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Chair

Mr. Rob Merrifield

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•(1535)

[English]

The Chair (Mr. Rob Merrifield (Yellowhead, CPC)): I'd like to call the meeting to order. We want to thank our witnesses for coming forward. One of the first panellists, Amy Taylor from the Pembina Institute, is joining us by video conference.

Amy, I just want to do a sound check. Can you hear us all right?

Mrs. Amy Taylor (Program Director, Pembina Institute): I can.

The Chair: That's fine. We can hear you as well. So I think we're ready to go.

First of all, we have a panel of seven. Most of them are at the table at the present time. We'll start with the Business Tax Reform Coalition. Roger L. Larson is the president of the Canadian Fertilizer Institute.

Mr. Larson, you have five minutes, and the floor is yours.

Mr. Roger Larson (President, Canadian Fertilizer Institute, Business Tax Reform Coalition): Thank you, Mr. Chairman. As you mentioned, I represent the Canadian Fertilizer Institute, which is my employer. The Business Tax Reform Coalition, on behalf of which I am speaking today, includes the Canadian Chemical Producers' Association, the Canadian Plastics Industry Association, the Canadian Steel Producers Association, le Conseil du patronat du Québec, the Forest Products Association of Canada, the Information Technology Association of Canada, the Propane Gas Association of Canada, the Railway Association of Canada, the Rubber Association of Canada, the Mining Association of Canada, and the Canadian Petroleum Products Institute.

These industries represent over \$266 billion of manufacturing production and over \$206 billion of exports, as well as the direct employment of 1.6 million Canadians.

As industry associations, we are pleased to come before the finance committee to advocate a number of fiscal measures that we believe will help improve our broad competitiveness and our ability to employ Canadians into the 21st century to sustain our standard of living.

I'd first like to recognize—and I think applaud—something that we picked up on the website this morning. That was the first report of the Standing Committee on Finance. It endorses the tax measures and fiscal measures proposed by the industry committee last year.

Our priority was to talk to you today about a couple of those fiscal measures. Given the continued economic challenges faced by

Canadian manufacturing and exporting sectors, we believe the committee's focus on taxation to ensure productivity and prosperity is very timely.

When we spoke to you last year, the industry committee was just starting their study on the manufacturing sector, and it identified three key challenges: the high Canadian dollar, sustained higher energy prices relative to the rest of the world, and intense competition from emerging economies in China and India.

As you know, these challenges persist, and not a day goes by without the mention of the deepening crisis in the manufacturing sector. While these factors are largely external, they challenge industry and government to focus internally on measures to adjust to these forces and allow Canadians to compete in the global marketplace.

Capital is mobile, and the production chains are global. Canada needs to compete for new investment to improve productivity and environmental performance.

When we submitted our brief this August, we identified two key priorities: extend by at least a further five years the new accelerated capital cost allowance for machinery and equipment, and, as a longer-term priority, schedule the federal corporate tax rate down to 15% to open up a clearer Canadian advantage.

The Government of Canada has already acted on the second item, so much has been done.

Federally, corporate taxation is becoming more competitive, and there is greater harmonization with provinces as they match or respond to the federal initiatives on capital tax and income taxes.

The federal government has delivered in the economic statement that was just released to the public. Looking back on the last budget, the federal leadership on capital tax limitation promoted the Ontario and Quebec governments to respond similarly.

The accelerated capital cost allowance measure is extremely important as it dramatically improves cashflow at the front end of a project. We commend the industry committee and the government for taking such a positive step last year to implement it on an interim two-year basis. It demonstrates that the importance of the manufacturing sector is recognized.

However, the point we need to make today is that the current timeframe is too limited to be of use. My colleague Fiona Cook with the Chemical Producers' Association has an example about the significance of the investment timeline to Canadian industry. She would be pleased to come and talk to the committee about it today, if questions permit. She is sitting behind me.

To be effective, this measure needs to be extended so that it aligns with the timeframe of large-scale projects, which can take up to five years from regulatory approval to actually putting machinery in place. I'm not just talking about mega-projects like the oil sands. I'm talking about plans that would take place in my industry and other manufacturing industries. The fact that many investments being contemplated today fall outside the current two-year timeframe means that many in the Canadian industry cannot take advantage of this.

In conclusion, the coalition firmly believes that an accelerated CCA, with a reasonable timeframe, will encourage new investment in the best available technologies, thereby improving productivity, global competitiveness, and environmental performance.

Federal leadership here will deliver additional benefits, as the provinces are likely to match any federal changes.

Thank you.

The Chair: Thank you very much.

We will now move on to Canada's Research-Based Pharmaceutical Companies (Rx&D). We have Mark Ferdinand, vice-president, policy, research, regulatory and scientific affairs.

The floor is yours for five minutes.

• (1540)

Mr. Mark Ferdinand (Vice-President, Policy, Research, Regulatory and Scientific Affairs, Canada's Research-Based Pharmaceutical Companies (Rx&D)): Thank you, Mr. Chairman.

First of all, I would like to thank the finance committee members for inviting our association to appear today. I understand you received over 100 requests for appearances. We are pleased to be here to share our recommendations for fiscal measures that can improve Canada's productivity.

[*Translation*]

As you know, Rx & D is the national organization representing more than 50 research-based pharmaceutical companies in Canada and the 20,000 men and women who work for them. Averaging more than \$1 billion a year in R & D investments, we are one of the most R & D-intensive industries in Canada, second only to the telecommunications sector.

[*English*]

As identified in Budget 2007 and in *Advantage Canada* documents, it is important to highlight that we were encouraged that the current government, following in the steps of the previous governments, recognizes the vital importance of science and technology research and innovation to the long-term growth and prosperity of our country's economy.

In this spirit, Rx&D would like to present two recommendations to the finance committee today. The first would be improvements related to the scientific research and experimental design tax credit.

[*Translation*]

First, we believe that it is very important to modernize and improve the Scientific Research and Experimental Development (SRED) Tax Incentive Program.

[*English*]

This SR and ED tax credit is a vital component of the overall investment climate for business in Canada. With targeted modifications, it could enrich this climate and provide valuable advantages in the crucial effort to stay ahead of current and future international competitors.

To this end, we recommend that the government broaden the definition of eligible SR and ED tax credits to include "research in the social sciences" so that it is better harmonized with the OECD definition. The current definition fails to recognize the integral role played by social sciences research in the application of health research carried out in Canada.

In a practical sense, if you have something that is happening in the lab and you're not sure it's going to work at the community level, I think that's a problem. We would like to see the definition in Canada expanded so we can make sure that what we're doing in a clinical setting will have greater application at the community level.

We'd also like to make the full amount of the SR and ED tax credit refundable for all biopharmaceutical start-ups, whether they're Canadian-controlled private corporations or not.

I trust that the committee will also hear from other stakeholders who provide recommendations that follow in the same line.

We know that research and development, particularly in the life sciences, is a global enterprise and that a number of multinational companies located in Canada are spending the billion dollars they spend every year on health research and development.

So that we can encourage a greater amount of foreign direct investment to this country, we suggest that by expanding the eligibility of the SR and ED tax credit to both Canadian-controlled private corporations and non-Canadian-controlled private corporations we would actually see an increase in the level of R and D conducted in this country and therefore an increase in productivity in the economy.

[*Translation*]

We also want to increase the annual expenditure limit to \$10 million, from the current limit of \$2 million that was established over 20 years ago.

[*English*]

The incentive that gave Canada a global edge on the SR and ED program has become dated. We strongly believe that Canada can make immediate changes to the credit that will benefit all industries and make a major contribution to the goal of fostering a more innovative and productive economy.

[Translation]

Our second recommendation supports the recommendations made by the Auditor General in 2006 regarding Health Canada. We recommend that funding to Health Canada remain stable and predictable considering the ever-increasing pressures the department is experiencing and in the North American smart regulations context.

It should be noted that Health Canada has made improvements regarding drug approvals and it has helped the department move closer to internationally competitive performance targets. Without a sustainable, long-term funding model, however, Health Canada's ability to maintain high-quality, timely reviews will be compromised.

[English]

R and D in Canada, as in Europe, has stagnated in recent years, while emerging economies account for an increasing share of global R and D activity. While Canada's knowledge-based economy has a number of strengths to draw upon, our ability to translate these strengths into investments that bring tangible benefits to Canadians depends greatly on an efficient regulatory system and the business climate in which we operate.

• (1545)

[Translation]

As you develop your recommendations, we ask you to consider how they can support the policy objectives in the federal Science and Technology Framework and in Health Canada's Blueprint for Renewal.

[English]

We strongly believe that political leaders have made important strides in unleashing R and D in Canada, and we would like to see this continued with targeted fiscal measures that will help Canada increase its ability to attract the over \$100 billion in life sciences investment that takes place in the world today.

We feel that what we are proposing with regard to the SR and ED tax credit will help businesses, large and small, and not only businesses within the innovative pharmaceutical industry but businesses that conduct intensive R and D activities, and it will also help Canada and Canadians become more healthy and prosperous, from both an economic and a social point of view. These recommendations are just one component of creating a stable and predictable operating environment for business in Canada and will also help attract more business to Canada.

Thank you.

The Chair: Thank you very much.

We'll now move on to our third presenter. We have le Conseil national des cycles supérieurs, Frédéric Lalande.

The floor is yours for five minutes.

[Translation]

Mr. Frédéric Lalande (President, Conseil national des cycles supérieurs): Thank you, Mr. Chairman.

We would like to thank honourable members for giving us an opportunity today to present the recommendations of the Conseil

national des cycles supérieurs of the Fédération étudiante universitaire du Québec regarding the government's budget for 2008-2009.

First of all, the CNCS-FEUQ is a semi-autonomous component of the Fédération étudiante universitaire du Québec, which represents 30,000 graduate students in Quebec and defends and promotes their interests to government and universities.

We completely share the objective of the Standing Committee on Finance to guarantee and maintain Canada's prosperity and economic growth. That is why we have two main recommendations: first of all, we think the 2008-2009 budget should increase federal transfers for post-secondary education. We also think that funding for university research should be increased.

We would like to establish the fact that in our view the tax system is not a good way of guaranteeing Canadian growth and prosperity.

In our opinion, the current tax system is one of the most competitive in the world, and this is not where the Canadian government could take action to guarantee our future growth. For example, current surpluses show that we definitely have the resources required to invest in post-secondary education. And that is what we are recommending to you today.

Although efforts have been made in recent years in past budgets to correct the fiscal imbalance, which still exists, in our opinion, there is still a \$3 billion shortfall required by the provinces to meet their post-secondary education needs. We think this investment should be made this year, as soon as possible, so that we do not lose our advantage compared to the other OECD countries.

We also recognize that some worthy efforts have been made in past budgets regarding our second priority—increasing funding for university research. However, there are still some less successful areas, such as funding for the overhead costs of research and funding for social sciences and humanities research.

Funding for social sciences and humanities research at the federal level is provided by the Social Sciences and Humanities Research Council. We think this council should get between 20% and 25% of the overall funding to the three federal granting councils.

The humanities and social sciences are traditionally underfunded in Canada and elsewhere. And, as my colleague mentioned earlier, this area is essential to the prosperity and well-being of Canadians.

As regards funding the overhead costs of research, all the stakeholders agree that 65% of funding is required in order to avoid a negative impact on the funding of research infrastructure. The Canadian Foundation for Innovation, among others, would be responsible for any negative impact of this type.

We think that our current growth level makes it possible to invest massively in education without increasing the tax burden borne by Canadians. And although this growth is a very good thing, it is based on factors that are quite fragile and unsustainable, including raw materials, in particular. We have everything to gain by investing more in post-secondary education, because it is the key to sustainable growth in Canada.

In fact, of the top ten countries on the world human development index—an index developed by the UN, I believe—half have opted to keep university education free. This provides maximum accessibility to universities. Of the ten countries, only Canada and the United States have done the opposite—have decided to keep tuition fees very high. We think that increasing federal transfers could be helpful in paving the way to greater accessibility to post-secondary education.

In conclusion, I would like to remind you of our recommendations. We would like the federal government to increase its transfers for post-secondary education by at least \$3 billion in the 2008-2009 budget.

• (1550)

We would also like funding for 65% of the overhead costs, as are requesting all the people involved in research in Quebec. We would also like the federal government to increase the percentage of funding that goes to the Social Sciences and Humanities Research Council of Canada from 20% to 25% of the entire funding package received by the three granting councils.

Thank you. I look forward to your questions.

[*English*]

The Chair: Thank you very much.

We'll move on to the Green Budget Coalition, Andrew Van Iterson. The floor is yours for five minutes.

Mr. Andrew Van Iterson (Program Manager, Green Budget Coalition): Thank you.

Mr. Chairman, honourable committee members, thank you very much for inviting us to speak to you today.

The Green Budget Coalition brings together 19 of Canada's leading and most respected environmental and conservationist organizations, including groups such as Ducks Unlimited, Nature Canada, Pollution Probe, and the Pembina Institute.

Our primary role is to develop and promote strategic budgetary recommendations on behalf of the environmental community and to advance the integration of environmental values into federal fiscal policy.

We were very pleased that the 2007 budget made progress in all five of our priority recommendations and also on five of our nine ongoing recommendations, so we do want to thank each of you and your committee for the role you've played in helping make that happen.

I want to make four key points today. First is to emphasize the importance of harnessing the power of Canada's tax system to support Canada's environmental objective, and beyond that, to outline the Green Budget Coalition's three priority recommendations

for the 2008 budget. One is on carbon pricing, one is on conserving Canada's treasured oceans and lands, and one is on renewing the Great Lakes and St. Lawrence River region, which is so important to us.

All of these are detailed in the document we sent to each of you a couple of weeks ago.

To answer the committee's question, the Green Budget Coalition believes the guiding criteria for designing Canada's tax system, beyond funding government programs, should be to harness the power of the incentives and disincentives created by the tax system to serve the federal government's environmental and human health objectives.

We have long depended upon environmental policy to clean up the environmental damage created by our economy, but this damage is exacerbated because market prices do not reflect the full costs of pollution and of depletion of our non-renewable resources.

To make both our economy and our tax system truly work for Canada and for Canadians, fiscal policy, such as taxes and other levies, should be progressively amended to ensure that market prices of goods and services tell the environmental truth. This should be done in two key ways: through greater levies on the extraction and production of non-renewable resources to reflect their true value; and through levies on pollution to reflect the damage caused to human and ecosystem health.

The first step in this direction, and the coalition's first recommendation for Budget 2008, would be to institute a carbon pricing system with a substantive and increasing price level, as Amy Taylor will be describing later.

The Green Budget Coalition also recommends the 2008 budget make two further key investments: take action to conserve Canada's treasured oceans and lands by implementing three existing strategies—establishing Canada's national system of marine protected areas by 2012 and implementing integrated oceans management plans for Canada's oceans; completing Canada's systems in national parks, national wildlife areas, and migratory bird sanctuaries, and ensuring their long-term protection; and improving incentives under the federal agricultural policy framework for protecting ecological goods and services and agricultural lands.

These plans together have been well developed and could collectively be implemented for about \$1 billion over five years and \$200 million a year after that.

We recommend building upon the government's efforts in the Great Lakes by investing in a comprehensive, long-term sustainability strategy to restore, protect, and enhance the Great Lakes and the St. Lawrence River region. This region includes one-quarter of Canada's population, creates one-third of Canada's economic output, and also releases 45% of Canada's air pollution.

Our priorities for investment include developing a shared basin-wide vision, upgrading water and waste water infrastructure, and cleaning up and delisting areas of concern and zone *d'intervention prioritaire*.

The federal funding for this could come substantially from the funding that has already been allocated to the Building Canada Fund and should be matched by provincial and municipal governments.

To conclude, I want to encourage you to focus your committee recommendations on shifting the tax system to provide further incentives to support Canada's environmental and human health objectives. And I urge you to recommend action on carbon pricing, on the conservation of oceans and lands, and in renewing the Great Lakes and St. Lawrence River region to build upon your actions in Budget 2007.

Thank you.

• (1555)

The Chair: Thank you very much.

We'll now move on to the Investment Funds Institute of Canada. We have Jamie Golombek, chair, taxation working group.

Mr. Jamie Golombek (Chair, Taxation Working Group, Investment Funds Institute of Canada): Thank you, Mr. Chair and honourable committee members. I work for AIM Trimark Investments, in the private sector, but I am here as a volunteer on behalf of the Investment Funds Institute of Canada, as chair of their tax working group. We represent approximately \$700 billion of Canadians' investments, which they use for a variety of reasons, primarily retirement, and I am here today to spend a few minutes illustrating some of the issues that we feel should be a priority for the government when it comes to retirement planning. Given the enormous number of Canadians who will soon be reaching retirement age, we believe that retirement and planning for retirement is a huge priority for Canadians and should be for the government as well.

As you saw in our submission, we had a number of ideas. I really wanted to spend just a couple of minutes today highlighting four of those specific ideas and proposals that the government might wish to look at when preparing for its 2008 budget. I'll address very briefly the original promise by the Conservatives to eliminate the capital gains tax on a reinvestment within six months. I'll address the long-going discussion of the tax prepaid savings plans. I'll address the effect of GIS, guaranteed income supplement, clawbacks and a couple of ideas there, and finally, I'll just spend a moment on the recent pension splitting, which we are very happy to have, with a slight recommendation that we would make.

Very quickly, on the first one, as we all know, the government promised in January, in the run-up to the election, that if they were elected they would eliminate the capital gains tax on a reinvestment within six months. We've done a lot of work on that. We've worked with other groups like the C.D. Howe Institute on a number of ways that could be accomplished, minimizing tax costs to the government while still achieving the policy objective. There seems to be a myth that capital gains are only for the wealthy. We pulled some statistics, and they are sourced in our brief, that in fact over 55% of people claiming capital gains in Canada actually have income of under \$50,000 a year. So this is not just for the wealthy; this is for widespread Canadians. What we're suggesting is, as opposed to putting in a specific program, maybe you'd like to revisit something like a lifetime gains exemption or an annual gains exemption that would achieve the objective of allowing Canadians to diversify their

portfolios to achieve a better way of saving for retirement while minimizing the ultimate cost to the government.

The second area to touch on briefly is the GIS clawbacks. As you know, for low-income Canadians who receive the guaranteed income supplement, there is a disincentive to save, because when money is taken out of registered plans they are clawed back 50¢ on the dollar. There was a study a number of years ago that showed that low-income Canadians should not invest in RRSPs because they'd be better off collecting government benefits. The same problem is also escalated with the new dividend rules where you gross dividends up by 45%, enhancing a clawback. What we're recommending is that when it comes to dividends you only use actual dividends and that RRSP and RRIF withdrawals will not be included in the calculation of clawbacks, to encourage all Canadians to be able to save for retirement.

Finally, on the pension splitting, we're certainly very pleased with the legislation that was passed in June of this year to allow Canadians to income split, pension split, and that's a big move by the government in terms of policy. We would make one additional comment. Most Canadians do not have a registered pension plan. They save through RRSPs and RRIFs, and the problem is that of course with an RRSP or RRIF, the way the legislation is right now, to be able to split with a spouse or with a partner you've got to be at least 65 years old, whereas of course if you were part of a pension plan and you chose to take early retirement, let's say at age 55, you'd immediately be able to split that pension.

We've got a lot of concerns. People have written to us from all across Canada saying this is unfair and it is discriminatory, and it really favours people in defined benefit pension plans who could retire early and take advantage of the splitting and the pension credit. We would recommend that the government look into the possibility of perhaps lowering the age for all Canadians to age 55 to allow them to both pension split and get the pension credit, and not discriminate against people who don't have a defined benefit pension plan.

Those are just four of the ideas that are highlighted in our paper, ideas to consider for the upcoming 2008 federal budget. Thanks again.

• (1600)

The Chair: Thank you for those very interesting ideas. We'll move on to our teleconference. Amy Taylor is here from the Pembina Institute. She is the program director.

Amy, if you can hear us, the floor is yours for five minutes.

Mrs. Amy Taylor (Program Director, Pembina Institute): Thank you, Mr. Chairman and members of the panel.

My name is Amy Taylor, and I'm a program director with the Pembina Institute. The Pembina Institute is pleased to have the opportunity to appear before you today, and I appreciate you accommodating my lack of presence in Ottawa in allowing me to join you via video conference.

I'm here to take the opportunity to recommend that the Government of Canada establish a price for greenhouse gas emissions of at least \$30 per tonne of emissions in 2009 and at least \$50 per tonne of emissions by the year 2020. This price should be applied broadly in the Canadian economy through either a tax or a cap and trade system, or some combination of the two.

The revenue raised from a tax or auctioning of permits at least initially should be directed mainly to achieve further reductions in greenhouse gas emissions. Some revenue should also be used to offset disproportionate impacts on low-income Canadians.

In early 2007, a report of the world's most authoritative climate science body, the Intergovernmental Panel on Climate Change, concluded that the warming of the climate system is unequivocal. It is mainly due to human activities. A second IPCC report projected catastrophic consequences if GHG emissions are allowed to continue unchecked, while a third report concluded that deep reductions in greenhouse gas emissions are technically feasible, affordable, and urgent.

As a developed country with one of the highest per capita greenhouse gas emission rates in the world, Canada must be a leader in reducing greenhouse gas emissions, both quickly and deeply. Pembina believes that to play a responsible part in the global effort to prevent dangerous climate change, the Government of Canada must put a price on carbon. Fiscal instruments and market-based mechanisms such as taxes and emissions trading help meet environmental objectives at the lowest overall cost to the economy. They provide flexibility and create economic incentives to change consumer and industry behaviour and choices.

The government could choose to put a price on carbon through either a cap and trade system, a carbon tax, or some combination of these two. From an environmental perspective, the most appealing feature of a cap and trade system is that it can provide certainty of the environmental outcome it will produce. The system starts by placing a limit on greenhouse gas emissions, and companies are forced to deliver those reductions, whether through improved performance on-site, by purchasing credits, or by purchasing credits in the market.

A carbon tax cannot offer certainty about the volume of reductions it will achieve, but unlike a cap and trade system, a carbon price or a carbon tax does provide price certainty. A carbon tax of \$30 per tonne, for example, would create a strong economic incentive for companies to undertake emission reductions that cost less than \$30 per tonne, because by doing so, they avoid paying the tax. If a carbon tax is stringent enough, it can in fact deliver greenhouse gas reductions just as effectively as a cap and trade system.

Whatever the policy mechanism, there is growing support for carbon pricing in Canada. The Province of Quebec recently introduced a carbon tax on energy producers, distributors, and refiners. As of July 2007, heavy industry in Alberta is subject to a greenhouse gas regulation that allows companies to meet their targets by paying a \$15-per-tonne fee. The federal government has also announced plans for a regulation on heavy industry nationwide that would take effect in 2010, again with a \$15-per-tonne compliance option.

A well-designed carbon pricing scheme would offer a number of benefits to Canadians. These benefits include producing significant, sustained greenhouse gas emission reductions to help protect Canadians from dangerous climate change and to fulfill Canada's international treaty obligations; creating a competitive advantage for clean industrial production, with associated job and export potential; raising substantial revenue that could be used to fund further emission reductions, protect vulnerable Canadians, and potentially reduce existing taxes; and finally, improving our air quality and reducing risk to human health.

Thank you very much for your time and consideration.

● (1605)

The Chair: Thank you for the presentation.

We'll now move to the question and answer part, starting with Mr. Pacetti for seven minutes.

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

I might as well ask the question of the last presenter. I want to thank all the presenters for coming forward. It's tough for us to ask questions of everybody.

Ms. Taylor, this carbon tax, again, is something that was suggested years ago, and recently the Liberal Party came out with something new, which is a carbon investment type of an idea. This carbon tax just doesn't flow. It's an idea of two or three years ago. Basically, what's happening is we're not necessarily penalizing people who are polluting, but we're actually encouraging them, saying, "Go ahead, keep polluting and just pay your taxes", or pay a fee, or pay, in this case, the carbon tax. How is this going to solve our problem with the people or industries that are polluting?

Mrs. Amy Taylor: I think that speaks to the level of taxes required to change behaviour. Our recommendation is that the price be no less than \$30 per tonne by 2009 and then up to at least \$50 a tonne in 2020.

Quite a body of research now demonstrates that at those kinds of price levels, we would see quite a significant shift in behaviour.

Mr. Massimo Pacetti: But that's not what we're seeing; what we're seeing is.... Industry is asking for the ability to make investments so they can become greener and more efficient. And that's where the problem seems to be.

If we made these funds available to industry so we get them to clean up their act, is that not the solution?

Mrs. Amy Taylor: We need to achieve the polluter-pays principle. We need to have them paying for a good chunk of the cost they're incurring on the environment right now. Then we could use some of that revenue too. Of course, one option would be to incent additional emission reductions through some kind of technology fund. That is a possibility.

But at the very beginning, we need to internalize some of those environmental costs and get the price signals, the incentives, right.

Mr. Massimo Pacetti: Good. Thank you.

How about you, Mr. Van Iterson? You spoke about a carbon tax. If the money were dedicated to the specific industries that paid it, wouldn't there be more of an incentive for them to stop polluting?

Mr. Andrew Van Iterson: As Amy mentioned, I think the first goal is to internalize the damage being done through the pollution, so there's no obligation to return the money.

Once the money has been generated, I think it would make sense for the government to allocate a portion of that to stimulate industry to further improve the efficiency of their operations and to reduce their pollution.

I don't think the government has an obligation to return all that money.

Mr. Massimo Pacetti: I don't think it's a question of the government having an obligation; it's trying to get these polluters to stop polluting.

I'm not sure imposing a tax is the solution. That's why I'm asking you.

Mr. Andrew Van Iterson: The tax should be high enough that it's worth their while not to do it. If you speed on your way home tonight and you get a \$250 fine, I bet that's worthwhile; you're not going to speed tomorrow. The fee that's assessed on polluting should be high enough that it's worth businesses—

Mr. Massimo Pacetti: Then they'll just increase their prices. That's what I'm scared of. They'll just increase their prices and continue to pollute. And I'm not sure that's the solution. I'm not saying that....

We've got to encourage these guys to solve the problem.

I'm limited in time.

[*Translation*]

I have a brief question for you, Mr. Lalande.

In Quebec, tuition fees are the lowest in the country, but there are nevertheless access problems. Some people do not enrol in the universities, at the postsecondary level.

What is the solution? Is it to reduce tuition fees, or to increase them for people who can afford to pay them, or perhaps we should find other ways of increasing access? What point is there in having a \$3 billion transfer without having any concrete solutions?

Mr. Frédéric Lalande: We are well aware that there are reasons other than purely financial reasons that may prevent people from signing up for postsecondary education.

However, we are virtually convinced that the low cost of tuition or the perception that tuition is low compared to the benefits a person derives, is a fairly strong incentive for people to undertake postsecondary education.

Increasing federal funding would cover the current funding shortfall in Quebec, that we estimate to be between \$375 million and \$400 million for universities alone. It is not a problem of

accessibility; it is more a problem regarding the quality of universities at this time.

• (1610)

Mr. Massimo Pacetti: Exactly. The issue remains the same, because we will transfer the \$3 billion, and Quebec will transfer it to the universities.

What will they do with the money? They will invest in infrastructure, in quality of life programs at universities; but this will not increase accessibility and opportunities for students to go to school.

Mr. Frédéric Lalande: If tuition fees are frozen, accessibility is pretty well guaranteed, particularly if there is an adequate financial assistance program. The additional transfer from the federal government...

Mr. Massimo Pacetti: There needs to be additional funding on the side?

Mr. Frédéric Lalande: Yes, obviously. Even though tuition fees are low, people still have to pay their living costs while they are studying. We should not have to deal with \$20,000 or \$30,000 of debt, which will hinder post-education projects, whether to start up a business, establish a family or buy a home.

[*English*]

Mr. Massimo Pacetti: *Parfait.*

Mr. Ferdinand, one of your recommendations is the refundability of the SR and ED. Are you recommending this for past research and development credits that have been allocated to your accounts, or are we talking about future ones?

Mr. Mark Ferdinand: I'm trying to understand the question.

Mr. Massimo Pacetti: In your first recommendation you're asking for refundability. Is that correct?

Mr. Mark Ferdinand: Right. I think under current rules there is a period that allows companies to carry forward unused amounts and also allows them to look back three years, I believe, if they haven't used that, so they can apply it both forward and backwards if necessary.

Mr. Massimo Pacetti: Exactly. So are you asking for refundability going backwards or going forward?

Mr. Mark Ferdinand: The current rules allow for both, and I think we'd want refundability—

Mr. Massimo Pacetti: But you don't have a cost related to those numbers, because we're getting different kinds of costs and there are different amounts going across the table, so if you can get us those costs, I think we'd appreciate it.

Mr. Mark Ferdinand: Tomorrow we're going to be submitting our submission to the Department of Finance. We've tried to cost out a few of the options that we're looking for recommendations on. One of the issues that we'll have to consider is that when the finance department conducted its consultations, they clearly said they do not do projections going forward based on the fact that the availability of data is quite scarce.

So what we try to do is estimate based on hypothetical situations.

The Chair: That's it, but I do want to follow up. When you get that information, could you present it to the clerk and we'll get it distributed to the members?

Mr. Mark Ferdinand: We certainly will. As of tomorrow we'll be able to share that with the committee.

The Chair: This is a problem we've had with other witnesses—getting some accurate information on that.

Monsieur St-Cyr, you have seven minutes.

[*Translation*]

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

I thank you all for being here with us today.

My first question is for Mr. Lalande. I am pleased to see that, in your statement, you point out that the fiscal imbalance has not yet been settled, which is preventing provinces from adequately funding education.

From the outset, the Bloc Québécois does not think that the federal government should deal with education. We agree with you when you say that our universities are underfunded and that there needs to be a massive transfer of funds to the provinces for post-secondary education. At the least, transfers have to be brought back up to levels seen in 1995, when the Liberal government made its drastic cuts.

In our view, it is up to Quebecers and their government to determine where they will invest that money.

Despite that, could you tell us how our universities will be affected by the underfunding and what the consequences will be on tuition fees, given that there are many people in Quebec who want to end the tuition freeze? What is the impact on all the related costs charged by universities?

Mr. Frédéric Lalande: With regard to the quantitative measures taken as a result of the underfunding of our universities, I can tell you that the number of professors has remained unchanged since 1994, whereas the student population has increased by about one-third. For about the same number of professors, there are 33% more students.

There is also the issue of accumulated deferred maintenance. Universities are not adequately maintaining their buildings and are covering that up in their budgets, year after year. Accumulated deferred maintenance is estimated at approximately \$400 million, an amount that is not included in the Government of Quebec's reporting environment. That shortfall or deficit is an added liability.

Because of those pressures, universities are increasingly inclined to overtax or overcharge their students and make them pay, in addition to tuition fees, what are called incidental fees, i.e., fees related to university campus life. In some institutions, incidental fees exceed even tuition fees. All those factors have a negative effect, especially because some institutions charge higher fees than others, which creates an imbalance among universities.

• (1615)

Mr. Thierry St-Cyr: Very well, thank you.

My next question is for Mr. Van Iterson and Ms. Taylor.

I am very pleased that you could be here with us again this year. Your proposals are always interesting. At a meeting last week of the Standing Committee on Finance, during consultations on the manufacturing crisis and problems related to the rise in value of the Canadian dollar, we heard from the chief executive officer of the Cascades Group, Mr. Lemaire. He said that one of the solutions to help our businesses would be to establish a carbon exchange. He indicated it should be located in Montreal.

I was pleased to see a business leader who does not at all consider environmental concerns and economic development concerns as opposing issues. On the contrary, he found that there was an opportunity for development.

Could one of you explain to us how the creation of a carbon exchange could spur the economic development of our businesses?

[*English*]

Mrs. Amy Taylor: Unfortunately, I don't understand French, so I'm sorry, I'm going to have to leave that one for Andrew. It wasn't communicated to me in English, so I'm unable to answer.

Mr. Andrew Van Iterson: Amy probably knows more about this than I do, but I'm sure he was talking about the carbon stock market that may be set up in Montreal.

The leader from le groupe Cascades was promoting it and he was encouraged that someone from industry was concerned about environmental issues and wondering about the benefits of a carbon stock market for the environment.

The Chair: Amy, do you want to answer that?

Mrs. Amy Taylor: Sure, I can speak to that.

As the market in Canada matures, as we get a price on carbon and we go down the path of developing systems that coordinate with other international schemes, we will want to have the ability to have a carbon exchange system in Canada.

Whether we have one or two or more of those will depend on how much demand there is for those kinds of trades, but it certainly is encouraging to see that that's being recognized as an important part of the process.

Mr. Thierry St-Cyr: Amy, I will say it in English because I guess you don't have the translation on the video conference.

What is the interest in terms of economics? Why would someone who leads a big company think there is an interest in the stock market for carbon?

Mrs. Amy Taylor: Because once we get a price on carbon, then it becomes a tradeable commodity like any other commodity, and then there is a value associated with it. It's something that becomes sought after in an international market kind of scenario. There can be money to be made from having that kind of a tradeable commodity in an international trading scheme.

[*Translation*]

Mr. Thierry St-Cyr: My last question is for Mr. Larson.

The committee often discusses the cost of measures. You spoke about a five-year extension of the new accelerated capital cost allowance. However, it seems to me that when you write off equipment faster, you are simply putting off paying taxes until a later date. That is what is meant by an accelerated capital cost allowance. The real cost is the difference between the two amounts. Simply put, the cost of inflation.

Do you think that this is a low-cost, long-term measure for the government, and that it will help industries by immediately freeing up some capital?

• (1620)

Mr. Roger Larson: Yes, exactly.

[*English*]

Excuse my poor French. I'll try to answer you in English.

Absolutely. In fact, I think we can show that, like deferred income tax, it's only on new investment, so you're not losing any tax. It's a deferral from one year to another.

If it encourages investment, which is what we are strongly saying it will do, then you actually are growing the pool of taxpayers who will pay tax in the future, which will result in improved productivity in the economy, growth in the economy, more jobs in the economy, and more tax revenue in the economy.

The Chair: Thank you very much.

Mr. Dykstra, seven minutes.

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

I just want to follow up with Mr. Larson on the discussion around broad-based tax cuts versus trying to be too specific in certain areas and not having an overall impact on the economy.

I noted when you came last year that we certainly appreciated the presentation that was made, and really, I guess, took it to heart, and not only to heart, but took it to the finance minister, and he did move forward. Actually, I think you recommended a schedule to reduce the federal corporate tax rate to 17%, and we actually outdid you by a bit and brought it down to 15% by 2012. So never let it be said we can't do more.

I know we talked a bit beforehand about the whole component of research and how important that is and whether that research, certainly from a science and technology perspective, plays itself out in our country because of the opportunities it presents for growth and enhancement, certainly from a manufacturing and from a research perspective, from an industry perspective.

I wonder if you could comment a bit on it. It does sit within the context of the industry report.

Mr. Roger Larson: Thank you very much.

Never let it be said that I would complain about you exceeding our request on corporate tax rates. We recognize very strongly the efforts you have made to improve our global competitiveness.

The challenge with broad versus specific tax measures, a broad CCA acceleration versus something more targeted, always runs into the problem of how you define the classes. It's also something that

biases potential investment one way or the other. The government's long-stated intention has been to be neutral in terms of favouring one form of investment over another. I am not a tax expert, and I would certainly refer to experts in the field in terms of discussing how you define that.

The challenge with research is how to foster research that encourages investment, because while the research is very useful and very beneficial to academic knowledge and the growth of knowledge, in terms of looking at it as a tax expenditure that the economy is making, if all it does is generate research, then it's not necessarily giving you as big a payback as research that fosters investment. Again, I am not an expert in research investment, and we can refer that to others in our industries.

Mr. Rick Dykstra: I'll ask you a quick question that I put to a couple of the presenters on your request—and certainly you're not the first organization to come here and make the request—to extend the straight line capital cost allowance for an additional three years. One of the questions I had is, from an overall business perspective in the group that you represent across the country, my understanding is that this had a significant positive impact in the province of Quebec. Could you clarify or confirm that this is the case?

If I'm asking a question for which you don't have an answer, that's no problem. Perhaps you could get back to the committee on that; it would be much appreciated.

• (1625)

Mr. Roger Larson: Unfortunately, my industry specifically doesn't have any manufacturing facilities in Quebec, so I can't speak to that. However, I will have someone get back to you on that, absolutely.

I'd simply note that we're asking for an additional five years.

Mr. Rick Dykstra: Okay, that's additional on top of the two—

Mr. Roger Larson: Can I address that?

Mr. Rick Dykstra: I would love you to do that, but I need to—

Mr. Roger Larson: We'll get back to you.

Mr. Rick Dykstra: Okay, thanks.

Mr. Van Iterson, I have a question for you. You made an interesting analogy with respect to your \$250 fine and speeding versus carbon penalties. I would submit that what you're suggesting is that if I were in fact to receive a \$250 fine for speeding, I may not speed tomorrow. It is an interesting analogy because those folks who sit on the opposition side of the House, when it comes to our justice legislation, don't seem to agree with your analogy that you make with respect to the carbon tax on the environment. It's an interesting dichotomy that I will continue to ask them to clarify. I certainly do appreciate the comments.

Ms. Taylor, a couple of questions. You may have mentioned it, and I apologize if you have, but you did in fact write the Liberal carbon tax plan, if I'm correct. I don't know whether you mentioned that in your opening remarks or not.

Mrs. Amy Taylor: No, I did not write it.

Mr. Rick Dykstra: Were you consulted on it?

Mrs. Amy Taylor: I was not, no.

Mr. Rick Dykstra: All right. I appreciate getting that clarified.

Mr. Golombek, I did have a question for you with respect to the discussions around increasing the age limit. We went from 69 to 71. Last time around you suggested from 69 to 73. I wondered what the difference is.

Mr. Jamie Golombek: We didn't put that back in this year, but the previous year we recommended 73. You met us halfway at 71. The reception was very appreciated by the industry, certainly.

We would continue, obviously, to request a further delay to 73. The real reason for that is because, as you know, Canadians are living longer. They are working longer and they need the money to last longer. The opposition from a lot of our constituents and investors was that they were forced to take the money out and pay tax on it before they actually had to spend the money. We found that by moving the age from 69 to 71, they were able to delay the withdrawals.

Someone who is 71 could easily live another 15 years or so. Therefore, instead of forcing them to take the money out and pay tax prematurely, before they spend it, we would again be in favour of increasing that even further. I think 71 is only restoring us to where we were a decade ago, and 73, of course, would be even more helpful.

The Chair: Thank you very much.

Mr. Turner, you have five minutes.

Hon. Garth Turner (Halton, Lib.): Thank you.

I'd like to return to the issue of environmental taxation for a moment.

Andrew, you talked a little about the carbon pricing system and/or a tax on the cap and trade. Are you familiar with the carbon budget proposal made by Mr. Dion?

Mr. Andrew Van Iterson: I'm a little familiar with it, but not in detail.

Hon. Garth Turner: How about you, Amy Taylor? Are you familiar with the carbon budget plan? You've been accused of writing it.

Mrs. Amy Taylor: I think it's fair to say I'm familiar with it. Others within Pembina are more aware of it.

Mr. Rick Dykstra: On a point of order, Mr. Chair.

The Chair: Excuse me.

Mr. Rick Dykstra: It will be a point of order.

The Chair: Mr. Turner, Mr. Dykstra has a point of order.

What is it?

Mr. Rick Dykstra: Mr. Turner made an accusation that is actually not the case. I asked a question. He is inferring that I made a comment. Thank you.

The Chair: Mr. Turner, I believe you were being interrupted.

Amy, if you would answer the question, that would be fine.

Mrs. Amy Taylor: It's fair to say that I'm somewhat familiar with the carbon budget proposal that you refer to.

The Chair: Carry on, Mr. Turner.

Hon. Garth Turner: There's so much riff-raff going on here.

Can you repeat that, please, Amy Taylor? I didn't hear that.

• (1630)

Mrs. Amy Taylor: Okay. I am familiar with it. I don't know it in a high degree of detail.

Hon. Garth Turner: We've got two expert witnesses here who don't know about a plan that was published six months ago. I'm disappointed in that because it goes to the heart of the issue. That is too bad.

I'm going to turn to Jamie Golombek. It's nice to see you again, and thank you for being here.

You've made a few recommendations that you made last year. They were great last year and they're great again this year. I think we should adopt them all.

In terms of the capital gains tax rollover that the Conservatives proposed and then they broke that election promise, do you know why that would have happened?

Mr. Jamie Golombek: What we're hearing again is that it's something that seems to be delayed and delayed. I think there were two concerns that we heard about when we consulted with the government. One was, of course, the cost. What would it cost? The original wording of the proposal in the pre-budget platform was a complete elimination of capital tax on any reinvestment within six months on anything, including cottages. I think they looked at that and said it could be billions and billions of dollars that we may not have.

The other problem I think is just a very practical issue. How in the world are you going to monitor that? That's why we and other members of industry have come up with a number of proposals, things like the C.D. Howe's capital gains deferral account, reintroducing the tax prepaid savings plan—which I think was around a few years ago in terms of being discussed—and then maybe reintroducing a lifetime gains exemption.

Hon. Garth Turner: Have you been consulted by the Department of Finance at all in the implementation of this?

Mr. Jamie Golombek: We did have an opportunity to have a meeting at one point with Ms. Ablonczy at the time, who I think was somehow involved with the minister. We did meet with her and discuss ways whereby we could achieve this.

Hon. Garth Turner: I want to ask you about pension splitting. How many Canadians right now, in your estimation, actually benefit from pension splitting the way it was introduced? Do you have a percentage of retired Canadians it benefits?

Mr. Jamie Golombek: We actually don't have those statistics.

Hon. Garth Turner: Do you know how many Canadians have pensions to split?

Mr. Jamie Golombek: I don't have the number in front of me, no.

Hon. Garth Turner: Do you know how many Canadians who are retired were affected by the income trust decision?

Mr. Jamie Golombek: Again, I don't have the number in front of me.

Hon. Garth Turner: A percentage? You're not aware of that?

Mr. Jamie Golombek: No.

Hon. Garth Turner: How many people actually can benefit from income splitting? It's a fairly narrow window, isn't it? In order to take advantage of the government's proposal right now you have to have a registered pension, regardless of age, or if you're over 65, only in that instance can you split RRSP or RRIF income, correct?

Mr. Jamie Golombek: Correct.

The number I quoted earlier, which was the only hard number I have in front of me, was that most Canadians do not have a defined benefit plan. About 60% do not.

Hon. Garth Turner: Pension splitting does not benefit most retired Canadians.

Mr. Jamie Golombek: As it's currently proposed, pension splitting would not benefit as many as it would, let's say, at age 55. I think if pension splitting were reintroduced to broadly define both RRSPs in addition to the defined benefit plans, a lot more people would benefit starting at an earlier age. I think that was our main point.

The Chair: Thank you, Mr. Turner.

We'll now move to Mr. Crête. You have five minutes.

[Translation]

Mr. Paul Crête (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, BQ): Thank you, Mr. Chair.

My question is for Mr. Larson.

At the start of your presentation, you thanked the Standing Committee on Industry, Science and Technology and the Standing Committee on Finance for having adopted the motions calling on the government to implement the tax measures set out in the unanimous report by the Standing Committee on Industry, Science and Technology. It is always nice to receive thanks.

Yesterday, we had a debate on the issue, and the Conservatives abstained from voting—they did not vote against the motion—for a single reason: the English version contained the word “promptly”, whereas the French version stated *le plus rapidement possible*.

I would like you to tell us why it is urgent to announce such measures in order to help the manufacturing industry, in all sectors including your own, keep up with the competition.

[English]

Mr. Roger Larson: As an example of the need for acting on our recommendations on extending the accelerated capital cost allowance, and to do so very soon, one of my member companies is currently contemplating an investment of—not to give too much disclosure—between \$500 million and \$800 million, and they laid out the timeline for me. From the company's proposal, from the executive who's generating the proposal within his company to his corporate board approval is one to two years. To book the capital equipment he is now looking at 2010 as the first date the manufacturers of the capital equipment are able to commit—and that's not January 1, 2010—plus six to eight months for delivery. So you're now at 30 to 36 months, plus the corporate planning time period and construction of six to 12 months. You're looking at a total minimum timeline for this kind of investment of four to five years.

Right now, our industry is in a very strong economic position globally. Fortunately, our companies are benefiting from the strong agricultural economy globally. Our companies are making money and they're looking at making investments. If we don't make these investment now in Canada, we expect other companies and other sectors will be making these investments in the Arab gulf, in the former Soviet Union, in other parts of the world, and once those investments are committed we've lost our opportunity to grow our economy in Canada.

• (1635)

[Translation]

Mr. Paul Crête: I thank you for your answer.

I suppose it is even more dramatic for businesses that are not very profitable, that will not necessarily benefit from general tax cuts, but that need to invest. That might not so much be the case in your sector.

Mr. Lalonde, in your statement, you ask for an additional amount of approximately \$4 billion to be re-invested, including about \$1 billion for Quebec.

In your view, who can best manage that money? Is it the Government of Quebec? To whom should it be allocated?

Mr. Frédéric Lalonde: Generally speaking, we believe that the provinces are in the best position to manage everything related to education, even though Mr. Charest has not really given us very serious guarantees as to being qualified in that regard.

Nevertheless, the principle remains. Provinces alone should manage that specific area.

Mr. Paul Crête: Thank you, Mr. Lalonde.

My question is for Ms. Taylor.

We have heard the Prime Minister say that the Kyoto Protocol was a mistake. What would the world be like today if there had been no negotiations as part of the Kyoto process and if we had to start again from square one?

Some countries have made good progress, while Canada has fallen behind considerably. What kind of statement would you make today if we had to start again from square one?

[English]

Mr. Paul Crête: Would you tell me what would happen if we had to begin the question of Kyoto today, if, as the Prime Minister says, Kyoto was an error, and if we have done nothing for 10 years? What presentation would you have to make today if this were the reality? What do you think we must do to be sure to obtain some good results in the near future because my children have to live on a planet in good condition?

Mrs. Amy Taylor: We consider the recommendation that we've put forward today to be very much a minimum start in terms of what has to happen to get us on the track we need to get on to, to avoid dangerous climate change impacts around the world. That includes a price on carbon, either through a tax or a trading scheme of no less than \$30 by 2009 and no less than \$50 by 2020. That would really be considered very much a minimum. We need to package that with other policies, regulations, and standards so that we shift the path we're on that will not get us to where we need to be to avoid the impacts of dangerous climate change.

The Chair: Thank you very much.

Mr. Wallace, you have five minutes.

Mr. Mike Wallace (Burlington, CPC): Thank you, Mr. Chair, and I thank you, panellists, for coming this afternoon and talking to us.

I really want to focus my question on two individuals, and Mr. Lalande, you're first.

In our 2007 budget, we also agree with you that there needs to be a focus on graduate students. That has been discussed, not only in our budget but in our throne speech. Last year in the 2007 budget we added \$35 million over two years to give to the granting councils for the Canadian graduate scholarships. I think it's about \$17,000 for a master's student over three years, and for a PhD student it's about \$35,000. Just so I'm clear, students in the fine province of Quebec—I know you're representing Quebec—are entitled to apply for those grants. Do you know if a lot of Quebec graduate students use that program?

• (1640)

[Translation]

Mr. Frédéric Lalande: Currently, the latest figures show that if you combine the funding given by Quebec and federal granting councils, approximately 30% of graduate students will be affected to varying degrees.

Therefore, yes, they are affected by those programs.

[English]

Mr. Mike Wallace: We've added in the budget about 400 new scholarships—well, 800 through a couple of the programs—through the Canadian Institutes of Health Research and the Natural Sciences and Engineering Research. Then there are about 200 from the Social Sciences and Humanities Research Council. What is the breakdown in terms of graduate students in the province? Do you know how many are in the health area, how many are in the science area, or how many are in the humanities area? Do you have a sense of that?

I'm sorry, you may not get it in the translation.

Mr. Frédéric Lalande: What you need to know is how many students there are in each sector—*sciences de la nature, sciences humaines*.

[Translation]

I know that in Canada, approximately 54% of full-time graduate students are enrolled in social sciences and humanities programs. That gives you a sense of the breakdown. The remaining students are in natural sciences, engineering or health sciences.

[English]

Mr. Mike Wallace: I want to know what the Quebec experience is. We've had other presentations from universities and so on. Universities put out an invitation, an acceptance, to an international student for a graduate program. They have difficulty coming here because there's an indication they might not go back if they get educated here. Is that a problem in Quebec from a graduate point of view? Are foreign students applying to graduate programs in Quebec? How would you feel as an organization if we looked at the immigration policies that would allow somebody who got a master's or doctorate degree here and there would be a way of identifying them so they would be able to apply for immigration in a more efficient manner than there is today?

[Translation]

Mr. Frédéric Lalande: In fact, our position with regard to that is fairly straightforward: we have to make it as easy as possible for graduate students to stay here if they so wish. That basically sums up our position.

However, at the same time, we cannot be too aggressive in that regard, because then people would feel that we are poaching the best and the brightest from the poorest countries.

[English]

Mr. Mike Wallace: Thank you very much.

Mr. Golombek, I just want to be clear. Based on the conversation you had with one of the opposition members, let me just read you something here. It says that:

The capital gains tax deferral is a bad idea. Scrap it. • Wealthy investors love the idea. Voters and taxpayers have little enthusiasm or use for it. It is of most benefit to less than 1% of Canadians and the money could be better distributed elsewhere.

That's a quote that I have from a budget submission from Mr. Turner in a previous budget. Did you not say, from your perspective, that this is not accurate and that many Canadians could benefit from that tax deferral program?

Mr. Jamie Golombek: All we did in preparing for this submission we wrote in August is we went to the government's website, the Canada Revenue Agency's website, and looked at something called the CRA income statistics for the 2005 tax year, and specifically at interim table 2—universe data. We looked at and analyzed those data, which show every line on the tax return. If you've never done this, you should, because you'll learn a lot about how things work, because it goes through every single line of the tax return and tells you how many Canadians reported an amount on each line of the tax return.

So based on our research, we found that two million Canadians reported a capital gain. I'm not sure those two million are 2% out of the many millions of Canadians actually working and over the age of 18; I think it's higher than 2%, but the statistics break down by income bracket and show that 55% of those have a total income under \$50,000. That's based on information from the CRA website, based on filed tax returns for the 2005 tax year.

• (1645)

The Chair: Thank you very much.

Ms. Bennett, the floor is yours for five minutes.

Hon. Carolyn Bennett (St. Paul's, Lib.): Thank you.

My question is for Mr. Lalande.

I'm actually quite shocked to see that your last recommendation would be to cease investing in the Canada Foundation for Innovation and instead invest those sums in its funding agencies. With this government, which seems to use research as a swear word, and particularly social science research, I don't quite understand why you would be stealing from your biomedical colleagues, instead of just asking for more money for social science research.

I guess as I go across the country and see the number of scientists who have come back to Canada because of the equipment and laboratories, and whatever they've been able to be obtain, through CFI, I wonder why you would sabotage a research colleague in a report to the finance committee. It makes no sense to me at all.

Are you doing this in consultation with the people who receive money from CIHR and NSERC? Just because it doesn't tend to work for social science research, why would you then be destroying this thing that has actually been a renaissance for scientific research in this country?

[Translation]

Mr. Frédéric Lalande: In fact, we are not asking that funding be reduced in other areas of study, on the contrary. To put it simply, we had to make a choice from the many things we want on our list.

In our opinion, the problem is basically that the Canadian Foundation for Innovation is a private foundation, that is all. We do not believe that there is enough accountability, and the foundation should be just as accountable as all other federal organizations. We are not asking that research infrastructure funding should be stopped, on the contrary. We are simply asking that the money in the Canadian Foundation for Innovation be reinjected in programs which already exist under the three federal granting organizations, programs which fund infrastructure.

[English]

Hon. Carolyn Bennett: With your sister organizations, such as NSERC, the academies, and CIHR, I agree with you on this. My concern is the way this looks when you say, "cease funding investing in the Canadian Foundation for Innovation (CFI), and instead invest those sums in its funding agencies". At the moment, most of the CFI money goes to NSERC and CIHR researchers.

This actually just looks like you think you would get some of their pie.

[Translation]

Mr. Frédéric Lalande: I understand that people might get the impression from our presentation that we want to take the money earmarked for research organizations and give it to the social sciences and humanities sector, but I can assure you that that is not at all the case. We simply want the money, which is in a private organization, to be transferred to existing programs under the three granting organizations.

It is also a fact that the natural sciences, health sciences and engineering have made up for more lost ground than the social

sciences and humanities. That is why this year, we have focused more on the social sciences and humanities, that is the SSHRC.

[English]

Hon. Carolyn Bennett: But are CIHR and NSERC *d'accord avec* this recommendation?

[Translation]

Mr. Frédéric Lalande: We do not consult with the other granting councils before we make our own recommendations.

[English]

Hon. Carolyn Bennett: My advice to you would be for the research community to come together with one approach to this committee, and that picking one off against one another has never really worked.

I think it is really extraordinary for those of us who are trying to fight for more social science research, and actually very hard for me to do my job, when this government seems to think social science research is a swear word, and you come in attacking a program that is so important to other researchers in this country.

• (1650)

[Translation]

Mr. Frédéric Lalande: As I said, our goal is not to attack the funding of the research infrastructure, on the contrary. We are simply saying that we are not satisfied with this structure, namely the Canadian Foundation for Innovation, as it is currently organized.

One of the traditional demands of the *Conseil national des cycles supérieurs* is increased funding for all three granting councils. We find it would simply be more efficient to fund the three councils equally, based on need, rather than funding a private foundation for infrastructure, which indeed creates duplication of existing programs within the three granting councils.

[English]

Hon. Carolyn Bennett: Even the first.... I'm sorry—

The Chair: No, that's actually it—

Hon. Carolyn Bennett: —being relative to the other two, I just think, is very destructive. Just ask for more money for social science research; don't say you want the others to get less—

The Chair: I think your point is made, Ms. Bennett.

We'll now move to Mr. Wallace for five minutes.

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

Mr. Van Iterson, I appreciate your presentation. I actually had some of your members in my office a week and a half ago, and we had a very good conversation. There are three sections to it, if I recall correctly, and one of them is the Great Lakes. I have been actively working on getting funding for Randall Reef, which is a hot spot in the Great Lakes. Fortunately, the Minister of the Environment came out, and we put federal money of \$30 million on the table to clean it up. I'm quite happy with that, and I'm happy to work on those particular issues.

I wouldn't mind some comments from your organization's perspective on the recent announcements we've had in terms of creating new parkland in this country. We've done some in the Great Lakes, for example, and we've done some in northern Canada recently. I didn't hear anything back from your organization at all on it, and I would like to know, from any press release or anything you or your organization has done, how you feel about the work we've done in this area.

Mr. Andrew Van Iterson: I can tell you that many of our member organizations were very pleased, if not jubilant, about the announcement. I think many people were working for many years towards this day.

The Green Budget Coalition is a unique entity in that it brings together groups, virtually the hunters and the anti-hunters. We don't agree on everything. We focus on the budget and we comment on budgets, and that's really all we comment on, so that's why you haven't heard anything from us—but you certainly have no complaints.

Mr. Mike Wallace: Okay. Just for my understanding, it's really a coalition just at budget time to deal with what the federal government may or may not put in the next upcoming budget. Is that...?

Mr. Andrew Van Iterson: We make recommendations for the budget and for integrating environmental values into fiscal policy. That's pretty clearly what we do.

Mr. Mike Wallace: As you know, and I think you referred to it, the Build Canada Fund is the infrastructure money that we put aside in the last budget. Really, to be frank with you, we are just starting to roll it out in terms of allocating those funds. We need agreements from provinces. Unfortunately, the way this country works is we always work in partnership with other governments.

We've heard a lot from the municipalities lately. Does the Green Budget organization have any comments on what municipalities should be doing in terms of infrastructure spending as a percentage of their budgets? Is it really just directed at the federal level, or do you deal with other levels of government?

Mr. Andrew Van Iterson: We really have recommendations only for the federal government. We would love to see money put into water infrastructure and waste water infrastructure. As you mentioned, that's one of our key areas, and we're suggesting that it be matched by the municipalities and the provinces. We'd certainly like to see the level of water treatment and waste water treatment raised substantially. Informally, we would like to see the provinces and municipalities prioritize water treatment for their use of the money that they're being given.

Mr. Mike Wallace: Not long ago I was a municipal councillor. I sat on the public works department for the region of Halton and for the City of Burlington. Halton Region looked after water and waste water. In our community in the region of Halton, water and waste water have for a long time had charges on our tax bill to cover costs—not only the costs of the actual sewage and sewage plants and use of water, but also, through an additional charge, the costs of replacing cast iron water mains. That is virtually all done now.

What is your group's position on the responsibility of municipalities to charge their customers or their clients or their constituents the actual real costs, replacement costs, of the water and waste water services they're using?

• (1655)

Mr. Andrew Van Iterson: We are very supportive of user-pricing mechanisms being put into place, and we would like to see all transfers to the provinces and to the municipalities made conditional on the achievement of environmental objectives and the implementation of user-pay means.

We talked about recommending that the transfers on our water should be made conditional on such a user-pay basis for municipalities, and we did not in the end put it in because there were different means of achieving those ends. We wanted to give municipalities the flexibility to achieve the goals in the best way they could.

The Chair: Thank you very much.

Massimo has one quick question and then we'll end this segment.

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

Mr. Van Iterson, on your brief, your second and third recommendations—action on nature and the Great Lakes—don't seem to be costed. I think it was last year.

Mr. Andrew Van Iterson: No, they're costed. What you have are the preliminary recommendations. I sent to your office the final recommendations.

The nature recommendation is \$1 billion over the next five years and \$212 million per year over the subsequent years. The Great Lakes and the St. Lawrence is \$4.5 billion for the next five years and \$3 billion for the following years, but that's not all new money. So a big chunk of that could come from the Building Canada Fund.

The Chair: Thank you very much.

With that, we want to thank the witnesses for coming forward and for your presentations that we will take into serious consideration as we finalize our report.

We want to thank the committee for their questions. With that, we will take a five-minute break as we line up the next set of witnesses.

• _____ (Pause) _____

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• (1705)

The Chair: We will resume the meeting now.

We'll start the second session of this committee. We are awaiting, by teleconference from Iqaluit, three other witnesses. The technology is just getting itself together. We will allow that to happen, but in the meantime, we will not wait. We'll continue with the witnesses we have in the room, so as not to cause us time problems later in the meeting.

We have, from the Canadian School Boards Association, Rick Johnson, who is the vice-president.

Thank you for coming. We'd ask you to start this session. Five minutes is yours.

Mr. Rick Johnson (Vice-President, Canadian School Boards Association): Thank you very much.

I am the vice-president of the Canadian School Boards Association and past-president of the Ontario Public School Boards' Association.

The Canadian School Boards Association represents school boards across the country. Our members are the provincial school associations that provide direct support to boards that in turn govern the range and quality of educational services to Canada's public schools. Elected trustees represent Canadian communities and Canadian taxpayers, including the 70% of the population who do not have children in school.

The Canadian School Boards Association is non-partisan. Our interest is, first and foremost, the excellence of our education system. We believe you share that goal. However, we are not asking you to intervene in the education system. Rather, there are areas of federal jurisdiction that do have an impact on school boards across Canada. Given that you have asked people coming before the committee to focus on the tax system, we shall make recommendations that ensure school boards can maximize revenues that provincial taxpayers provide to support education.

There are three areas that I would like to address today: the clawback inherent in the GST on school board purchases; a recommendation to encourage green spending; and a general proposal to encourage aboriginal students to complete high school and post-secondary education.

We were disappointed that the federal government did not adopt the recommendation of the finance committee last year to fully rebate the GST to school boards. The GST is a federal government tax on moneys that school boards receive as a consequence of taxation—namely, provincial government grants. It also imposes a complicated administrative system that forces school boards to engage consultant experts to help them comply with regulations. Clawbacks on publicly funded schools do not make sense.

Our second recommendation is to encourage green spending. School boards nationally spend just under \$3 billion annually on capital expenditures. It's fair to say that capital expenditures are fairly consistent over time. If those expenditures were subject to tax incentives based on their environmental impact, the federal government could be a powerful influence.

We refer you to the "Leadership in Energy and Environmental Design", or LEED, green building system, a benchmark for the design, construction, and operation of high-performance, environ-

mentally responsible buildings. LEED Canada tailors the systems for our environment. As yet, there is no LEED for schools like there is in the U.S.

Given that the suppliers of LEED products and designs in the U.S. are also operating in Canada, it would be fairly easy to implement in Canadian schools. We could even improve on it by adding health-promotion design. We believe that the annual amount of school board expenditures would be a powerful demand-based instigator for a green economy and would spill over into other sectors.

We would also like the federal government to explore an incentive for aboriginal graduates, similar to what Saskatchewan offers students in the province. Saskatchewan has introduced a program offering elimination of income tax for a set period of time for aboriginal graduates. While it is intended to encourage recently graduated young people to remain in the province, we believe it can be adapted to encourage aboriginal students across Canada to complete their schooling.

I believe these recommendations are doable and sensible, and ask that you consider them in your deliberations.

I thank you on behalf of the thousands of elected trustees who are entrusted by their communities with the job of educating Canada's most valuable natural resource: our children.

Thank you.

• (1710)

The Chair: Thank you very much.

Now we'll move on to the Toronto Financial Services Alliance, with Janet Ecker, who is the president.

Janet, you have five minutes.

Ms. Janet Ecker (President, Toronto Financial Services Alliance): Thank you very much, Mr. Chair, and good afternoon to the committee members. Thank you very much for this opportunity to present today and to participate.

Our association represents a full range of organizations that make up the financial services sector, from banks and insurance companies to investment firms and mutual funds, as well as the professional organizations that support them, such as accounting and law firms. We also have representation from the post-secondary education sector. In short, we seek to present one voice that speaks on behalf of the whole financial sector in the Toronto region.

Our goals are to work with our partners to support growth in financial services jobs; to grow to be one of the two pre-eminent such centres in North America—we're currently the third-largest and the fastest growing; and to be in the top ten internationally—we're currently ranked 13 out of 50 such centres.

Our purpose today is to encourage the committee to make recommendations to the government that will support further sector growth, but not to the exclusion of other sectors—quite the contrary, as some of the tax initiatives we have raised benefit other sectors as well. This sector is the single-largest contributor to our nation's GNP; it's one of the largest employers; and its activities underpin the financial security of the rest of the economy, whether you are a consumer, an investor, a pensioner, an entrepreneur, or an employer.

The key is to ensure that our financial sector remains internationally competitive. Today we are the 13th most important financial centre in the world, not far behind Tokyo and Geneva. This ranking was prepared through the cooperation of the City of London, arguably the top financial services centre in the world, closely followed by New York.

We invited the authors of this survey, which is the Global Financial Centres Index, to Toronto to help us understand ways to help us rank even higher and make us more competitive. What would move Toronto up the scale into the top ten?

They focused on five key factors: people factors, or the quality of our workforce; the business environment; market access; infrastructure; and general competitiveness. Of the five, Toronto was the strongest on the people factors; however, on some of the others we are lagging, particularly in the business environment, which reflects where we stand on tax rates and regulation.

Notwithstanding government efforts to reduce taxes, Canada remains a highly taxed nation. It's not enough to look at just one tax; one has to look at all forms of taxation and the overall level of taxation by all levels of government. When looked at in this fashion, Canada remains a country where government continues to take too big a share of our country's income. On a national accounts basis, general government tax and non-tax revenue can account for over 40% of our GDP.

TFSA has been recommending to governments, provincially and federally, that taxes, particularly corporate, need to be lowered. Tax rates that allow program spending to increase by 8% a year are clearly too high. We're pleased that Minister Flaherty, in his economic update last month, announced that corporate tax rates would be lowered. We've also been encouraged that the Leader of the Opposition has indicated that he too believes cutting corporate tax rates makes good sense.

We encourage the members of Parliament to provide relatively quick tax relief, and obviously there has to be a balance. Mr. Flaherty suggested that our corporate tax rate will eventually be the lowest among industrialized countries, which is a good thing. But we need to remind ourselves that other countries are moving in the same direction, and some of them are moving faster than we are. We continue to encourage Ontario to do what it can to bring down their corporate rate as well.

I won't go into some of the points and principles we made in the submission we sent to the committee earlier in the summer. Let me simply mention that not all taxes are created equal. The greatest increase in economic well-being comes from reducing taxes on capital by either increasing capital cost allowances or reducing capital tax rates. We have argued for both.

We also recommend you strive for tax neutrality and tax efficiency. Decisions made by businesses or individuals should be based on economic conditions, not preferential tax treatment. In pursuing tax reform, you should focus on those taxes that impose the greatest economic penalty on the economy, such as capital taxes. We also encourage efforts to work with the provinces to harmonize the GST and the PST.

● (1715)

The second major influence on the business environment, of course, is the regulatory environment, and we're very supportive of the government's efforts to reduce the regulatory burden, most importantly pushing for a common securities regulator.

Finally, Mr. Chairman, I'd like to suggest that the committee could play a leadership role by spearheading an effort to benchmark Canada's performance on tax policy. As I mentioned, it's not about absolute levels of tax but about relative levels of tax, not just about tax rates but also about tax mix. We believe that Canada should set goals against competing jurisdictions and measure our progress towards attaining those goals, and we think this committee could certainly play a role.

Finally, Toronto has much to offer as a financial services location, but international competition is growing, as many other regions and countries try to build global financial centres. When London and New York, the top two centres in the world, invest time and resources to defend their positions against that competition, Canada needs to ensure our sector is ideally positioned to withstand that pressure too. The factors that drive such success are clear.

Thank you very much for this opportunity, and I look forward to discussing it further with you.

The Chair: Thank you very much.

We'll move now to World Vision Canada. Elly Vandenberg, the floor is yours.

Ms. Elly Vandenberg (Director, World Vision Canada): My name is Elly Vandenberg, and I'm the director of World Vision Canada's Ottawa office. World Vision is one of the largest international relief, development, and advocacy organizations in Canada. More than half a million Canadians give regularly to support our child-focused community-based work to end poverty.

The pre-budget consultation period is an important time to remind you that Canadians support spending on international development. This morning, World Vision released new evidence that showed that Canadians are more compassionate than citizens in any other G-7 country towards issues related to poverty, especially HIV and AIDS. Eighty-four percent of Canadians think that the Canadian government should do more to help children who are orphaned by AIDS and AIDS-related illnesses around the world. Ninety percent of Canadians agree that even if we can't prevent more people from getting infected by HIV, we have a moral obligation to try.

On the eve of World AIDS Day, these compelling findings send a strong message to you that Canadians are supportive of spending our tax dollars to improve the lives of children around the world.

Last year alone, Canadians gave \$300 million to support World Vision's work with the poor. One specific thing many Canadians can do to help people around the world is to give to charities. Changes in tax rules for charitable giving make a difference in encouraging Canadians to give. We've seen a 800% increase in the dollar value of publicly traded securities donated due to the recent elimination of personal gains tax. World Vision supporters appreciate these types of initiatives.

Our brief outlines specific changes to encourage giving. Our monthly donors number as many as all Canadian political party supporters combined. Surely their gifts should be eligible for the same kind of tax credit as political party contributions are.

Charitable donations are an important part of ensuring that Canada's tax system is structured to help eliminate poverty, but charitable donations alone are not enough. The reach of private charities must be complemented by the much larger reach of a healthy and effective aid budget.

Canada has made a longstanding commitment to dedicating 0.7% of our gross national income to international development. Although today's World Vision poll suggests that Canada should be a leader in dedicating resources to the elimination of poverty, as a country we have fallen far behind. Canada is not even halfway to meeting the 0.7% target.

Dedicating more resources to aid will be helpful only if they're spent effectively. Effective aid is assistance that recognizes that both governments and non-governmental organizations have an important role to play. We ask you to ensure that Canada's approach to international aid be informed by clear guidelines that uphold the importance of transparency and accountability, and most importantly that it deliver meaningful change to the lives of people to have their needs met, their rights realized and protected.

There's a bill in the Senate now that will provide and improve aid effectiveness. I ask you to encourage your colleagues to support it.

In conclusion, last month in many elementary schools, children practised giving speeches. I asked my 12-year-old son to time me for this presentation. We talked about 0.7% and what it actually means. I told him about its 36-year history. Two years ago all Canadian parties supported the idea of achieving 0.7%. Prime Minister Harper gave an election commitment to do better than previous governments on growing Canada's aid spending.

I said to my son, "It's like this. Our gross national income can be represented by seven boxes of timbits. Each box has 20 of those little donuts. If we take one of these Timbits out of one of these boxes, the one Timbit represents 0.7%. If you take just one small bite out of the Timbit, that bite represents what we now give to overseas development assistance."

I said to him, "Your mom thinks we should give more. World Vision supporters think we should give more. An international poll released this morning demonstrates that Canadians are generous and compassionate and want their government to give more."

We have the resources to end world poverty. All we lack is the political will. It's up to you, our parliamentary representatives, to do the right thing. As you weigh the value of the different Timbits of the gross national income, structure Canada's tax system to enable our government to meet the needs of the most vulnerable.

Thank you.

• (1720)

The Chair: Thank you.

You're actually not supposed to use props. That's cruel and unusual punishment for students, as an example, but it's worse on committee members.

Let's move on to the video conference group. We have, from the Northern Territories Federation of Labour—Iqaluit, Geoff Ryan. He's the regional vice-president of that region—and I'm not going to try to pronounce that.

Geoff, are you there?

Mr. Geoff Ryan (Regional Vice-President, Qikiqtaaluk Region, Northern Territories Federation of Labour - Iqaluit): Yes. It's the Qikiqtaaluk region.

The Chair: Yes, that's what I was going to say.

Geoff, the floor is yours, five minutes.

Mr. Geoff Ryan: Thank you, Mr. Chair.

I'd like to speak to the committee about tax fairness and its impact in the north. Residents of the three territories and the northern parts of the provinces face several challenges relative to those living in southern, more populated regions of Canada.

In addition to a difficult climate and restricted access to goods and services, they usually face higher living costs because long distances from major markets add to the cost of basic goods and services. Because of these challenges employers often find it difficult to recruit and retain employees—skilled workers in general, and people in the medical profession in particular.

In 1987 the federal government introduced the northern residents tax deduction as a measure to offset the high cost of living in the territories and remote parts of the provinces. The northern residents tax deduction consists of two parts: a residency deduction and a travel deduction.

Many Canadians are aware that it costs more to live in the north; however, few realize just how much more it does cost. The single most debilitating factor facing workers who wish to live in the north is the increased cost associated with running a household.

The Northwest Territories Bureau of Statistics did a study that indicated that NWT households spend nearly \$3,000 more on food, \$5,000 more on shelter, and they pay \$7,000 more in personal income tax than the average Canadian household. The NWT has the highest average household expenditures. Nunavut and the Yukon are tied for fifth.

Just to give you an indication of the differences in prices, I have an example of some on-sale prices that were selected from an Iqaluit newspaper. They were compared to a grocery store in Ottawa; the date of comparison was July 16, 2007. For example, Cashmere bathroom tissue, a 24-roll pack, two ply, in Iqaluit is on sale for \$23.99. Ottawa's regular price is \$12.99. Another example would be Snuggle fabric softener, a 946-millilitre bottle. Ottawa's regular price is \$4.99; in Iqaluit it's on sale for \$10.89.

Increasing these costs even more is the impact of the goods and services tax. Since the GST is a percentage of the price of the goods, increased prices mean increased real GST payments. For example, a shopper buying toilet paper in Iqaluit will pay \$1.44 in GST, while the Ottawa shopper pays only 78¢ in GST. The people in the north pay almost twice the GST per item compared with people in the south.

The northern residents tax deduction study paper was prepared by the parliamentary library in January 2004. The publication number is PRB 03-52E. It gives the rationale for the northern residents tax deduction.

The first reason is sovereignty. Nation-states the world over have historically acted to secure claims over sparsely populated and isolated areas by a variety of means. In some countries and in some historical periods these attempts to secure sovereignty have meant forcibly moving people into or out of northern and isolated areas. In more recent times governments have attempted to establish and/or maintain claims to these areas by generating economic activity and providing incentives for people to locate to these regions.

Another reason is economic development. Employment in northern and isolated areas tends to be concentrated in mines, energy development projects, administrative centres, military installations, and tourism. These sectors of the economy tend to be either seasonal or subject to cyclical fluctuations, leading to sporadic demand for workers. Special tax treatment, for example tax

incentives like the northern residents tax deduction, can help employers in these areas recruit and retain workers.

Another reason is regional differences in wages and cost of living. The cost of living in northern Canada and in small isolated communities is higher than in large urban centres, primarily because of higher transportation costs. Shipping goods from distant major centres via ice roads, water, rail, or air adds to the cost of basic necessities such as food, clothing, and shelter.

• (1725)

To entice workers to these isolated areas and to compensate for higher living costs, some firms pay their workers isolation pay in the form of above average wages or benefits, such as housing or travel benefits, or both. Combined with a progressive tax system, for example a tax that is larger as a percentage of income for those with larger incomes, these higher salary benefits lead to unequal tax treatment. Consequently, some argue that special tax treatment is required to redress this inequity.

With respect to regional differences in the level of goods and services, residents of northern and isolated areas generally have less access to specialized goods and services, particularly with respect to health care, education, and recreation. The federal government has a long tradition of supporting regions through its equalization and territorial formula financing programs, which helps provinces and territories provide basic services comparable to those available elsewhere. Those in favour of special tax treatment for northern and isolated areas argue that the equalization and the territorial formula financing programs are insufficient and need to be augmented by tax measures such as the northern residents tax deduction.

Finally, with respect to environmental hardship, northern areas typically experience long, cold winters, and they have barren terrain. Distance from major population centres adds to the sense of isolation. As noted, some employers provide additional benefits to help employees alleviate the sense of isolation. Consequently the argument is made that special tax assistance is needed so that these types of benefits, which are typically not needed in southern or urban areas, are affordable, in particular for northern residents, again with a view to attracting and retaining workers.

According to Finance Canada's tax expenditures and evaluations, in 2006 the federal government lost \$135 million of potential revenue due to the northern residents tax deduction. It is estimated that an increase of 50% to the residency portion would result in an additional loss of potential revenue of roughly \$50 million. This would bring the total potential revenue to \$185 million, or less than 1% of the total federal budget. However, for every \$1,000 the deduction is increased, it has been estimated that \$3 million would be returned to the residents of the Northwest Territories alone. Further, by taking action to reduce the high cost of living in the north, more workers would be enticed to remain in the north rather than flying in and out. Having these workers remain in the north would not only assist in the economic development of the north, it would also enhance Canada's Arctic sovereignty.

At an additional \$50 million, this is significantly cheaper than the proposed military spending. We are requesting an increase to the northern residents tax deduction for the first time since it was introduced in 1987.

Thank you.

• (1730)

The Chair: Thank you very much.

We'll now move on to the Nunavut Association of Municipalities. We have Lynda Gunn, CEO, and for backup we have Russell Banta.

Lynda, you are doing the presentation. Are you with us?

Ms. Lynda Gunn (Chief Executive Officer, Nunavut Association of Municipalities): Yes, I am.

The Chair: The floor is yours, for five minutes, please. The last presenter went a little long, so if you could keep it to five minutes, we'd appreciate it. I don't want to cut you off.

Thank you.

Ms. Lynda Gunn: Thank you, and thank you for permitting us to speak with you today.

The focus of our written submission to the committee is that successive federal governments have failed to live up to the spirit and the intent of their statutory responsibilities under sections 4 and 5 of the Department of Indian Affairs and Northern Development Act since it became law some 40 years ago.

In the first instance, the federal responsibility is to manage northern resources for the benefit of the north and to support northern political and economic development. It has not happened. The federal government retains control of the most significant source of northerners' wealth, namely their non-renewable natural resources, and takes for itself all the public wealth derived from them. At the same time, it has downloaded responsibilities for costly services—including health, social services, and education—onto northern governments and then underfunded them.

This federally created structural dependency, with its resulting poverty, is not being addressed. Instead the size of the per capita grants to northern governments is offered as definitive evidence that the federal government is spending generously on the north, but the federal government does not identify the proportion of those grants

that are used to cope with the effects of the long-term endemic poverty.

For example, last year the government in Nunavut spent \$47 million, about \$1,600 per capita, on air transportation to fly sick people to southern hospitals. Many were children with respiratory illnesses resulting from overcrowded, poorly ventilated, and sometimes mould-infested housing.

The everyday problems of people living in poverty in the cold climate with no affordable means of transportation do not come into the committee rooms of Parliament, nor do they come onto the floor of territorial legislatures, but they do confront local governments in their communities every day.

The once common practice of central governments taking the resource wealth and leaving the people and communities of resource-rich regions in perpetual poverty is slowly disappearing in such third world countries as Sudan and Nigeria, but it remains firmly entrenched in northern Canada.

The people in the communities of Nunavut cannot afford to have their economic future foreclosed by either the federal or territorial governments in this way. The wealth from such mines as Polaris and Nanisivik has been taken, leaving no lasting benefit for the local people. But mineral exploration is at an all-time high, and it is important that resource revenue sharing agreements be in place before significant production begins again.

Nunavut Association of Municipalities recommends, first, that as an interim measure, any resource revenue royalties be held in escrow pending completion of the resource revenue sharing agreements with the territories. Without such a measure, the federal government, as the recipient of the revenues, has a strong disincentive to negotiate a fair revenue sharing agreement.

Second, it recommends that a forum be struck in accordance with the O'Brien equalization and territorial formula financing report recommendation that the Government of Nunavut, the Government of Canada, Inuit leaders, and a wide range of organizations, groups, and agencies come together to address the interrelated critical deficits in Nunavut that, if not addressed, will prevent the majority of people in Nunavut from participating in their economy.

Third and lastly, it recommends that resource revenues be shared with local governments in accordance with the Minister of Finance's principles defined in the 2006 federal budget.

Thank you very much.

• (1735)

The Chair: Thank you very much.

We'll now move on to our last presenter, Nunavut Economic Forum, Glenn Cousins, executive director.

Glenn, are you with us?

Mr. Glenn Cousins (Executive Director, Nunavut Economic Forum): Yes, I am.

The Chair: Okay, Glenn, the floor is yours, five minutes.

Mr. Glenn Cousins: Thank you, Mr. Chairman.

Good evening, and thank you for the opportunity to make this presentation to you today.

For the purpose of these hearings, the NEF wishes to discuss the northern residents tax deduction, referred to in our submission and this presentation as the NRD.

In the past weeks and months northerners have heard more and more that our interests are at the forefront of national interest and that the north is a main concern for the federal government, which has developed four priorities under a northern strategy, recently referred to in a speech by the Minister of Indian Affairs and Northern Development to the northern development ministers forum. These points are: strengthening Arctic sovereignty; promoting social and economic development; protecting our environmental heritage; and improving and evolving northern governance. At the same time, we have heard messages and seen action from the federal government regarding tax reduction and tax fairness.

In our submission to the standing committee, the NEF makes five recommendations for improvement to the northern residents deduction that would fall in line with the government's tax fairness and tax reduction objectives while supporting the priorities of the northern strategy, in particular the promotion of social and economic development.

In the short term the implementation of these recommendations would help reduce the burden of the high cost of living, provide greater access to federal programs geared toward lower-income earners, and help achieve taxation parity for northerners when compared with southern Canadians.

In the longer term, an enhanced northern residents deduction will contribute to the building of human resource capacity by making working and living in the north a better financial option. This will assist in the attraction and retention of experienced skilled workers who will provide the services and training required to help develop a fully capable local labour force, ensuring increased participation and benefits for northerners.

According to the document prepared in 2004, previously referenced by Mr. Ryan, special tax treatment for northern and isolated areas has been a justifiable policy based on the following points: to maintain remote population to defend Canada's Arctic sovereignty claims; regional development; to facilitate the recruitment of workers; to offset regional differences in wages and the higher cost of living; equalize regional differences in the level of available goods and services; and to offset environmental hardship and isolation.

It is interesting to note the similarities between these five points, the priorities of the northern strategy and the recommendations included in the NEF submission. Each has a significant economic development component.

The NRD has been seen as a cost-effective way to help attract and retain the skills required for the labour force in northern Canada and to provide some compensation for the higher cost of living and lower levels of service compared to the south. However, the landscape in

which this policy is functioning has changed dramatically in the 20 years since it was implemented. There is now intense nation-wide competition for a far too shallow pool of skilled labour in many sectors. With the challenges and opportunities of a young and rapidly growing population, a quickly emerging resource development sector, the need for improved education, health, and financial services, the north requires more human resource capacity than ever before.

However, we require a competitive edge. We deal with basic capacity challenges in both public and private sectors that impact on all aspects of our lives. There is urgent need to support human capital development objectives, building capacity that will be to improve governance, a thriving private sector, better education and health outcomes, which will lead to a higher living standard and greater self-reliance.

The ability to attract and retain the skilled labour required to meet current demand and to facilitate skills transfer to northerners is critical for our economic development.

The tax system provides a mechanism to raise funds for public purposes to provide for redistribution of wealth in order to reduce poverty and inequality for individual Canadians, specific segments of society, and for geographic regions with particular development needs.

The NRD is one component of the tax system intended to achieve a range of objectives for Canadians living in the north, in particular the far north, where the cost of living is much higher than the Canadian average.

An increase and enhancement of the NRD would be consistent with the government's tax relief and tax fairness objectives, and in order to achieve the objectives for economic development in the north the Government of Canada should carefully consider the objectives and effectiveness of the NRD in the context of the northern strategy and take appropriate steps to enhance the deduction to provide appropriate incentives and benefits for northern residents.

The need to support the development of the north has never been greater.

Thank you again for your time and your consideration today.

● (1740)

The Chair: Thank you very much.

We will now move to the question and answer period. We will start with Mr. Massimo Pacetti, five minutes.

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

The Chair: You have five minutes.

Mr. Massimo Pacetti: Thank you to the witnesses for appearing. Once again, thank you for your hard work.

I have a quick question, Mr. Johnson, on the school board. I know that we made a recommendation last year—this finance committee made a recommendation—regarding the full rebate of the goods and services tax being paid by universities and school boards and hospitals. Did you get any feedback on why that didn't happen?

Mr. Rick Johnson: It just did not come through when the budget was presented.

Mr. Massimo Pacetti: It seemed to have been logical. We thought it was going to happen. I know that we thought it was going to come through.

Do you know how much that is going to cost?

Mr. Rick Johnson: Well, you could estimate. If you look at, for example, capital spending of \$3 billion a year, nationally, the GST on that would be about \$72 million, which would mean a difference to boards.

I could go right to my own school board, which is in central Ontario. We spent \$30 million last year on building a high school, an elementary school, and a gymnasium. After the rebates we currently get, we still paid \$720,000 in GST, and that could have bought a lot of textbooks and supplies.

Mr. Massimo Pacetti: So you can use that money for your own purposes.

Mr. Rick Johnson: Absolutely. It's for the children.

Mr. Massimo Pacetti: Thank you. We'll try to make sure that it shows up again.

This question is for the north. I'm not sure if it's for Mr. Ryan or Mrs. Gunn. With regard to the recommendation—I think it's in the municipality brief—that resource revenues be put into a fund until negotiated, what happens right now? Do the resource revenues not belong to the territory at all?

Ms. Lynda Gunn: No. They've only ever been collected by the federal government. The federal government puts them back into the general fund to be used across Canada.

The major mines we had in Nunavut... That was when we were still part of the NWT. There's the Nanisivik mine and Little Cornwallis Island with—

Mr. Massimo Pacetti: I'm sorry to interrupt you, Mrs. Gunn. So there's no ability for the territories to assess a tax on those resource revenues.

Ms. Lynda Gunn: No, there have been no benefits streaming back to the territories.

Mr. Massimo Pacetti: Can the territory itself assess a tax on those resource revenues? Would you have the ability? Do you have the legislation—

Ms. Lynda Gunn: No.

Mr. Massimo Pacetti: —or the ability to do so? You don't?

• (1745)

Ms. Lynda Gunn: No. Devolution needs to happen with the Minister of Indian and Northern Affairs as the lead minister. He had a special consultant create a report with recommendations regarding devolution for Nunavut. The name was Paul Mayer. He is a lawyer.

Mr. Massimo Pacetti: Okay. Our time is limited. I don't mean to interrupt.

What would happen if you were able to receive some of the money? Would you reinvest it, or would you be able to reinvest it in what we call private-public partnerships? That means you would go looking for private funding and perhaps gets some additional funding from the private sector to realize some of the projects you've mentioned in your briefs.

Ms. Lynda Gunn: Yes. What we recommended is that there be a trust fund set up with a board of trustees managing the revenues and that these revenues be shaved off from the territorial government's stream of revenues once resource royalty revenues are negotiated and devolution has occurred.

Mr. Massimo Pacetti: Thank you, Ms. Gunn.

Mr. Cousins, just quickly, with respect to the northern deduction, what's the amount right now, and what are you looking to increase it to? It's only a couple of thousand dollars. Correct?

Mr. Glenn Cousins: That's correct. Well, it's \$5,475 maximum for the basic part of the deduction, and it has been like that since 1987.

So I guess there are a couple of different decisions you could make about what it should be increased to.

Mr. Massimo Pacetti: We're not going to make any decision. You're going to have to tell us.

Mr. Glenn Cousins: Well, the very basis of it would be to increase it based on the cumulative effect of inflation since 1987, which would be approximately 64%, or from \$15 a day to \$24.50 a day.

Mr. Massimo Pacetti: Thank you.

The Chair: Thank you.

Monsieur Crête.

[Translation]

Mr. Paul Crête: Thank you, Mr. Chairman.

My question is for Mr. Johnson. In your brief, you say:

Best of all, OECD data has also found that no matter where you live in Canada, no matter their economic status, the Canadian public system ensures that your child will receive an education that is ranked among the best in the world. There are few countries in the world that can make that boast.

Is there anyone in Canada, outside of Quebec, who is asking that school boards be abolished?

[English]

Mr. Rick Johnson: That hasn't happened yet, but it is a discussion we hear on occasion. The school boards represent one of the earliest forms of democracy, and we have to do a better job of making sure people understand the value of school boards in this country. It is incumbent upon all of us to make sure that happens.

School boards do an incredible amount of work in ensuring that communities and the children in those communities across the country receive the education that is their right. It is one of the primary and most local forms of democracy in this country.

[Translation]

Mr. Paul Crête: I agree with you, Mr. Johnson. I also believe that in Quebec, school boards are doing their job well, which is to connect people in smaller communities and to make sure that schools in smaller communities can survive, even when there are few students, among other things.

If we can find ways to help you, we will try to study the issue more seriously.

I have a question for the people who have joined us via teleconference or who are with us by phone. Can you hear the interpretation?

[English]

The Chair: Can you hear the interpreter's voice in the north, Geoff, Lynda, and Glenn?

I think we might have lost them.

Yes? Okay.

[Translation]

Mr. Paul Crête: Pardon my ignorance, but has an overall assessment of the tax measure that would best apply to your type of jurisdiction already been carried out?

It is possible to introduce specific tax deductions, as you are suggesting in some of your submissions, but it is also possible to undertake an overall assessment of the additional investment that we are willing to make in the north, or even hand over to the Nunavut government or local governments.

Has an in-depth study been done? Can you tell us about it? In your opinion, what would be the best solution?

[English]

The Chair: Who would you like that addressed to?

[Translation]

Mr. Paul Crête: The question is for any one of the three witnesses, Mr. Ryan, Ms. Gunn or Mr. Cousins.

[English]

The Chair: Any one of you can answer.

Geoff Ryan, are you there?

• (1750)

Mr. Geoff Ryan: Yes.

This was more a topic of the NAM presentation, but right now, without devolution in place, there's no ability for the territorial government to get revenues from resource extraction, because the lands are federal crown lands. There's a need for the devolution process to go forward for those revenue streams to be realized.

[Translation]

Mr. Paul Crête: Thank you.

My last question is to Ms. Vandenberg. In reference to the 0.7% target of the GDP, and given the level of growth we are currently registering, one can say that the government is not producing expected results not because of failure to allocate funds overall, but because wealth is expanding at such a rate that the amount should be much higher.

Can you suggest a way for us to meet the 0.7% target with certainty? If we are indeed becoming more affluent, an extra effort should be made accordingly. Is there a way to prevent the Prime Minister from serving us the excuse that Canada is unable to meet the target because of heightened growth? Do you have any solution to suggest? If not, do you think all we need to do is make an extra effort?

[English]

Ms. Elly Vandenberg: Thank you for your question.

Through the Canadian Council for International Co-operation, an umbrella coalition of international development organizations, we've been calling for some time for a timetable to be put forward to look at that very issue. There are clear recommendations about how to get to 0.7% by 2017. It keeps getting pushed, but there is a clear way to get there.

The Chair: Thank you very much.

Now we'll move to Mr. Dykstra. I believe you're splitting your time with Mr. Menzies.

Mr. Rick Dykstra: We are splitting our time, Chair, but Mr. Menzies is going to go first.

The Chair: Fair enough.

Mr. Menzies.

Mr. Ted Menzies (Macleod, CPC): Thank you, Mr. Chair.

Thank you to our presenters.

There were some interesting comments that I'd like to pick up on.

Ms. Ecker, you were talking about market access as being a very important item for the industries you represent. You talked about lowering taxes, and I think that's where this government is obviously heading. One thing that I would ask of you is that your association representatives would push the members of Parliament to pass this budget bill that we're debating in the House right now, because we're not going to get these tax cuts in that people need and that Canadians are expecting if we don't get this done by the end of the year. So I ask that of you.

I also would ask you this. Going back to the market access issue, what role have you played in WTO negotiations? Market access with financial instruments in the international market is critical. We've hit an impasse at the WTO. Have you played a role in that?

Ms. Janet Ecker: Thank you very much for the question, Mr. Menzies.

First of all, on the tax question you asked, we're not shy about expressing our views to all members of Parliament, or the provincial parliament in Ontario, or to city council. We do tend to do that quite persistently.

In terms of the WTO negotiations, our organization has not been involved in those discussions. They are the national organizations that represent financial services, and some, I know, that have been presenting to this committee are more involved in that.

It is unfortunate that there has been an impasse. I think when you look at some of the things that have contributed to, for example, London's financial centre, their success, and the access, the fewer the barriers and restrictions sometimes can be the best. Those organizations would encourage your government to do what you could do to break the impasse.

Mr. Ted Menzies: One other comment that I'll pick up on is capital taxes. We've given incentives to provinces to get going on reducing their capital taxes. I'm sure you would agree that's very necessary.

Ms. Janet Ecker: Yes, absolutely. We make the point, as many organizations have, about the negative impacts of a tax on capital. I think the other challenge for Canada is that it has stood out like a sore thumb, in the words of one CEO to me. When other companies are coming here looking at investing they see that. It's a potential barrier.

We're very encouraged by the progress that has been made. Ontario, for example, has put a legislated end to it. I think the federal government's moves have been very good as well. We always would like more, faster, but we appreciate that it has to be a balance, and we continue to encourage governments to remove any barriers to capital.

• (1755)

Mr. Ted Menzies: Thank you.

I'll pass over to Mr. Dykstra.

The Chair: Mr. Dykstra.

Mr. Rick Dykstra: Thank you.

Ms. Vandenberg, I have a couple of questions based on the requests you had, and one very quickly with the respect to the new \$2,000 child tax credit that we introduced in the budget in 2007. I noted that one of the requests you had last year was to raise the annual child tax benefit. I wonder, in terms of complementing what the request was last year, if we at least should take a reasonable step in that direction.

Ms. Elly Vandenberg: Thank you for the question.

A reasonable step, I think we would agree, but we would like to see more.

Mr. Rick Dykstra: We all want to see more money back in the hands of those who need it, that's for sure.

One of the requests you have also made is increasing the maximum federal tax credit, from 29% up a little higher. I note that's certainly not an uncommon request. It doesn't just come from those involved with World Vision. It's something that seems to be a common thread throughout in terms of additional assistance obviously to charities and additional assistance to not-for-profit organizations.

I wondered whether World Vision had a strategy as to how to get there over a time period, and if you had a percentage that you thought we should get to, whether it should be significantly over 29%, or whether something like 34% or 35% would seem to make sense.

Ms. Elly Vandenberg: Thanks again for that question as well.

We don't have a particular strategy or a particular percentage in mind. We just compare, for example, to political parties and how that's 100%. We think 29% to 100%, somewhere in between there, would be more reasonable, but no, we don't have a strategy or a particular figure in mind.

Mr. Rick Dykstra: All right. It's just something you may want to consider in terms of getting back to the committee, too. If there is a bit of a strategy that you had on that, I'm sure most of us would be interested in seeing that.

The Chair: The time is gone.

I will now move to Mr. Turner. You have five minutes.

Hon. Garth Turner: Thank you; and my thanks as well to the presenters, very much.

Janet Ecker, I've a question for you. In your brief you have an interesting statement that tax rates that allow program spending to increase by 8% a year are clearly too high. Could you explain that statement, please?

Ms. Janet Ecker: One of the things that I think all governments have to be cautious about is their spending. We have expressed views in the past that looking at the federal government overall in terms of the spending that has occurred, we don't think it is sustainable. Keeping tax rates lower can also be a good discipline on government in terms of helping them to be more effective in how they use those tax dollars for program spending.

Hon. Garth Turner: All right. So you're raising a caution on government spending.

I believe you've been in government yourself, haven't you?

Ms. Janet Ecker: Oh, I had a brief experience.

Hon. Garth Turner: Yes, that's what I thought. Actually, you managed the finances of the Province of Ontario—correct?

Ms. Janet Ecker: For a brief period of time, yes. We had several very distinguished finance ministers during our term.

Hon. Garth Turner: Right, but you were a finance minister, and a Conservative finance minister, so you share a philosophical bent in certain ways with this government.

How would you categorize the spending romp this government has been on since it came to office?

Ms. Janet Ecker: Well, as I said earlier, not only with tax relief but also with government spending, it has to be a balance. On the one hand you can't, as opposition has sometimes been known to do, criticize the current government for spending reductions, and then at the same time criticize them for being spendthrift.

I would certainly encourage them to continue to find efficiencies where they can, to continue to find ways to deliver services more effectively, because one does need to manage cost growth. We have been concerned about that and would encourage the current government to push very hard to find savings.

• (1800)

Hon. Garth Turner: But I read into your statement that you find it unacceptable that government spending would increase by this rate. Is that correct?

Ms. Janet Ecker: Well, when you look at economic growth and at spending growth, the two have great difficulty matching up. So we would encourage the government to continue to find more efficiencies and to manage program spending.

Hon. Garth Turner: I'll take that as a yes.

Ms. Janet Ecker: They should be managing program spending.

Hon. Garth Turner: All right.

On personal income tax, lowering marginal rates, again, I guess your government was known for, obviously, cutting spending and cutting tax burden on Ontarians. This government's first income tax measure was to increase the marginal income tax rate. Was that a good or a bad idea?

Ms. Janet Ecker: I think what the government certainly has been committed to is bringing down overall tax rates in a number of ways. Certainly they've provoked some controversy about some of the decisions they've made about how to do that, and I will leave that for you and your colleagues here from all parties to argue over.

I think what is very important is that they continue to bring down tax rates. Personal income tax we think is very important to do that, and we have seen some progress in that. We also think they need to continue to bring down the corporate tax rate.

Hon. Garth Turner: Where has there been progress in bringing down the marginal rate?

Ms. Janet Ecker: When you see the overall picture that the government is putting forward for their tax relief, we think that is to be encouraged, and we certainly would encourage more.

Hon. Garth Turner: I'm just talking about personal income tax, since it's the only issue you're relating to rather specifically. Where do you want personal income tax rates to go, as opposed to where they are at the moment?

Ms. Janet Ecker: I think one of the points we make is that it's not a question of having the lowest taxes. We're not doing a race to the bottom. What we're looking for are tax rates that are competitive with those jurisdictions that we do business with, that we compete with. So we think setting targets for where we might want to have both business and personal tax rates would be an appropriate thing to do. We're not advocating a particular level; we're just saying take a look at where other jurisdictions are, and we want to have the most competitive tax picture in the window.

The Chair: Thank you very much.

Monsieur St-Cyr, you have five minutes.

[Translation]

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

I thank all of the witnesses for being here.

Ms. Vandenberg, I greatly appreciated your Timbits-supported presentation that I was able to benefit from. Your demonstration clearly shows the kind of effort we all need to make and underscores the importance of investing, helping people throughout the world and contributing to international development. The objective of dedicating 0.7% of the GDP to overseas development assistance is one shared by many other countries, and is a goal of distinct altruism and solidarity.

Many people also say that this is a form of economic development. So long as there exist places that are extremely poor, there will be social and economic problems, and fewer markets to benefit our own economy.

Do you subscribe to the philosophy that overseas development assistance is not just an act of pure altruism, but is also a way of resolving conflicts in the world and developing our own economy?

[English]

Ms. Elly Vandenberg: Wow. Thank you very much for your question.

I should first say that World Vision's mandate is that we see the fullness of life for each child. It's a humanitarian and development and advocacy organization. So we have humanitarian objectives; but, absolutely, in terms of advocacy objectives, there are reasons beyond humanitarian issues for why we support increased overseas development assistance—absolutely.

And there is self-interest, as well.

[Translation]

Mr. Thierry St-Cyr: All right.

From a more technical standpoint, and I am not sure if this is a translation problem. In the French text, you propose to, “raise the federal tax credit, which is at a 29% maximum, for Canadians who make charitable donations”.

I want to make sure I understand correctly. At present, what is the maximum percentage that can be claimed on a tax credit, and to what level would you like this increased?

• (1805)

[English]

Ms. Elly Vandenberg: Thank you.

It's a similar question to Mr. Dykstra's, I believe.

Right now, for us, it's 29%. We would like to see it higher, and I welcome the suggestion from Mr. Dykstra that we come forward with what our ultimate goal for that is, and that we suggest a strategy for how to get there. I don't have one at this present time, and would be happy to work on that with World Vision.

[Translation]

Mr. Thierry St-Cyr: All right. Thank you once again for all the work you are doing.

I would like to ask a question to our three witnesses who are joining us from the north via videoconference. I am going to set aside the subject that you raised today. I would like to hear you talk to us about global warming. Last year, this committee travelled to Whitehorse. We visited communities that are particularly hard-hit by global warming, more so than communities here in the south.

Is this something you yourselves are experiencing, and is it of concern to you? What effects of climate change are you beginning to notice in your own communities?

[English]

The Chair: Ms. Gunn.

Ms. Lynda Gunn: It is a concern, infrastructure-wise. Depending on where you are in the north, across the three territories there are issues of permafrost thawing and not providing stability for buildings. This causes concern here in Nunavut, because, depending on which community you're situated in, you may or may not have good foundations for your buildings. Many of our buildings, especially municipal and territorial government assets, are older, built back in the sixties, so there is the issue of age, but also of stability, especially when you consider potential permafrost thaw. Additionally, there is pipe infrastructure concern, and whether or not we have stability with the permafrost for pipes.

And then there is the lack of predictability for road construction and also for our shipping season. That in itself is complicated, because we have such a short shipping season. As we have no roads or highways or trains leading to Nunavut, we are totally dependent on shipping the bulk of our materials for construction for all manner of our infrastructure solely by ship. If we want to take the cheapest way and get the best bang for our buck, it's by ship. We only have a four-month shipping season, and if we can't make the ship in the budget year, then we have to wait another year before we can build.

Winter roads have been a critical problem, especially in the NWT and the western part of Nunavut, supporting mineral exploration and extraction activities. Where the ice is not freezing as it should, as in the case of supporting NWT mineral extraction last year, they couldn't use the winter roads to transport the materials required at the sites.

The Chair: Please make your point very quickly.

Ms. Lynda Gunn: Social upheaval is mostly to do with culture. We have very much a traditional hunter-gatherer society up here. Most Inuit are unemployed. They're wholly dependent on going out and gathering their food to sustain their families.

Recently we had a tragic accident in which a young couple went through the ice with their ski-doo because they didn't know that the ice was not frozen properly. They were in their thirties. That is just the type of accident that we see all too often, more frequently lately because the hunters—

•(1810)

The Chair: I'll have to cut you off now. We have the point and we certainly appreciate the answer. I let you go actually about three minutes more than I should have. Thank you very much.

We'll now move on to our last questioner, Mr. Wallace.

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

Thank you for coming late this afternoon, and I appreciate the presentations.

I only have a few questions, and I'll start with Mr. Johnson. I heard you loud and clear on the GST, but I'd like to ask you questions on the two other issues you brought forward.

I'm familiar with LEED, and I know you mentioned earlier in response to a question that your school board in particular built a couple of schools.

With respect to meeting the LEED requirements, depending on how much new equipment and so on, do you have a sense of what

the difference is between a regular school and a school that meets the LEED requirements, and what kinds of dollars we are talking about?

Mr. Rick Johnson: Right now a lot of the environmentally friendly products that would go into one of these schools are more expensive. Having tax incentives so that the schools could purchase these products through the construction companies that are doing the work would enable savings.

One of the big benefits would be setting the example in the communities. We have thousands of schools across this country that are going to be there for a long time.

Mr. Mike Wallace: If I'm going to make an argument with the Minister of Natural Resources that he has a program that people can apply to for LEED funding, do you have a sense of what the difference is between building a so-many-thousand square-foot school with LEED and without? Do you have that?

Mr. Rick Johnson: Percentage-wise, no, I don't.

Mr. Mike Wallace: Okay. If you do that, I'd be happy to take it. I'm working on a project for my own community, a performing arts centre, and they're looking at a LEED issue. I'm interested in what that difference is.

The other point you brought forward was the aboriginal graduates, which I thought was interesting. You say Saskatchewan has introduced a program. How old is that program? Do you have any sense?

Mr. Rick Johnson: It's just been within the last couple of years. The idea of the program is to encourage students to stay in school and be successful—and to stay in Saskatchewan.

Mr. Mike Wallace: On this side of the table, at least, we're big on evaluating whether programs are meeting their objectives or not, and if they're not we get rid of them. That's not always everybody's favourite thing. Have you had a sense of whether it has actually made a change in terms of aboriginals staying in school or not?

Mr. Rick Johnson: It's probably early in the process, but the initial feedback we're getting is that the students are staying in school. It is an incentive. It's dangling that carrot. Ultimately we want all those children to be successful, and the statistics show that aboriginal students are lagging behind.

Mr. Mike Wallace: Okay.

Ms. Ecker, I'm going to ask you a couple of questions from your presentation, just so I have an understanding of where your group is coming from.

On the personal income tax piece, you talked about the high end—which a lot of people don't like to talk about—that the tax bracket begins at a lot lower income level. Is your group advocating changing the top level of the tax bracket just at that level, or do you expect us to move the brackets up all the way down the line?

I just want your opinion, particularly because you've highlighted it here. You have the low and the high. It is easy to talk about the low; it makes sense. But what about the high-income earners, and why would it be important for us to do that?

Ms. Janet Ecker: We have not advocated how you would do it, and again, we tend to take a lot of our lead on tax policy from the C. D. Howe Institute and some of the other groups that do a lot of work in that area.

But what is important about the high end—and you're right, it's not an easy argument to make—is that a lot of those individuals drive the innovation, drive competitive policies, drive the success not just in financial services, but in many other businesses and sectors.

If they don't want to come here, if they don't want to stay here, and if they have better financial opportunities elsewhere, we lose access to that talent and ability. Not only do we want the business environment for companies to be competitive, so that it is a good-value proposition, so they will be here with their jobs and investment, but at the same time we also need to be able to attract and retain the kind of highly skilled talent that we need to drive those companies.

The financial services sector does tend to be a sector that has very highly skilled and educated individuals. They are in great demand,

especially when you look at the demographic challenges that are coming at us. We released a study earlier this year on the HR needs in financial services in the Toronto region. We are—not to put too fine a point on it—in a war for talent. They have a lot of options, those very talented individuals, and we want them here to drive economic prosperity, and therefore a better quality of life for Canada.

Tax rates are an important part of that.

● (1815)

Mr. Mike Wallace: Thank you.

The Chair: With that we'll end this session of our presentations. We thank the witnesses. We thank you from the north—Geoff Ryan, Lynda Gunn, and Glenn Cousins—for your participation and your presentations, and we thank the witnesses here as well.

We will now take a quick break as we go in camera to do some committee business.

[Proceedings continue in camera]

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