks people, to Mr. Hayes. Who's your competition here in Atlantic Canada?

Mr. Thomas Hayes: We don't really have competitors, in a sense. From a fundraising perspective we have lots of competition, and investors can invest in a variety of mutual funds. But in terms of VC, when we look at deals, we always like to co-invest, we like to syndicate, because we find that a second set of eyes validates the argument and it spreads the risk, so we're always looking for partners. The Business Development Bank of Canada has a venture capital division that's active in Atlantic Canada, and we work quite closely with them. There's a private VC firm here in Newfoundland and Labrador called Killick Capital, and we like to work with them.

Mr. Massimo Pacetti: So your objective is to try to spread out the risk.

Mr. Thomas Hayes: Absolutely.

Mr. Massimo Pacetti: In terms of commercialization and investment, we're hearing there's a bit of problem there. Is there a certain amount that is contributed for commercialization projects, or how is your portfolio when it comes to investment? How do you decide what the percentage is?

Mr. Thomas Hayes: We are very much early stage investors, so in fact we are supportive of companies that are commercializing technology. We've done a number of companies pre-revenue, so we are operating at that end of the spectrum

Mr. Massimo Pacetti: What happens with companies that need a second or third round of funding here in Atlantic Canada?

Mr. Thomas Hayes: That's why it's extremely important that we develop a fund in the \$100 million range so that we have a stable source of supply. We recognize when we go into deals that there are likely to be second, third, and fourth rounds of financing before the companies mature and succeed. And you really need to stay in play.

Mr. Massimo Pacetti: Does GrowthWorks participate in the second and third rounds?

Mr. Thomas Hayes: Absolutely. That's part of our philosophy.

Mr. Massimo Pacetti: So it won't just affect a project because that's not your company—

Mr. Thomas Hayes: The worst thing you can do is run out of money, because if you do that and somebody else comes in and there's subsequent financing, you're going to get blown out. So you really need to stay in play, and in order to do that you need funding.

I would like to come back to your first question. There are no other labour-sponsored retail funds registered here in Newfoundland and Labrador; we're the only one in Nova Scotia. In New Brunswick I think there are a couple more, but we're really the only ones raising any money.

Mr. Massimo Pacetti: Great. Thank you, Mr. Hayes.

This is for the Association of Cultural Industries. Ms. Irvine, I didn't hear your presentation, but I have this one-pager. It's funny because last year almost every group that came before the committee was asking for an increase in the Canada Council funding, from five dollars per capita to ten dollars per capita. We're not hearing much of that this year; I don't know whether it's because of the change in government. Basically, all you're asking for is just to keep what you have, because you're scared you're going to be losing it, or is it because you've found a solution to your problems? We're not really seeing a request for more money, or is it just me?

Mrs. Danielle Irvine: Oh, it is a request for money, but it's a request for investment in the social economy. It's a huge request, because it requires a new way of thinking. There have been cuts to museums, there have been cuts left, right, and centre in the social economy and the voluntary sector. That is affecting thousands of Canadians—

Mr. Massimo Pacetti: Do you have an amount for how much you're looking for, even for the social economy? I think there are loads of other interests, and \$5 million or \$10 million is not going to be enough to go around.

Mrs. Danielle Irvine: I can't give you an exact amount, because it depends on the programs per subsector. If you wanted to look at the Canada Council for the Arts, for example, we would like to see that increased to five dollars a head per person per capita.

Mr. Massimo Pacetti: So that request remains the same.

Mrs. Danielle Irvine: That request remains the same, absolutely. That's to be very specific. What I'm asking for is quite broad, because it's a new way of thinking.

To give you an example, I've got a degree from university, a master's equivalent; I've got two national awards and have trained with the foremost director internationally in the world, and I cannot break the poverty line as an artist in Newfoundland. That's a problem.

Mr. Massimo Pacetti: From what I hear, you're not the only one.

Mrs. Danielle Irvine: I'm definitely not the only one. That's what I'm saying; I represent thousands of people in Newfoundland and across Canada. This is what I'm saying. Look at my face; I am trying to say that I'm one of so many people.

•(1015)

Mr. Massimo Pacetti: But most of the social economy projects, should they not be in conjunction with regional or local development

Mrs. Danielle Irvine: They are, very much. Luckily, here in Newfoundland we have a very supportive premier and a very supportive government for the arts, but we don't federally. We'd love to see more federal support.

Mr. Massimo Pacetti: Thank you.

The Chair: Mr. Wallace.

Mr. Mike Wallace (Burlington, CPC): I'm going to go very quickly, if that's possible. I have only five minutes.

I'd like to start with the airports group. It's a question of \$38 million. Do you have a target for the small capital assistance program?

Mr. Rob Robichaud: As I mentioned before, it's a figure that's out there, that we really can't get our hands around, because at this moment in time the demands of small airports vary so significantly. We think we can work with the federal government to come up with a number to sustain airports.

Mr. Mike Wallace: [*Technical difficulty—Editor*]
—business plan on whether those flights are profitable or not? Did they not know it was going to cost \$200,000?

Mr. Rob Robichaud: No, because at the time, it went to the airlines and in a sense came back to the airport. It was either that the airlines pay or the airport pays. They weren't initially part of the negotiations, so it was laid on their laps, and either they paid \$200,000 or Delta—

Mr. Mike Wallace: The numbers on this surprise me a little bit. In any other business I've been involved with, you know what your costs are before you go in.

This is just a quick question for Ms. Irvine. You mentioned tax incentives. Is that idea part of your program, then? It's not necessarily cash, but other tax opportunities to get people to invest in the cultural sector?

Mrs. Danielle Irvine: Tax opportunities for investment would be great. What we're looking for is tax breaks for artists. They're self-employed, and oftentimes because of the nature of their work the tax becomes quite difficult. Talk about low-income Canadians. You really have to show support.

Mr. Mike Wallace: Okay.

I heard, through other questions, has the science centre already applied through a tripartite approach to infrastructure projects—

Ms. Nancy Griffiths: No.

Mr. Mike Wallace: Is the science centre receiving any federal funding now for their capital or operating expenditures?

Ms. Nancy Griffiths: We get operation moneys.

Mr. Mike Wallace: Do you know what the percentage is?

Ms. Nancy Griffiths: It depends on the program—

Mr. Mike Wallace: So where in the application stage are the—

Ms. Nancy Griffiths: The City of Mount Pearl—[*Technical difficulty—Editor*]

Mr. Mike Wallace: How many other science centres are there across the country, do you know?

Ms. Nancy Griffiths: About 40.

Mr. Mike Wallace: About 40, okay.

Thank you. Those were my questions.

The question I have for NOIA is very similar to what I asked of Mr. O'Connell on the geological survey. I've had the—[*Technical difficulty—Editor*]
—in my office talking to me about this issue. When was the last time it was updated?

Mr. Ted Howell: I would have to get back to you with information on that.

Gerry?

Mr. Gerry O'Connell: The investment in geoscientists has dropped dramatically over the last several years. I saw a certification last year by somebody who got it from Surveys Canada, at that time they had one crew in the field. That is unacceptable. We've had a geological survey for the last fifty years and it's been really active and well supported. And it's not just about resources either; it's about earthquakes and aquifers and radon gas and a whole pile of things.

Mr. Mike Wallace: Do you have a sense of what it should be?

Mr. Gerry O'Connell: The number we're looking for the cooperative geological mapping strategies is \$25 million, but reinvestment in geoscience is required for all kinds of industries, not just ours.

Mr. Mike Wallace: And for offshore oil, out of the ocean, when we were out at Fort McMurray they told us about where break-even was, based on what a barrel is. What is it for a rig out here? Where does the cost of barrel of oil break, before it's not worthwhile getting it from the ocean?

•(1020)

Mr. Ted Howell: The costs are increasing now, and rig rates are going up. It's a globally competitive industry, and one of the constraints right now is actually ensuring that the rates on the global markets—[*Technical difficulty—Editor*]. Day rates for rigs have gone up from approximately \$150,000 per day to up to over \$400,000 a day. So that's one significant cost of exploration.

Mr. Mike Wallace: Is there any exploration out there at all?

Mr. Ted Howell: We have had two exploration wells built this year—[*Technical difficulty—Editor*]

The Chair: Thank you, Mr. Wallace.

It's my turn on behalf of the committee to thank you all for your time and to tell you that from a personal perspective, unlike my colleagues, I personally did get a chance to enjoy your hospitality. I've had a great time. My family and I arrived on Friday, and I can tell you we have had a glorious time. Where else could you go in Canada and experience the romance of Witless Bay, Dicks Head, Harbour Grace, Heart's Content, Heart's Desire, and Quidi Vidi. I can tell you that the next time we come here, it won't be by chance, it will be by design.

You should also be very proud, and I know you are, about—[*Technical difficulty—Editor*].—tremendous accomplishment. As a former provincial curling champion in Manitoba, I tell you that I've been so impressed by that young man's skills and success.

You have a wonderful and unique part of the world, and we're all very proud to have had a chance to visit your city. Thank you.

We'll adjourn briefly and allow some technical problems to be addressed. We would invite the next panel to get comfortable and come forward when they wish.

• _____ (Pause) _____

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•(1035)

The Chair: Welcome to our second panel guests. We appreciate your being here.

We are the finance committee of the House of Commons, charged with the onerous responsibility of hearing from fellow Canadians across the country. I'm told that over 450 submissions will be received by our committee by the end of this process. We very much appreciate your preparing your briefs and being here today.

Some of you observed the previous panel perhaps, but I'll give you an indication when you have one minute or less remaining, and then we'll abruptly and quite brusquely cut you off at five minutes. I urge you to use just the five minutes, so we allow time for an exchange with committee members after your presentations.

We will proceed with the Visual Artists Newfoundland and Labrador, Marlene Creates. Welcome, and five minutes to you.

Ms. Marlene Creates (Co-Chair, Board of Directors, Visual Artists Newfoundland and Labrador): Thank you very much.

I want to thank you all for coming here and accepting our submissions. I represent a provincial sectoral organization called Visual Artists Newfoundland and Labrador. It's the provincial

affiliate of CARFAC, which is the national organization Canadian Artists' Representation/le Front des artistes canadiens. We have included ten recommendations in our brief, and I will highlight a couple of points from those recommendations.

Looking over the whole presentation I want to make, I would like to underline the importance of the arts in strengthening our sense of place, nation, and community. I'm speaking specifically on behalf of the visual arts in some of my recommendations, but the cultural sector as a whole would be affected by several of these recommendations.

Our motto at VANL and CARFAC is "artists working for artists". We have a volunteer board of artists, and I'm an artist myself. I have work in the National Gallery of Canada collection, and I currently have a large exhibition touring across Canada that was funded by the touring program of the museums assistance program of Canadian Heritage. I mention that to give you some indication of the context that these national programs have on our local artists here.

Our recommendations are roughly in two sections. The first four recommendations come under taxation, and the second set comes under what you might consider social economy.

Taxation is one area where the federal government can directly impact the income flow of self-employed artists. The arts and culture sector has one of the highest rates of self-employment in the Canadian economy. As we know, traditional employment models are decreasing, and self-employment is becoming one of the largest sectors of the whole economy.

Under our recommendations for taxation, we'd like to see a tax exemption on grants to individual artists. We'd like to see a minimum exemption on revenue derived from copyright and residual payments. There are some inequities in the employment insurance program and the Canada Pension Plan that adversely affect artists. Just as a small example, people in the performing arts generally receive paycheques from the companies that employ them for rehearsal time and performance time, and those paycheques include EI deductions and Canada Pension Plan deductions.

In comparison, if you're in the visual arts you do not receive any employment cheques, and visual artists are never in a position to collect EI. In terms of the Canada Pension Plan, we have to pay both halves. So I have to pay twice as much Canada Pension Plan as someone employed in the performing arts whose employer pays their half.

We'd also like to see income averaging brought back. This is an important factor in the cultural sector, because as artists our income can vary wildly from one year to another. If we could have income averaging, again that would relieve some of those problems.

Under the second set of recommendations that I'm calling social economy and the Canadian government's investment in that, the regional organizations here in the Atlantic region and individual artists benefit greatly from the national programs that are available in the cultural sector, specifically the Canada Council for the Arts. As I mentioned, the museum assistance program helps individual artists circulate their work outside of the region. One of the main challenges here in Newfoundland and Labrador is for artists to be able to show their work outside the region.

• (1040)

We'd like to see a permanent funding commitment to the Canada Council for the Arts in the realm of \$5 per person per capita, as well as Canadian Heritage's Tomorrow Starts Today program made permanent.

We'd like to see the cuts made to the museums assistance program reinstated.

We'd like a federal museums policy.

We'd like the completion and opening of the National Portrait Gallery of Canada in Ottawa.

We'd like an extension of the \$500 children's fitness tax credit, which is given to parents who enrol their children in sports, extended to those who enrol their children in artistic activities.

Thank you.

The Chair: We'll continue now with John G. Paul, Atlantic Policy Congress of First Nation Chiefs Secretariat Inc. Welcome, sir. Over to you.

Mr. John Paul (Executive Director, Atlantic Policy Congress of First Nation Chiefs Secretariat Inc.): Thank you.

I'm here on behalf of our 36 Mi'kmaq, Maliseet, and Passamaquoddy chiefs in Atlantic Canada, from the Gaspé of Quebec, and we have representatives of the Passamaquoddy in Maine in the United States.

Our focus is trying to get out of poverty and really become players in the economy of Atlantic Canada. Our strength is the strength of our people, our language, our culture, our aboriginal and treaty rights, as well as a young and rapidly growing population. Our treaties, which have been recognized and affirmed by the Supreme Court, are paramount in our relationship with provinces, the feds, and municipal governments. Our treaty rights apply to all our people across our traditional territories, including the Mi'kmaq of Newfoundland.

Under our treaties, the Supreme Court of Canada agreed that we have constitutionally protected right of access to the commercial fishery, to obtain a moderate livelihood. But we can't understand why today so many of our people still live in poverty. People living on \$74 a week is not a livelihood, and we must take action to address this situation now and for the future.

The Marshall decision in 1999 provided hope for our people and provided much-needed access and economic development for our communities. Our chief vision of the future is to regain the self-reliance we once had in the past. We want to enhance and realize our own economic, social, and cultural objectives through actions of our

own design. We envision having vibrant, prosperous, entrepreneurial-minded communities and understand that we must balance development with the right social and economic change. Economic development must be compatible with our people, respectful of the environment, and inform the needs of future generations, ie., sustainable economic development.

Our economic developments must be based on gaining access and control of our traditional land and resources, consistent with our rights, and we expect to be respected partners in all sectors of the Atlantic economy. Today, we have communities like Miawpukek in Newfoundland, St. Mary's in New Brunswick, Tobique in New Brunswick, Lennox Island in P.E.I., Millbrook in Nova Scotia, and Membertou in Cape Breton that are representing the leading edge of rebuilding our economies in our communities.

We really want to get away from dependence, and we really do want to become part of the economy. And we want, basically, to allow our young people from our communities to become the real potential of our future in terms of the economy, and to participate fully in the Atlantic economy in a way that we're contributing a great deal to society in general in Atlantic Canada.

The other issue we have is long-term funding sustainability for our communities. Our communities provide basic services. We need to ensure that long-term sustainability of these programs provided by the federal government be maintained over the next decade, to ensure that we do have the opportunity to become part of the economy and contribute to the future of Canada.

In closing, I want to tell you that the health status of our communities continues to be quite low. Things like hypertension, diabetes, cancers, addictions, and mental health illnesses have become a death sentence for many of our community people. Reductions in certain services, whether it be medical, transportation, eligible prescription drugs, or lack of mental health services, has drastic negative effects in our communities. Both Canadian and international health studies have shown that poverty and poverty conditions correlate to poor health status.

We need jobs, opportunities, education, and an economy to help improve our overall health status. We cannot sentence our children, our young people in our community, to another generation of poverty. And our chiefs, our leaders, and our communities want to contribute greatly to the Atlantic economy and become prosperous Canadian citizens in Canada. We want to contribute our values to everybody else in the country, and we need to do this by building an economic agenda and targeting activities to increase our access to natural resources, to build on the potential of our young people and build a strong, vibrant community for now and into the future.

Thank you, Mr. Chairman.

• (1045)

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

We continue with the Society of Rural Physicians of Canada, Michael Jong, President.

Dr. Michael Jong (President, Society of Rural Physicians of Canada): Thank you, Mr. Chairman and honourable members. Thank you for the opportunity to appear before your committee to speak on behalf of the Society of Rural Physicians of Canada.

My name is Michael Jong, and I am a rural family physician in Goose Bay, Labrador. I am the president of the Society of Rural Physicians of Canada. I'm joined here today by Dr. James Rourke, who was a rural doctor in Goderich, Ontario, for 25 years and is now the dean of a medical school here in Newfoundland.

I consider it a privilege to be here today to speak to you all about the problem of rural health access and the solutions we are proposing to ensure that our rural citizens are healthy, for their own benefit and for the benefit of their employers and the economy of this country. We cannot ignore the links between health care and the sustainability of rural communities.

Having access to health care is important in ensuring that people will be willing to live, and companies will be willing to develop industries, in rural communities. Limited health care access is forcing rural Canadians to relocate to urban centres. From sovereignty, self-sufficiency, and economic perspectives, rural depopulation has negative long-term economic consequences for our country.

The primarily rural-based natural resources sector accounts for approximately 40% of our national exports. Canada's rural natural resources provide employment, forest products, minerals, oil, gas, food, tax revenue, and much of our foreign exchange. Rural health and our national economy are closely linked.

Rural health is in need of repair, as evidenced by the higher overall mortality rate and shorter life expectancy amongst rural and, of course, aboriginal residents. Efficiency is not the problem; the cost per capita in dollars spent and health care providers engaged in rural Canada is well below urban standards. The rural health problem is one of access, not wait times.

Dealing with the issue is one of the most complex and challenging aspects of health care policy. Mr. Romanow suggested that we devote \$1.5 billion to developing a rural health access strategy. For 10% of this cost, the Society of Rural Physicians of Canada is proposing a comprehensive list of solutions to address these needs: to enhance rural medical student recruitment; to provide specialized rural skills training for students, residents, and practising rural physicians; to bring medical education to a rural setting; to do rural research; and to bring all national rural health planners together to identify a collaborative strategy to improve rural health and health care. These solutions are outlined in the package you have in front of you.

I believe that we health care professionals, legislators, and policy-makers all have a responsibility to ensure that all Canadians, whether rural or urban, have reasonable and equitable access to health care. A two-tier health system, the lower for rural Canadians and the higher offering better access for urban Canadians, is not acceptable in Canada. I believe that with your help we can implement the proposed solutions and that we do have a moral obligation to do so.

Thank you very much for your attention. I know you're in big rush, but Dr. Rourke and I would be happy to answer any questions you may have.

• (1050)

The Chair: Thank you very much, Dr. Jong. We appreciate your presentation as well.

We'll continue now with a representative from the St. John's Board of Trade, Ken Birmingham. Ken, over to you.

Mr. Ken Birmingham (Chair, Finance and Taxation Policy Committee, St. John's Board of Trade): Thank you.

I am Ken Birmingham, and I am the chair of the finance and taxation policy committee with the St. John's Board of Trade. I also sit on the board of directors with the St. John's Board of Trade. I'm joined today by Mark King, our assistant general manager with the St. John's Board of Trade.

I want to begin by thanking you very much for making St. John's a stop in your consultation process. We appreciate the opportunity to present today.

Today we'll cover a few different topics. Of course, the challenge is to get it in within five minutes. We're going to touch on competitiveness and productivity, equalization, personal taxation, corporate tax, small business income tax, debt, spending, public-private partnerships, and federal presence.

Of course we begin with competitiveness and productivity. That's the engine that drives the machine that produces the money that helps to pay for all the different programs. Ensuring Canada's long-term competitiveness in the global economy should be a top goal, especially given the surging new economies of China and India and the increasingly acute skill shortage and demographic challenges faced nationwide.

Canada's productivity gap with the U.S. has been pegged at about 15%, and we run the risk of falling behind there, so productivity is an important topic. Clearly, productivity growth will be increasingly important if we want to provide the fiscal resources to support critical investment in the future of education, health, and infrastructure, all of which are tied into the quality of life and competitiveness. The federal government must respond by making strategic policy decisions. Fiscal policies must include a competitive tax system and must encourage work effort, savings, investments, and risk-taking. There must be an emphasis on further reduction of federal debt and on program spending.

I'll turn it over to Mark now to speak briefly on the topic of equalization and taxation.

Mr. Mark King (Assistant General Manager, Policy and Communications, St. John's Board of Trade): On equalization, the general issue of fixing the fiscal imbalance and the specific question of how to improve the equalization program have no doubt been hotly debated and are quite divisive as well. The provinces haven't reached a consensus, of course, on exactly how the program should change, and probably never will. The current government, however, campaigned on and stood by a position that all non-renewable natural resource revenue should be excluded as a base on which equalization payments would be determined. Very briefly, we strongly urge the government to follow through on this specific commitment.

Turning to taxation, while reductions in the GST have been a priority for the current government, we believe that the emphasis should now shift to other measures for greater tax competitiveness, primarily in the areas of personal and corporate income taxes. These are tied more directly to Canadian productivity. For Canadian families, reducing personal income tax rates would result in higher disposable income and more savings for retirement. The benefits of increasing the incentive to work, save, take risks, and undertake further education and training come in the form of higher productivity and economic growth. We believe government should, therefore, look at a multi-year plan to lower personal income tax.

•(1055)

Mr. Ken Birmingham: When we look at corporate income tax and surtax, obviously the competitive tax structure is important. We think the federal government is on the right track with accelerating reductions in corporate tax rates, but we believe the pace is too slow. We'd like to see the pace of the step-down tax rates stepped up by a few years. We also think the federal government should carry through with the elimination of corporate income surtax for all corporations by the start of 2008.

When we look at small business income tax, we think, again, that the federal government is on the right track in raising the threshold. We should continue on that trend by increasing the incremental relief for Canadian small businesses by committing to raising the threshold even further, as well as accelerating the reduction in the small business tax rate. Small business is the machine that drives the country, and we need to create further incentive there for them to create employment and increase productivity.

Debt reduction is obviously important. Demographic challenges that we face coast to coast are not going away any time soon, and we believe it is prudent to step up and take responsibility for the debt we currently face. An increasing emphasis on paydown on debt is the right thing to do.

From our members' perspective, the opportunity to take part in government-related work and projects is attractive. Public-private partnerships are obviously an important way to streamline the efficiency within government. We think that government should continue to look at those more closely as a means to streamline processes and create efficiencies at the government level.

Governments should ensure fair and proportionate levels of federal government employment and procurement activity on a provincial basis and correct any unwarranted imbalances that disadvantage particular provinces.

Thank you.

The Chair: Thank you for your presentations, gentlemen.

Now we have Mervin Wiseman with us, who is here on behalf of the Newfoundland and Labrador Federation of Agriculture. Welcome, sir.

Mr. Mervin Wiseman (President, Newfoundland and Labrador Federation of Agriculture): Good morning.

Thank you, Mr. Chair, honourable members, staff, and colleagues.

My name is Mervin Wiseman. I'm the president of the Newfoundland and Labrador Federation of Agriculture, and I'm

also co-chair of the newly formed Canadian agriculture sector council, which is a council that was formed to address some of the human resources issues we have facing us in the Canadian agriculture industry.

I want, very succinctly, to tell you about the value of agriculture in this province and opportunities for growth challenges, and give you a few recommendations to see how we can move this file forward.

The industry in this province is worth \$0.5 billion annually, which is something that comes as a bit of a surprise to a lot of people, I believe. It employs about 6,200 people. It is the most significant growth seller in the resource sector, including forestry, fishery, and mining in this province, and has a potential to double the industry over the next four or five years, given the proper investment and the proper attention.

Where do we see some of the opportunities for growth? It is in the dairy industry, worth \$100 million at the moment. We have 32 million litres of industrial milk quota allocated by the national quota system, which we're now just starting to utilize because there's a chance to get into value-added processing, secondary processing, and so on. There is the chicken industry, horticulture, vegetables. There is the red meat sector, currently an industry with a consumer value of about \$100 million. In the fur sector we've gone from less than \$0.5 million two years ago to an industry worth \$40 million as we speak. We have nursery and landscaping. The life science industry is an industry where we're going to have tremendous growth in the future, especially in the area of functional foods, nutraceuticals, and primarily we want to get into cultivating and harvesting northern berries.

By way of example, last year for just blueberries alone, there was \$82 million in direct sales in Nova Scotia. That was just on blueberries. We have many varieties of berries in this province, of course, not the least of which are blueberries, cranberries, what we call the bakeapple, and lingonberries, and all these berries can bring tremendous health benefits. We have spoken about the issues of health. Agriculture can work into the health equation.

Some of our challenges are lack of infrastructure, for meat inspection and slaughter facilities, for example. Farmers in this province cannot market their produce locally. We can't get into wholesale supermarkets, retail chains. We can't export to other provinces. We can't export internationally. So of the \$100 million industry, at the moment we have 1.5% of that industry because of the lack of infrastructure to be able to do it.

On feed self-sufficiency in terms of forage and so on, developing forages for our dairy industry, our livestock industry, land development, it's just so darned expensive. The average cost of developing land in this country is about \$600 per acre. In Newfoundland and Labrador the cost to develop an acre of land is \$3,200.

On fair market return, lack of framework, some might say a regulatory framework to ensure that farmers get fair market return is one that we're trying to deal with right across this country, and of course we have that critical issue in this province.

On liabilities, we're faced with environmental food safety, animal welfare liabilities. The issue of food safety has caused great stress and anxiety to farmers, particularly marginal farmers who simply don't have the ability to meet the standards required of them.

On research and development, if we're going to get into the life science industry, it just speaks and is totally synonymous with having the wherewithal to do research and development, particularly applied research. The big investment that we have to move for research and development, the food safety pillars and all these very important pillars for agriculture forward, is of course the agriculture policy framework agreement, which we all know about across this country. That \$32.5 million federal-provincial agreement has been all committed. Three years into the agreement, we have two years left, and of course it's going to be very difficult to work and have any strategic growth funded through that particular stream.

I have just a few recommendations.

We certainly will be needing assistance for strategic growth, certainly along the lines of what we can do on our federal-provincial agreements and APF.

The land development issue has to be factored into the equation. There is a Canadian policy that we won't develop land anymore. We've fallen into that particular trap in the case where land is critically underdeveloped, so we think it's a question of trying to fit a square peg in a round hole, as they say.

• (1100)

We feel there should be government funding for public good initiatives, especially for food safety, environmental enhancement, and animal welfare issues. The liability that's being passed on to farmers to carry is simply too much for them to carry. Given the liability issue there and the fact that it can't be taken back from the marketplace, because we are so far removed from the marketplace and the consumer, it's just something we can't do.

I mentioned infrastructure development. The cold climate crop research station, along with others across Canada, was going to be cut and slashed in the federal budget the year before last. One of the rationales for that was that the infrastructure was now at its life expectancy and had gone past it. We've now turned the policy around on that, and the federal government will continue to engage in these kinds of facilities, yet no assurance has been given that we're going to bring these facilities up to standard. We need—

The Chair: Thank you, sir. We have to cut you off there. Well done. There will be time for questions.

We'll continue with Penelope Rowe. She is here on behalf of the Community Services Council Newfoundland and Labrador. Welcome. Five minutes, over to you.

Mrs. Penelope Rowe (Chief Executive Officer, Community Services Council Newfoundland and Labrador): Thank you very much, Mr. Chair. I welcome you and the rest of your group to St. John's. We appreciate the opportunity to present to you.

Let me just say that I represent the Community Services Council Newfoundland and Labrador, which is a non-profit, charity-registered social planning research organization. A lot of our activities are involved with national organizations as well, so a lot of my comments relate not only to my experience here but to my experiences with the non-profit, voluntary, community-based sector across the country.

The main point I really want to make is to lay the context for the importance of the non-profit, community-based sector in our country, particularly as it relates to the terms of reference that you have before you, in terms of citizens' quality of life and prosperity.

A recent study across Canada indicated that 91% of Atlantic Canadians view voluntary organizations as the key determinant and the most important element in quality of life in this country. That figure is almost similar to the way Canadians feel across the country, yet in Canada we have no overriding strategy for working with the non-profit, voluntary, community-based sector. There are many relationships between individual departments and individual organizations, but in essence we don't have a broad view of how we should work with the sector as a whole.

In Newfoundland, for example, we have 2,200 registered organizations, all of which are working at a local community-based level to provide support to Canadians. In many instances, they're also providing support to economic development, whether it's through community economic development or by providing Canadians with the skills that they need to be able to participate more fully in our economy. In fact, we know that 62% of organizations in Canada work at a local level, yet the federal government plays an extremely important role in its relationship in supporting those organizations. In other words, it's not just a federal or municipal responsibility.

The other thing we know is that the voluntary, non-profit, community-based sector, whatever you call it, is different from the private sector and the public sector. We all operate with volunteers. Volunteers govern our policies and make our organizations function.

I believe we have to find new ways of working with this sector in Canada, and I think any new government obviously wants to find its own approach to working with the non-profit sector. We know that organizations are under huge stress to recruit qualified board members, qualified volunteers, qualified staff, so I want to make a particular recommendation here today. It has to do with how the federal government and the sector could work more effectively through technology.

At the moment, there is no technology platform within the federal government for relating to the non-profit sector. In fact, there is no vision within the federal government for how technology can be used with the non-profit sector. We may have a strategy for government services online, but it's silent when it comes to how we relate to this huge non-profit sector, which is in fact the locus of over 10% of employment in this country.

So in my remaining minute or two, I would like to suggest that we look seriously at how the federal government and the non-profit sector can provide support to these hugely important organizations in much the same way as we provide support to small and medium-size enterprises. For example, there are sites that provide support to the business sector when it wants to figure out how to do its job. There is no such site in Canada for the non-profit sector. There is, however, an emerging voluntary gateway, and I have circulated information about that particular platform portal, which is just being developed.

The Community Services Council Newfoundland and Labrador is now operating this national portal through a competitive process that we embarked upon with the federal government. The portal has the potential of streamlining relationships with the non-profit sector. I recently presented to the blue ribbon panel on grants and contributions that this would be an extraordinarily good way for you to be able to work more effectively around grants and contributions, which are nothing more than a patchwork at the moment in terms of how we relate to the federal government.

• (1105)

So I recommend that you learn more about lack of platform within the federal government and the use of voluntarygateway.ca to streamline our relationships, thereby building the ability of Canadian citizens and their organizations to serve us all better for our own prosperity.

The Chair: Well done, Ms. Rowe.

Thank you all for your presentations. We'll move immediately to questions.

John McCallum.

Hon. John McCallum: I would like to begin by saying that I have visited St. John's many times and it's a great pleasure to be back. I only wish we had a little more time, so that we could see more than this room today.

I want to focus first on rural doctors. To me, this is a really important issue. I think that as our colleague Michael Ignatieff has emphasized, there's an inequality in the distribution of hope across this country. Hope is concentrated in the bustling, booming metropolitan areas, but notably absent in some of the rural areas. While access to doctors won't solve every problem in rural Canada, lack of access will kill initiatives that could benefit rural Canada. I'm going to keep your recommendations. I think they're really good.

My question is, what is the federal role? One of the disagreements we have with the government is that they seem to seek jurisdictions in water-tight compartments—health care is provincial, full stop. I don't see it quite that way. But with respect to the recommendations you have made, what would be the federal role, as opposed to the provincial role, in addressing this problem?

• (1110)

Dr. Michael Jong: We're very careful when we put in those solutions. We are aware of the issues surrounding the federal-provincial-territorial jurisdictions. We think these solutions will address all that can be addressed by the federal government.

I'm going to leave it to James to clarify that.

Dr. James Rourke (Dean, Faculty of Medicine, Health Sciences Centre, Memorial University of Newfoundland, Society of Rural Physicians of Canada): In your work and ours, one of the most important things in getting something done is having a chance. The Canada research chairs program, which is a federal program, has shown us how different areas of research are organized in a pan-Canadian way in universities across Canada.

We are asking for funding, in each of the medical schools, for Canada chairs in both medical education and rural health research. These chairs would not be located in, say, St. John's or Toronto, but rather in, say, Goose Bay. They would serve as primary connectors between the communities and the medical schools, ensuring that the focus remains on delivering medical education and doing grassroots research. This could be funded in the same way as the federal government funds the Canada research chairs—in a national program. The rural health question is pan-Canadian, and we need some pan-Canadian answers. That's why we picked these two—because they could be funded federally.

Hon. John McCallum: My second question is joint, to Ms. Creates—I think "Creates" is a good name for an artist—

Ms. Marlene Creates: I know. People think I made it up. Problem.

Some hon. members: Oh, oh!

Hon. John McCallum: —and also Ms. Rowe.

I am a strong supporter of federal government support for the arts, museums, and the volunteer sector, a non-profit sector that plays a crucial role in our country. It seems to me it's come under some attack recently. We've seen cuts to the museum programs, and you're wanting more money. We've seen cuts to the volunteer sector, not to mention literacy programs.

Perhaps you were too diplomatic to mention these things, but I'm asking if either or both of you could comment on the implications of these recent cuts.

Ms. Marlene Creates: Recommendation 10 asks for a reinstatement of the funding that was cut from the women's programs and the literacy programs. There is an actual correlation between literacy rates and the crime rate. If the government is interested in doing something about the crime rate, I think literacy would be a great place to start. This is connected to the arts—you can be literate in visual arts and in every aspect of the arts.

So we are very distressed about those cuts.

Hon. John McCallum: Actually, a 30% cut in literacy programs is very substantial.

Ms. Rowe, do you have a comment on the volunteer sector?

The Chair: You only have time for a brief answer.

Mrs. Penelope Rowe: I won't discuss what's occurred. I will discuss what I think needs to occur. We need to look at strategic investments in the sector. We need to understand how we can support the work of a multitude of organizations—not by committing a whole lot of money, but by spending the money more wisely. If we start getting more strategic in our undertakings, we can find ways of doing the work that needs to be done.

I'm always willing to accept that new governments want to find their own ways of doing things. I think we should learn from what we've done, learn from what we've lost, and move forward.

Hon. John McCallum: Thank you very much.

The Chair: Ms. Ablonczy, five minutes to you.

Ms. Diane Ablonczy: Thank you, Mr. Chairman.

I thank all of you for your presentations.

We're very excited about being here. Most of us don't get here very often. We had a little technical difficulty getting here, so we're glad we made it.

I want to start with the board of trade.

Professor Martin, who is the dean of the Rotman School of Management at the University of Toronto, commented just today on the study by the World Economic Forum, which showed that since 1998 Canada has slipped in its global competitiveness rating from 6th to 11th. There is concern about our drifting down in these rankings.

I wonder if you could give the committee your perspective on how we can reverse that and thereby give our citizens a higher standard of living and more ability to afford some of the programs we're hearing about from other presenters.

• (1115)

Mr. Ken Birmingham: Certainly. We opened with a discussion about competitiveness and productivity. It is a big world out there, and there are a lot of players who are coming on strong.

From our standpoint, a lot of issues about productivity, competitiveness, and the ability for small and mid-size businesses to create employment we see as being specifically tied to taxation. In some cases, the taxation levels are inhibitive. They stifle the ability of business to do more and to produce more. We look at creating a tax structure that incents businesses to hire more people and to produce more. We also look at the global economy as its marketplace, to look outside of St. John's, outside of Newfoundland, and outside of Canada as opportunities. We think a competitive tax structure, along with aid from the federal government on connecting businesses around the world, can certainly be beneficial.

Ms. Diane Ablonczy: I appreciate that.

I want also to ask Ms. Rowe a question. We appreciate the work of the volunteer sector so much. I know this is a huge contribution in many parts of the country. A lot of the time the volunteer sector fills gaps in the community that other government programs don't—whether it's federal, provincial or municipal.

I was interested in your desire to have links with the federal government, along with other levels of government. Since we're talking about the federal government, what do you see as being the

contribution it could actually make in supporting the work of the volunteer sector, without getting in the way? Obviously inefficiencies in government programs are causing the demand for your services.

Mrs. Penelope Rowe: I certainly never think that federal government funding is a problem. I don't think it gets in the way. I think what we've created, however, is this huge patchwork of how we relate to organizations. The ability of some organizations to acquire federal government funding is very different from that of other organizations.

I have tried in my presentation today to stay away from individual organizational support. I could spend 10 hours talking to you about details, but I think the important thing we need to understand is that we do not have any kind of framework whatsoever in this country for working government as a whole, sector as a whole, and that's where we need to do our work. We need to continue to fund the kinds of activities that individual organizations do.

I don't think government gets in the way. To assume that government gets in the way and therefore to reduce funding, or for government to say we're not going to fund you and you have to fly on your own is grossly unfair. In a community like Calgary, the ability of organizations to attract revenue and donations is very different from the ability of organizations in Atlantic Canada.

I will give you one example. Corporations contribute only 1% of the funding to the non-profit sector in Atlantic Canada, compared to 3% across the country. That 3% is still not very high, but it's a huge gap—that 1% to 3%. Because Atlantic Canada has less ability to get funding from provincial and municipal governments, we are more reliant on the federal government. Yet, we generate more of our own income in this part of the country than anywhere else in Canada.

We need to find ways to help organizations be entrepreneurial when that's appropriate and to deliver services that are fully funded by government when that's appropriate.

• (1120)

The Chair: Thank you, Madam Ablonczy.

We move to Madam Wasylycia-Leis, for five minutes.

Ms. Judy Wasylycia-Leis: Thank you, Mr. Chairperson.

Thank you to all of you for being here.

I really appreciate what Penelope has just said in terms of this serious debate we're having on the priorities of government in a day and age when we aren't competitive internationally, and when we hear so much in the media that all we have to do is to lower taxes and cut spending and we'll be fine. I think we're now facing the consequences of that kind of mentality.

So I'd like to hear more from folks. Maybe I'll start with John Paul and ask if some of the recent cuts will have an impact on aboriginal people, and if we follow the board of trade suggestion for more tax cuts and more reductions in spending, will we have greater problems? How can you make the case for government here so that boards of trade will actually think about a more balanced approach?

Mr. John Paul: I think the big point in our context in particular, just in terms of adult smoking among our people in Atlantic Canada, is that it's at 64%. That is way higher than anywhere else in the country. Diabetes and those kinds of diseases, in most scenarios, take years and years to impact people, but I've seen cases where somebody gets diabetes in a community and two months later the person is dead. So the impacts are direct and the outcomes are quick.

In terms of the impact of the narrowing of the types of services provided, it just gets more and more people into negative outcomes in the communities. That's why our focus today is towards an economy and building an economy, so we can get out of that cycle and move from poverty to greater well-being in terms of our whole community and we can have a better outlook for the future.

Ms. Judy Wasylcia-Leis: Thank you.

Maybe I could ask a similar question to Michael and James, because what you're calling for—which I think is very important—is a greater investment in terms of health care in rural Canada and more focus on rural needs. From that perspective, it takes money and it takes priorities from the government.

How do you answer this whole tax cut mentality, and the cut government and the public sector mentality, in order to make your point of view?

Dr. Michael Jong: I certainly understand that we need money to address some of these issues. The important thing, though, is that if health care is not addressed in our rural communities.... Don't forget that those communities provide natural resources for the country. We need to address that.

We talk about rural depopulation. People are moving out because they cannot access health care, and industry is not willing to set up there. We need people; health care is a service industry that needs people, and it needs investment in training those people for those services. This can be done. We have examples across the country where it's done on a patchwork basis, and so we'd like to have a pan-Canadian approach to this, because we can learn from each other.

Dr. James Rourke: There is a myth that rural health care uses up a lot of the health care budget when in fact, on a per capita basis, rural health care is cheap, and it's cheap because people don't access health care. So we spend less per person in rural areas on health care than we do in urban areas, and we do need to look at an equitable distribution of the health care dollars that we do spend, and we do need to look at equitable ways to spend our education dollars as well. It's important to get more doctors out there to provide the support to the communities, so those communities can be productive, industry-creating ones.

Ms. Judy Wasylcia-Leis: If I have time for one more, Penelope, to get back to your point, we're hearing these days that the least government is the best government. I'm just wondering how we counter that and how we build along the lines you're talking about, in terms of partnerships that strengthen the social fabric of our country.

The Chair: Penelope, I'm sorry, you have about 20 seconds.

Mrs. Penelope Rowe: Well, let's talk about better money, not necessarily more money. I think we need to find ways of making our investments much more strategic in the non-profit sector. That's where you build the things that everybody else is talking about,

where you build citizens' capacity for skills building, for learning, for literacy, for engagement. It's how we get young people engaged; it's very often their first connection with the world outside their own little lives.

• (1125)

The Chair: So it's not necessarily that less government is better, but that smarter government might be better for everyone.

Mrs. Penelope Rowe: I don't really have a problem with lots of government, but that's a personal view that I know many people around the table may not share.

The Chair: Fair enough.

All right, we'll go with four-minute rounds. Mr. McKay.

Hon. John McKay: Thank you, Chair.

I'll just focus on the Board of Trade folks. You give a bit of a sister kiss to the GST cut. You're not thrilled with the current one, and you certainly aren't going to be terribly excited about the future one.

I take it that in your view on the priority to be given to taxation cuts, you'd rank them in the order you give them here in your paper—namely, personal income tax, corporate income tax, elimination of surtaxes, and tax relief for small business. Those are your rankings. Is that fair?

Mr. Ken Birmingham: That is correct. If you look at personal taxation from a Newfoundland and Labradorian perspective, nobody knows about paying tax the way we know about paying tax. If it's a question of capacity and how much we can afford to give, we are more than definitely giving our fair share.

When we look at the tax structure nationally, on a provincial basis we look at Newfoundland and Labrador as most certainly being tapped out in terms of what it can contribute. So when we look at programs and the ability to contribute, the question is who's paying for this? The reality is that it's being paid for by the individuals and businesses.

It's very important to look at the tax structure of the personal tax and at what threshold Canadians are paying. If you compare ours with the U.S. model, for example, it's a very real issue, because reducing personal income taxes has a definite effect on disposable income, savings for retirement, savings for education. This trickles right throughout the whole economy. When we turn to capacity and who has it, if we look at the federal government and the surpluses that are run year after year, the question is, are you collecting on a level that's appropriate?

The GST cut is most definitely welcomed, as is any tax cut. GST is a consumption tax, and people arguably in some cases have the option whether to pay it or not. Everyone has to pay provincial personal and federal taxes.

Hon. John McKay: I don't have a lot of time here. The point is that you're not going to get everything. If you're going to pick a cut, and first it's going to be personal income tax, second it's going to be the corporate tax, and third it's going to be.... The GST cut is just plain stupid, as far as the things your group is interested in are concerned and in terms of producing productivity.

Am I putting words in your mouth to say, don't do the second GST cut, but emphasize the PIT and CIT?

Mr. Ken Birmingham: Most definitely our preference would be to attack the personal and the corporate tax.

Hon. John McKay: Thank you.

The second question has to do with your proposal to change transfers from a per capita basis to something else. You'd have to appreciate that possibly in Ontario and other provinces a switch from a per capita transfer to "something else", in other words, enhanced transfers to smaller provinces, would not be—how shall I say this—well received, given that there's some argument to be put that provinces such as Alberta and Ontario kick a lot more into the can than they get back.

Mr. Ken Birmingham: This is most definitely something that will be distasteful to people in Ontario, and you can appreciate how distasteful the current tax structure is to people in Newfoundland and Labrador. If we look at the cost of delivering services and at the fact that there is a cost, for example, to deliver services in rural Newfoundland, it costs money to do it. If we look at what is generally a small population, in a province like Newfoundland and Labrador, we have to either go with a resettlement program to move them all to the bigger cities, or acknowledge up front that there is an enhanced cost to deliver those services outside of the major centres.

The Chair: Mr. Dykstra.

Mr. Rick Dykstra: Thank you, Mr. Chair.

I'm going to jump right at this. We sure don't get much time to ask questions; we try to get as much as we can out of it.

One of the points Mr. McCallum made was in reference to comments Mr. Ignatieff has made. One of the concerns in Ontario that a lot of us have had, in the province I've lived in my whole life, is the impact the separation or the sovereignty of Quebec would have on the eastern provinces. This week-end he was certainly talking a lot about nation building in Quebec, and from an economic perspective.

Could each of you give us a perspective on what type of impact that would have on the east, especially here in Newfoundland?

• (1130)

The Chair: Who would like to take that question on?

Voices: Oh, oh!

Mr. Mark King: I would say that national unity is important for the entire country, not just the eastern part.

The Chair: Continue, Mr. Dykstra.

Mr. Rick Dykstra: Anyone else? Dr. Jong.

Dr. Michael Jong: From a health perspective, we learn a lot from each other. Quebec has nice models, too, for health care services and has done a lot for the rural population as well. Surely we all need to

share our best practices and we can learn from each other. We can do a lot better together. It doesn't mean we don't recognize individual needs, just that we recognize the needs of urban centres and the needs of rural centres. We are different and we have to address that separately.

Mr. Rick Dykstra: I appreciate that you costed out a number of your report's recommendations. We haven't had a lot of that, and it's difficult to get that from folks when they make presentations, and so it's appreciated.

Mr. Paul, I appreciated your comments as well with respect to the focus you have with a working relationship and making it stronger. I have a couple of things on the \$9.1 billion in each year to fund programs directed to the aboriginal people in our country. Over the last five years, spending has grown by 4.3%, or \$350 million a year. This budget provided for \$450 million in housing, education, water treatment, and an off-reserve aboriginal housing allocation of \$300 million. Obviously, over the last number of years, investments have been made, and particularly this year, significantly.

It doesn't seem that funding is necessarily the issue; it's the relationship you talked about. I wonder if you could comment on that.

Mr. John Paul: It comes down to a fundamental change in how to look at it in terms of where we're going. Our focus is primarily in terms of our rights and our people in creating a future that's viable and not based on a model of poverty. What we're saying is, make the right strategic investments in our communities to move them forward for the long run in terms of when we talk about the investments, where we're going, and make those kinds of investments to fundamentally change the outlook in our communities.

The current framework was built in the past and has been frozen for a number of years in terms of growth. It hasn't kept pace with the growing population in our communities. Communities have had to make more and more trade-offs in terms of what they're doing, and increasingly they're beginning to get more involved in economic development and entrepreneurship to work their way out of poverty. More and more communities, like the ones I mentioned, are really focusing on that.

As you said, there needs to be more federal support of directed activity supporting us to help rebuild our economies.

The Chair: Mr. Dykstra, your round is done.

Mr. Paul, I have one follow-up question. You spoke about the importance of rights. One of the rights issues that have concerned me for a long time is the absence of matrimonial property rights in most of Canada's first nations communities. I am a long-time advocate of the establishment of such a format. Does your organization have a position on the issue of matrimonial property rights in terms of their establishment and relevance to first nations communities?

Mr. John Paul: You can look at the examples in our communities over the last decade. In most of our communities, the issue of matrimonial property is dealt with through the provincial courts in some cases, and whatever the court has said, in a lot of cases, is what the community does.

The Chair: Using the already established provincial—

Mr. John Paul: A lot of communities use the provincial system, but we're also in the process of garnering input from our people in the community over the next couple of months to articulate some of the best ways to handle this for the long term, in dealing with fundamental issues relating to housing, poverty, and as you've said, equality of our people, all our people, including all the women from our communities.

• (1135)

The Chair: We'll continue with Mr. Savage.

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

Ms. Rowe, are you familiar with the work of Ron Coleman?

Mrs. Penelope Rowe: I am indeed: the genuine progress indicators. Yes, I know him well.

Mr. Michael Savage: Yes, GPI, and he does a tremendous job. In short, he thinks that GDP is not the only way you measure the greatness of a nation, but you bring in other things, such as the environment, and he does a lot of work on volunteerism.

One of the things indicated is that volunteerism in Canada has been kind of going down, as people have busier and busier lives. But in Atlantic Canada, I think the percentage of volunteerism is higher than in other parts of the country.

Mrs. Penelope Rowe: No, not necessarily, but I think the percentage differences are fairly small.

When we talk about the voluntary sector, I'm not just referring to volunteers, I'm talking about everything: the goods, services, what we produce, what we purchase, and the people who work in the sector. As I said, we are a big industry; we employ at least 10% of the employed people in Canada.

But there's still this notion that whenever we make a contribution of government money to the non-profit sector, it's a drain, a handout. We don't see it as an investment that reaps extraordinary rewards. Every time you support a local organization in some small way, you're doing exactly what Dr. Coleman suggests: you're building a level of social capital, you're enabling people to enter the workforce in a different way than they might have opportunities to do otherwise, and you're supporting a huge return on investment in terms of building skills and engagements.

Mr. Michael Savage: Absolutely.

Mrs. Penelope Rowe: In fact, a few years ago the federal government started to look at this kind of indicator, but I think it's fallen off the cliff. Maybe we could encourage the federal government to really start putting more resources into understanding these things. There's very little research and development going on around innovation in the non-profit sector.

Mr. Michael Savage: I think the work Ron Coleman has done is good and needs to get some light at the national level to talk about actually putting in some measurable criteria.

Dr. Rourke and Dr. Jong, one of the cases I've come across in my office is that of two young women who came to see me, and both went to medical school. They are from a small community outside of Amherst, Nova Scotia, and they wanted so much their whole lives to go back and be rural physicians in the community they grew up in. They got into medical school with that goal, piled up a bunch of debt, and determined that the only way they could pay it off was to then specialize—which meant they'd be in the city instead of going back to the community.

Is that something you've heard about before?

Dr. James Rourke: That's a very common problem. Medical education and tuition fees have gone up across the country. It's a bigger problem, particularly for people in rural areas. If you come from Goose Bay and go to university, you then have to pay additional costs compared to somebody who lives in a larger university city. So before rural kids get into medical school, they've run up significant debt. Then when they get into medical school, it becomes even higher. We know well that rural and family physicians are at the lower end of the pay scale. So if you've run up a big debt because of your rural background, you're more likely to choose a higher-paying speciality.

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

To the board of trade folks, I assume from your presentation that you'd be in favour of your premier's claim and insistence that no province should be hurt by any equalization changes—

Mr. Ken Birmingham: Yes.

Mr. Michael Savage: —and that the Atlantic accord is something that all of Newfoundland supported, not just the offshore industries?

Mr. Ken Birmingham: If you look at a province and its ability to produce and get ahead, the oil and gas industry is obviously crucial. If you look at it as a resource that is going to deplete over a period of time, there is no doubt that in the short to medium term the province needs to derive the maximum benefits it can from the resources.

Mr. Michael Savage: Okay.

The Chair: Ten seconds.

Mr. Michael Savage: Ten seconds? I agree.

Some hon. members: Oh, oh!

The Chair: Well said.

Dean Del Mastro, you have some time now, four minutes.

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

I wanted to go to Mr. Jong for a moment. The Barer-Stoddart report, commissioned in 1989 by the provincial Liberal government in Ontario, acted upon by the New Democratic Party, really kind of decimated health care, didn't it? It kind of concluded that if we wanted to save money in health care, the best way to do so is to have fewer doctors. Would you like to comment on that—how it had the opposite effect?

Dr. Michael Jong: That's right. In hindsight, we know that it was totally wrong. Now we have to try to correct that. The thing about correcting it is that we are correcting it throughout Canada, but we must not forget that in rural Canada we have half the number of doctors out there to accomplish it. We need to correct that in rural areas. We heard from Mr. Savage that in Amherst, in rural locations, people are not going back. We need to address that issue.

• (1140)

Mr. Dean Del Mastro: Dr. Dennis Furlong, a former Minister of Health and Wellness in New Brunswick, made the argument that there were 30,000 family physicians in Canada. If they all took 1,500 patients, which is kind of the average size of a family practice, we should be able to service 45 million people. But we don't have the right distribution and in fact may be putting a disincentive in the way of providing service. I have 22,000 people in my riding who don't have a family doctor.

How do we help this? I would fit into the category of a rural-urban community. We have a big problem. How do we address this?

Dr. James Rourke: It is a big problem. One of the things we need to do is make sure the family physicians who are in practice are provided the right kinds of supports, with a proper team, to help them in practice. This is particularly important in rural areas, where family doctors are in short supply.

Secondly, we need to make family medicine more attractive than it has been. It has lagged behind the other professions in terms of financial rewards and other supports over the past decade.

Thirdly, a lot of those 30,000 family physicians are doing a lot of different things. Many are working in emergency departments; many are providing chronic care; many are providing other kinds of medicine, like sports medicine. So they're not all providing a full range of family medicine. We need to return to encouraging family physicians to do the full scope of practice as well, particularly in rural areas. We're good at that, and we'd like to encourage more doctors to do that in order to take a load off the rest of the health care system.

Mr. Dean Del Mastro: Thank you.

Mr. Wiseman, I don't have a lot of time. You talked about a lack of production capacity here in the province as far as being able to slaughter cattle is concerned, and so forth. I'm just curious. Would you argue that Newfoundland can be competitive agriculturally with other parts of the country?

Mr. Mervin Wiseman: I'm not sure that at this stage we need to talk about being competitive. I think we need to talk about sustainability. If we have a province where we're feeding over \$100 million worth of red meat product to our consumers, and we have to import that, then I think that speaks to what we're doing in rural Newfoundland and Labrador. I think there are much broader issues associated with that. So that's where I speak from.

I'm just amazed. I know there were some fairly local or regional issues around my presentation, but these issues are very broad in scope nationally. We really won't have a preoccupation with the problems of food to health, with the food benefits and the security of food, until we get up some morning, the way you got up this morning, and we look at our plate and say, "Hey, there's no food

there" or "Maybe I'll be poisoned". We will have that discussion one of these days.

Mr. Dean Del Mastro: Thank you.

The Chair: We must move on now to Mr. Pacetti.

Mr. Massimo Pacetti: Thank you, Mr. Chairman.

Thank you to our presenters. This is interesting.

Mr. Wiseman, I want to continue Mr. Del Mastro's line of questioning. You had a lot of points. I don't come from an agricultural community, so I'm very limited...but I think I do eat some of the products that you furnish. I think it's still important for us.

You stated that you don't export, you don't trade with other provinces, and you don't get to determine where you're going to distribute your products. Is that what I am to understand? That was one of the things that really hit me, that I couldn't understand.

Mr. Mervin Wiseman: Yes, that's correct. We have no basic infrastructure for food inspection facilities, for example, which is a federal arrangement through CFIA, that would allow us to move outside of the boundaries of the province and get into other provinces and into other countries. We don't have that capacity because of negative infrastructure.

Mr. Massimo Pacetti: So what happens now? How do the products get delivered?

Mr. Mervin Wiseman: Well, we import. Even our federal institutions, our provincial institutions...if we want anything to do with red meat, whether it's pork or anything in the red meat sector, it's imported. So it's brought in from other parts of Canada, or these days, it's mostly brought in from Argentina, Brazil, and places like that. We can't export; we can only import.

Mr. Massimo Pacetti: Would you have products to export?

Mr. Mervin Wiseman: Well, in the red meat sector, especially lamb is something that we can grow here. We had 100,000 breeding ewes at the turn of the century. Today, we have 6,000, because we can't export them, we can't get them into the supermarkets. That's just one small example.

As for our dairy industry, we have some of the largest dairy production facilities east of Montreal in this province. It shows that when we have the capabilities...and of course, with dairy we have supply management and more capability to nail this kind of infrastructure and meet the food safety standards. We are exporting now.

•(1145)

Mr. Massimo Pacetti: So are you saying that nobody's producing lamb? If somebody were even to make an investment in a lamb farm—I'm not sure what the technical term would be—you wouldn't be able to export it or you wouldn't be able to do anything with that product?

Mr. Mervin Wiseman: No, we wouldn't be able to do it. So it's no good for an entrepreneur to look at it, and say, hey, I'm going to grow lamb in this province, or I'm going to grow pork in this province. We have two pork producers left in the province, because we do not have the basic infrastructure to do it; we do not have the financial wherewithal to build that infrastructure. In large part, it's a government program.

Mr. Massimo Pacetti: Okay, I think that's a problem in some of the other provinces as well.

How about the basic fruit and vegetables?

Mr. Mervin Wiseman: It's the same thing with vegetables. We produce 10% of the consumption of vegetables in this province. We just can't get fair market return and we have no structure to get fair market return. The supply-managed commodities, of course, exclude vegetables, so again we have to import.

Mr. Massimo Pacetti: Thank you, Mr. Wiseman.

Ms. Rowe, I believe you said government services are being delivered at random. Can you give us an example?

Mrs. Penelope Rowe: I talked about the relationship between individual government departments and programs and individual organizations.

Mr. Massimo Pacetti: Can you give us just one example?

Mrs. Penelope Rowe: For instance, if I look at getting a contract, grant, or contribution within the Department of Human Resources Development, the way they work with me is not necessarily consistent. The contracts are different, the length of time for my funding is different, and the amount of information I get all vary based on individual project managers and the directions they get from somebody in the department.

Mr. Massimo Pacetti: That happens even within the same department?

Mrs. Penelope Rowe: Yes. So this is very confusing to both the government and the non-profit sector. One way to try to streamline that relationship, which is part of the work being undertaken by the blue ribbon committee that was appointed by Mr. Harper, is through technology. Then we could provide similar information across departments, and between government and the non-profit sector, which has relationships with government departments.

The Chair: Mr. Wallace.

Mr. Mike Wallace: Thank you, Mr. Chairman.

Thank you for joining us this morning.

Ms. Creates, can you tell me what kind of visual art you produce?

Ms. Marlene Creates: I do photography-based installations that include text and objects, and sometimes maps drawn by other people.

Mr. Mike Wallace: I was on the board of our visual arts centre, and I've also created a group to try to bring a performing arts centre to Burlington. My wife is self-employed and I've been self-employed in the past.

How are artists treated any differently, particularly visual artists—which I have no talent in whatsoever—from any other self-employed person?

Ms. Marlene Creates: They aren't treated differently. When I'm filling out my income tax return, the category I'm in is the arts, but there is no distinction or tax relief for me compared to any other self-employed business person. My work is in the public domain. It's not the kind of work that is—

Mr. Mike Wallace: I'm confused. My wife is self-employed and she doesn't pay CPP and all that stuff, so why are you any different?

Ms. Marlene Creates: She doesn't pay CPP? No, she pays twice as much as someone who has an employer.

Mr. Mike Wallace: Yes. But why are artists any different from any other self-employed business person? That's what I'm trying to get at.

•(1150)

Ms. Marlene Creates: Not all arts are in what you would call the marketplace. A lot of what artists do is in the public domain, and the public gets the use of artist's work in public galleries. It isn't necessarily the kind of art that is sold and taken home to be put in someone's private collection.

Mr. Mike Wallace: I appreciate that.

To the doctors, I'm actually from Port Elgin, not too far from Goderich. We have a Kincardine guy here too. I don't think I've heard about this before, and I don't represent a rural area, but you'd like to see us move doctors based on the income tax system, or financial contributions, or just have a better distribution of the money that's already in the health budget? I'm trying to be clear about how we get trained physicians to go to rural areas.

Dr. James Rourke: There can be a whole variety of incentive programs, but we are specifically looking at five key things that will make a difference: provide rural access scholarships to people from rural areas so they have a better chance to meet the financial obligations of medical school and be more likely to go back to rural areas; provide more training in rural areas to train people where they come from and where they're going to go with the best skills they have; provide advanced skills for people going into rural practices so we can give the best care possible; provide leadership in medical schools connected to the community by funding chairs of rural medicine and chairs of rural health research to focus on the rural communities like Kincardine and Port Elgin.

All of those items need some funding, and some is provincial and some is federal. We focus on the federal-facilitated funding to make a difference in the short term to kick-start it and get things going to make sure we get more rural doctors into the system.

Mr. Mike Wallace: Thank you.

I just want to thank everybody for coming. I didn't really get a chance to see St. John's, and I won't now, so I hope to come back.

I was not really active with the artists. I was more of a champion, which I think the dean mentioned, on the municipal side to make sure the centre got money. I think it has the largest ceramic collection in Canada—I keep calling it dishes and the director goes crazy.

Some hon. members: Oh, oh!

Mr. Mike Wallace: But anyway, thank you very much.

The Chair: Thank you, Mr. Wallace.

I did have the chance to enjoy very much the hospitality of the province, and of St. John's in particular. So I thank you and will urge all my colleagues to come back. I will certainly be back.

Thank you for your time. Your presentations were very good and very stimulating. We appreciate it very much.

We are adjourned.

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