House of Commons
CANADA

Standing Committee on Finance

FINA • NUMBER 011 • 2nd SESSION • 39th PARLIAMENT

EVIDENCE

Tuesday, December 4, 2007

Chair

Mr. Rob Merrifield

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

http://www.parl.gc.ca

Standing Committee on Finance

Tuesday, December 4, 2007

● (0905)

[*English*]

The Vice-Chair (Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.)): Good morning.

This is our first panel here in Calgary, so I want to welcome the panellists. Most of you have experience in making presentations, so we're going to go with a five-minute period to allow you to present your briefs and then we're going to go to the members.

Some of the members, as you can tell, are not present. We had some problems yesterday in terms of some members not coming in because of a budget bill being debated in the House. It's supposed to come out of the House today, so some of the members had to stay behind because of that.

All of your testimony is going to be on the record, so if members want to go back and review it, they can. Other members can also review it. There's a research staff here, so everything you say will and can be held against you in committee work!

We're going to start with the people I have here. Pursuant to Standing Order 83(1) on pre-budget consultations, I'm going to start with the Calgary Chamber of Voluntary Organizations, Ms. van Kooy, for five minutes.

Thank you.

Ms. Katherine van Kooy (President and Chief Executive Officer, Calgary Chamber of Voluntary Organizations): Thank you. I'd like to thank the chair and the committee for this opportunity to provide input regarding the government's budget priorities.

My name is Katherine van Kooy. I'm the president and CEO of the Calgary Chamber of Voluntary Organizations, otherwise known as the CCVO.

A registered charity, CCVO's purpose is to strengthen the voluntary sector. We support and are supported by more than 330 diverse non-profit member organizations, ranging from small grassroots groups to large umbrella organizations that operate in areas such as human services, arts, recreation. We also work on behalf of the broader non-profit sector in Canada and across Canada through our partnerships with organizations such as the national charity Imagine Canada and the Federation of Voluntary Sector Networks.

I'm here today in a policy leadership capacity as decisions and priorities regarding the federal budget will have a large impact on what non-profits are able to achieve in their communities.

Canada is blessed with a very large and vibrant charitable non-profit sector that contributes to our communities in areas such as health, education, sports and recreation, environment, arts and culture, and services for individuals such as seniors, children, and immigrants. These organizations play an essential role in building and maintaining healthy communities.

The core recommendation, which was outlined in our submission, is the need for a national charities strategy to provide a more comprehensive approach to ensure that Canada's charities continue to be able to meet the needs of their communities.

In our pre-budget submission, we identified four key components of the strategy: reforms to the administration of grants and contributions; sustainable funding for the collection of mission-critical sector data; further encouragement for increased private donations through adjusting the federal charitable tax credit to a single rate of 29% for all charitable donations to the maximum allowable income level; and an exploration of alternative methods for debt financing for non-profits that go beyond the current tax measures to encourage donations.

Given the time constraints, I'll speak briefly to the need for a strategy and then focus my comments on the first two components.

A national charities strategy would be a more comprehensive approach to strengthening the non-profit/voluntary sector for the benefit of all Canadians, and there are precedents in terms of other actions the government has taken for this national approach, including the science and technology strategy, which was announced previously.

Such a strategy would recognize the priority that is given by Canadians to the work of charities and non-profit organizations in their communities, as reflected by their level of financial and personal volunteer support. More than 22 million Canadians donate to charities and close to 12 million Canadians volunteer two billion hours of time to community-based organizations.

The first component of the strategy is for the government to sustain its commitment to implementing the recommendations of the blue ribbon panel on grants and contributions. That panel found that the administration of federal grants and contribution programs, which are how most charities and non-profits receive federal government funding, impose significant burdens on the organizations that partner with government through these programs, taking scarce resources away from delivering community-based services.

I chair a committee of Imagine Canada members that's monitoring the implementation of the panel's recommendations. We applaud the government for accepting the recommendations made by the panel and recognize the work that's being done by Treasury Board and the lead departments in implementing these recommendations.

However, the major changes required to streamline and coordinate processes across government require sustained political and administrative commitments. These changes within government will enable charities and non-profit organizations to operate more efficiently, making the best use of government investments as well as donor contributions.

The second component of the national charities strategies that I'll speak to today is the need for sustainable funding to collect essential data about and for the charitable and non-profit sector.

The Canada survey on giving, volunteering and participating, and related satellite accounts compiled by Statistics Canada are among the few sources of data about the non-profit and voluntary sector. This data provides a consistent national information base, which is essential to understanding the sector. It's the only reliable source of information about Canadians' commitments of time and money to charities and non-profit organizations. This information is used extensively by individual organizations. It's a valuable source of information for governments and organizations working to strengthen the capacity of charities and non-profits to serve their communities.

As the government changes the way it supports charities, such as through enhanced tax measures, these data sources would provide vital information and a planning tool for government as well.

The Government of Canada has traditionally recognized the importance of reliable data to support the economic activity of various sectors of our economy. Collection of information about this sector is relatively recent. However, it's essential for a sector that contributed more than $25.4 billion to the GDP in 2001. Non-profits themselves are not in a position to collect this information, but they do need it, and so do the people who make decisions regarding non-profits.

It's often assumed that community-based organizations that fill essential roles throughout Canada will always be there to support individuals in overall economic activity. Unfortunately, many organizations are struggling to perform their roles and they face significant barriers to maximizing their contributions.

In the federal government's upcoming budget, we ask that the non-profit sectors' essential social and economic role be recognized and supported by a comprehensive government strategy aimed at strengthening this sector.

Thank you for the opportunity to speak to our submission. I welcome any questions.

● (0910)

The Vice-Chair (Mr. Massimo Pacetti): Thank you, Ms. van Kooy.

From the Calgary Zoological Society, we have Mr. Lanthier. You have five minutes.

[*Translation*]

Dr. Clément Lanthier (President and Chief Executive Officer, Calgary Zoological Society): Good morning. I want to start by thanking you for this opportunity to speak to you and by welcoming you to Calgary.

[*English*]

The first temptation, when looking at the Canadian tax system, is to debate how the government should collect taxes or how much every individual or business should contribute to the system. I believe it is more important to discuss and understand the fundamental reasons that justify our tax system. In other words, why does government collect taxes?

Regardless of the jurisdiction, most Canadians will probably admit that health care, education, infrastructure, the environment, security, sovereignty, justice, and heritage and culture constitute the essential domains for which government should collect taxes. The challenge for political leaders, I believe, is to support these domains by meeting financial obligations for current and past commitments while recognizing and investing in national strategic opportunities for Canada's future.

In my view, Arctic Canada is definitely one of the latter. It is a strategic opportunity, and the federal government has a responsibility to enhance the north.

Baba Dioum, a Senegalese conservationist, said, “In the end, we will conserve only what we love. We love only what we understand. We will understand only what we are taught.” In this context, if we want Canadians to care about the north, it is imperative to connect them to the Arctic. In tax terms, Canadian taxpayers will understand and support federal government initiatives in the Arctic.

Our proposed Polar Interpretive Centre of Canada initiative is the perfect instrument to connect Canadians to the Arctic. It is an opportunity as well to erase northern stereotypes and to discover the new north.

To achieve its goal, the Polar Interpretive Centre of Canada is planning to use a variety of methods, such as adaptive and interactive educational programs, for different audiences from coast to coast to coast. We are also planning to provide direct, firsthand, and virtual experiences with Arctic charismatic megavertebrates, such as polar bears and seals.

We want to establish distance learning opportunities. We want to disseminate bio-science research findings to national and international audiences. We want to initiate meaningful conservation programs and to support community economic development in the Arctic.

Located at the Calgary Zoo, the Polar Interpretive Centre of Canada will benefit from the zoo's existing expertise, infrastructure, networks, and world-renowned education and conservation programs. The Polar Interpretive Centre will also directly connect with millions of on-site and virtual visitors annually.

Don't get me wrong; this is not a traditional zoo project. Our initiative is as close to being a traditional zoo as the Cirque du Soleil is to being a traditional circus. The Polar Interpretive Centre of Canada will be a platform connecting Canadians to the Arctic—its wildlife, its people, and its challenges. The Polar Interpretive Centre of Canada will be a platform stimulating Arctic awareness. This platform will be a perfect venue for Canadians to learn to conserve, love, and understand the Arctic. This platform can be the perfect instrument to communicate federal Arctic initiatives to Canadians.

We sit before you today to tell you that we have secured or are in negotiations for almost 70% of the funding for the project. We still need to raise another 5% from the private sector. We need federal funding support of 25% of the cost. We request $35 million.

The federal tax system is in place to address national and strategic issues facing Canada. The Arctic is without a doubt critical to Canada's future. Sovereignty, national resources, climate change, species at risk, and heritage and culture are just a few of the issues facing the north. Only with the federal government's support will the Polar Interpretive Centre of Canada connect Canadians to the Arctic.

Thank you. Merci.

● (0915)

The Vice-Chair (Mr. Massimo Pacetti): Merci.

From the Canadian Association of Petroleum Producers, we have Mr. Alvarez.

Mr. Pierre Alvarez (President, Canadian Association of Petroleum Producers): Welcome back to Calgary, Mr. Chairman. It is nice not to have to appear before you six times this year. I look forward to one budget or two. Six certainly stretched our limits the last time we saw you.

Mr. Chairman, we live in interesting times. Some may dispute whether this is a blessing or a curse, but there is no denying that the business environment for the oil and gas activity in this country has captured public attention as one of the most reported news stories of the year: high oil prices, low natural gas prices, a high dollar, low netbacks, high profits, low drilling, high costs, low labour availability, higher royalties, and lower corporate taxes.

Canada's oil and gas producers have seen it all in the past 12 months. While each of these on its own is nothing new, it is the combination of them that has led to a very turbulent year.

Volatility is part and parcel of exploration and development. It is inherent in the nature of the commodities business. The industry has gone through cycles in the past, it is going through ups and downs now, and it will continue to cycle into the future. What is new is the volatile policy environment.

Capital is mobile, maybe more so now than ever before in the oil and gas industry. It moves where it can find the best return on investment. This is no surprise to anyone, especially as we see live examples of what's happening today interprovincially and internationally.

These movements have been and will be affected by surprises. In the last 12 months, the oil and gas sector has gone through several policy surprises, including the tax changes for income trusts, the cancellation of the accelerated capital cost allowance for oil sands while it is being extended to other parts of the economy, the proposed limitation on foreign interest deductibility, and of course, most recently, the results of the Alberta royalty review.

With this as a backdrop, in our written submission this summer we recommended that the federal government continue its broad-based tax reductions, refrain from punitive sector target measures, and consult with industry to avoid surprises before announcing new initiatives.

There are a few other recommendations in our written submission, but I won't go into them today.

However, the panel asked recently what the impact of the high dollar is on the different industries. We get asked this a lot. The effect on the oil and gas industry is not unique among Canada's exporting industries. With oil and gas prices based in U.S. dollars, a higher exchange rate means fewer Canadian dollars back to Canadian producers. As with all other exporting industries, the higher our dollar goes, the lower the price we see in Canadian dollars.

What this means is that when oil is trading at $88 U.S. a barrel with our dollar at parity, it's the same to Canadian producers as when oil was at $57 U.S. with a 65-cent dollar. Almost all of the uptick in oil prices has been eaten up by the rising exchange rate. The case with natural gas is even worse, with the double hit from the lower natural gas prices in North America and the higher exchange rate.

The cumulative impact of all these factors has put Canada at the bottom of competitiveness rankings for oil and gas investments internationally. While in the past this was somewhat mitigated by Canada's high ranking for government stability and its environmental policy certainty, the past year has caused many to question that stability.

I don't want to give you an overly negative impression. I am here to tell you that Canada can have a strong, vibrant upstream oil and gas industry, one that invests more money into the Canadian economy than any other from coast to coast and that now accounts for 14% of Canada's exports and is responsible for 80% of our trade surplus with the United States. We employ half a million Canadians across the country. We contribute to the value of pensions and RRSPs as one quarter of the share value traded on the Toronto Stock Exchange, and over $27 billion of industry revenue will find its way into government coffers in the form of royalties and taxes.

CAPP also clearly recognizes the efforts and expenditures taken by the government to address two key constraints facing most Canadian industries, including our own: those of infrastructure and human resources. Public infrastructure and people are two of the vital foundations needed for economic growth that are often overlooked until they are lacking. CAPP wants to express our appreciation for the growth in federal expenditures in infrastructure, such as Highway 63 to Fort McMurray, and in human resources in areas such as apprenticeship training and immigration. It is recognized and appreciated, and most importantly, it needs to continue and even accelerate.

Above all, what I am here to ask this panel is to continue its focus on broad-based tax reduction measures and to treat the oil and gas industry just like any other Canadian industry, fairly and equitably, whether in terms of a policy response to the high dollar or to trade concerns, or of a climate change policy, to name just a few.

Mr. Chairman, thank you for our opportunity to appear. I look forward to any questions you may have.

● (0920)

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

From the Canadian Sport Centre of Calgary, we have Mr. Henwood.

Mr. Dale Henwood (President, Canadian Sport Centre Calgary): Good morning, welcome to Calgary, and thank you, Mr. Chairman, and members of the committee.

I'll be briefly elaborating on a presentation I submitted in August, a submission that I'm assuming you have received and reviewed. I also alert you that my colleagues in Halifax and Montreal will be delivering a similar message.

This is my first time before the committee, but since I believe so passionately about sport, its role in Canada, and its role in making Canada even better, I decided to bring this perspective forward. Secondly, we were totally forgotten about in Budget 2007 last year, so I felt it necessary to have this conversation today. Thank you for this opportunity.

Briefly, the Canadian Sport Centre is an RCAAA organization, part of a network of sports centres across this country. Every day we work with Canadian athletes and coaches who are preparing to represent Canada at the highest international level. We also connect with athletes from across Alberta, with the other centres from across the country connecting with young, developing, emerging athletes and coaches from every region of Canada: athletes from Calgary, from St. Catharines, from Burlington, from Sherbrooke, from Montreal, from Victoria, from Halifax—as I say, from coast to coast.

I'm firmly convinced of the many values and benefits that accrue to a country when sport is encouraged and supported. First of all, I believe sport inspires excellence, excellence in both doing our best and being our best. That's why I think we need to have a collective focus on allowing our athletes to be excellent. It shows the world that we can compete and be the best.

But perhaps more important than the medal itself is what the medal does. I think we are all inspired by and enjoy watching and being associated with people who are among the best in their chosen field. The pursuit of excellence in itself is a very worthy goal, but it does take a long-term commitment and lots of support over a long period of time. I think Canadians want our athletes to do well and perform well, and they want to see them on the international podium.

As I said, it's what the medal does. I think the medal creates heroes and role models for Canadians, especially for our youth. I think the medal changes people. It changes our attitudes; new behaviours are formed. And people of all ages are inspired and stimulated to get involved, and not necessarily just in sport. I'd like to think our country is unified when the flag flies and *O Canada* is heard at international events. Our mental health is improved when we celebrate Canadian achievement. I think competing and winning internationally shows Canada that we are a player on the world stage.

Also, I believe involvement in sport develops many other skills that are transferable to the workplace and make us a much more productive society. I think if you were to recall times when Canadians were smiling all at the same time, I contend that most of those examples would be sport related. Whether they're the double gold medals from the 2002 Olympics, whether they're speed skaters like Catriona LeMay Doan or Marc Gagnon, I think those are examples that would have the country inspired at any given moment.

I think there is a need for new investment in sport as it is a public good. It's not a direct benefit to a select few that we're talking about. I think it's an indirect benefit for all Canadians. The outcome is that the taxpayer investment contributes to a public good—a better place to live, a better community, a more active and healthy population, especially in our youth.

Specifically on the sports side, on the winter side we're doing very well. Our performances over the last several Olympic Games have been very good. We're currently second in the world on the winter side. Though it's a fragile position, I think we'll do better in 2010 in both the Olympics and the Paralympics side.

My concern today is on the summer side; it's a totally different story. We're trending in the wrong direction. From a medal standpoint, we've gone from 22 to 14 to 12—obviously not the right direction. It makes no sense to me that we have two different types of athletes in this country, winter and summer, depending on the season in which they choose to compete for Canada.

On the summer side, we're the lowest of the G-8 countries, and we're in the bottom 25% of the G-20 countries when it comes to investment in sport.

For my last comments, I'd like to say that in my August 15 submission I also suggested some investment in infrastructure at Canada Olympic Park. I'd like to just thank the committee and the government for their support. That's been achieved, and we appreciate it very much.

What I ask today is that the committee draft a recommendation to the Minister of Finance. The substance of that recommendation is that the Government of Canada invest $30 million annually—that's basically one dollar per Canadian per year—to implement Canada's summer sport program called the Road to Excellence.

● (0925)

Thank you again, and I look forward to speaking with the committee and entertaining any questions you may have.

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

From the Red River College of Applied Arts Science and Technology, we have Mr. Zabudsky.

Mr. Jeff Zabudsky (President and Chief Executive Officer, Red River College of Applied Arts Science and Technology): Thank you very much, Mr. Chair and committee members. Welcome. It's good to see you.

I am here from Winnipeg, where Red River is based, and it's my great pleasure to be here to present about what's going on in colleges, mine in particular.

My presentation will focus on three areas. Innovation is number one and where the primary focus will be, number two is institutional renewal, and number three is student access.

On the innovation side over the last few years, colleges and technical institutes have been embarking on a greater degree of applied research and are working closely with industry. We've always had strong partnerships with industry to do training, but what has emerged over the last few years in both colleges and technical institutes is a greater degree of partnership with industry to do things like applied research, innovation, and, ultimately, commercialization. This is something that we all know is important to the Canadian economy—diversifying, innovating—and we believe that colleges have been underutilized in the realm of research. Our approach is very applied, hands-on, and very pragmatic.

For that reason, we think there are some things that can be done in the tax system that can help to inspire more industry and college partnerships. The focus here today is on the SR and ED program, which is the scientific research and experimental development program. We would like to see the program sustained, first of all, but also expanded. There are opportunities to grow this program. It's already been hugely successful, but more can be done. We would like to ensure that industry contributions within such programs—those provided by CFI, which is the Canada Foundation for Innovation—are explicitly eligible for SR and ED treatment. There is some confusion as to whether the industry contribution that comes as part of a CFI-funded research initiative is eligible for SR and ED treatment.

Number three, we'd like to see the SR and ED potential for a top-up incentive for companies who work in partnership with colleges. We have a tremendous resource here of colleges—150 colleges across Canada in 500 different communities. We think we can further leverage research and innovation activity, and that can be done through a top-up incentive for companies that work closely with colleges.

We would also like to see the opportunity for individuals who emerge from our colleges and technical institutes, who have had that very applied, hands-on, pragmatic training, to start their own businesses, and there may be opportunities to work with colleges to do things such as tax holidays for young entrepreneurs who have their college diploma and want to start their own businesses. Given the strong linkages between industry and community colleges in Canada, we want to continue to support and enhance college involvement in applied research. Page 204 of the 2007 budget cites a project that relates to my institution, and we'd like to see that continued and expanded. That's cited in the briefing document you have.

Finally, on SR and ED, we'd like to see SR and ED expanded to include relevant commercialization activities and work outside of Canada that will ultimately benefit the Canadian economy. We recognize that a lot of the partnerships we're involved in are global, and we believe projects that are global in nature should still be eligible for SR and ED treatment.

I wanted to talk briefly about institutional renewal. Many of our colleges across Canada were built in the 1960s or before, and often to a great extent with federal funds. The infrastructure is in decline in many institutions, and we see an opportunity to reinvest. A couple of ways the tax system might assist us is that the Excise Tax Act could be changed to allow a 100% GST rebate for public post-secondary institutions. There already is a proportion rebated back, but we see the opportunity for a full rebate back that can then be returned to institutions for such things as institutional capital renewal.

This is something we've said many times, but we continue to believe that the separation of post-secondary funding from the Canada social transfer and the creation of a dedicated post-secondary education transfer fund is important for us. Currently education falls into the CST—it's not separated—and there are competing challenges, for instance, related to health, that often take precedence. We'd like to see that as a separate transfer to the provinces on behalf of post-secondary institutions.

Finally, a quick reference to student access, which is increasingly important for us. We see the opportunity to revamp the Canada student loan program to expand the current needs-based grant allocation from one year to two years for students from low-income families and underrepresented groups. We don't have nearly the participation in post-secondary education, either at the university or college level, that we need for the innovation that we need in society, and an opportunity to move from one year to two years would be important there.

● (0930)

Introducing a needs-based allocation process geared to assisting middle-income families.... Currently the cut-off is such that even middle-income families can't afford to send their young people off to post-secondary. We would like to see some changes around the student loan program and then a renewal of the Canada millennium scholarship program, or, by another name, introducing a similar program that will continue to meet the needs of students on a needs-based grant. It's been a successful program, and we would like to see it, or a similar program, continued.

That's my presentation, Mr. Chair. Thank you very much for the opportunity.

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

Now we'll go to the question and answer period.

We're going to allow each member five minutes. Perhaps the witnesses could keep in mind that the five minutes include the questions and the answers. If you can keep your answers brief, it would be a little better so that we can enhance the debate.

Mr. Dykstra or Mr. Richardson.

Mr. Rick Dykstra (St. Catharines, CPC): Mr. Richardson is going to take this round.

The Vice-Chair (Mr. Massimo Pacetti): Mr. Richardson, for five minutes.

Welcome, Mr. Richardson, by the way—or are you supposed to be welcoming us? I'm not sure.

Mr. Lee Richardson (Calgary Centre, CPC): Thank you, Mr. Chairman.

I'm going to be quick because we have a lot of questions and not much time.

Maybe I'll run down the line and thank you for appearing.

I wanted to ask about donations and some of the changes that have been made recently, particularly on the ones that seemed to be well received in Calgary. I wanted to hear from the receiving end—the volunteer organizations—on the elimination of capital gains and the donation of publicly listed securities. Have you sensed a change there? Is it something that has been helpful to your organization?

Ms. Katherine van Kooy: It has been helpful, but the impact of that is quite varied. I think the primary beneficiaries of that kind of change are very large organizations: universities; hospitals; foundations, potentially; and large organizations. There are certainly many organizations that have benefited, but the bulk of smaller organizations are not going to be the primary recipients of those kinds of donations.

Mr. Lee Richardson: I wish I had more time to ask you for suggestions on how we might develop programs like that to get further down to the organizations at the lower level.

Ms. Katherine van Kooy: That's one of the reasons we're recommending that what would be really useful is to take a more comprehensive approach to looking at what the government can do in terms of supporting the sector, not necessarily directly through financial injections, but through the various mechanisms that might benefit a broader range of organizations.

Mr. Lee Richardson: Thank you.

Mr. Lanthier, I'm obviously very aware of the project, and I think it's a fantastic project. I very much wish you well.

Could you let the committee know, and refresh my memory, in terms of the current funding? Of the total funding, you're asking for about 25% from the federal government, but you have cash in the bank from the province and the city. Is that my understanding?

Dr. Clément Lanthier: We received $30 million from the city and $35 million from the province. We already have $11.4 million from the private sector. We are in serious discussions with two companies to get $15 million. We are asking the federal government to match the province's contribution of $35 million.

Yes, the money is secured, except for the $15 million. That is still in discussion with the private sector because this is conditional and exclusively for the Polar Interpretive Centre of Canada. Without the support from the federal government we will not be able to build that component so we will not get that private sector contribution.

● (0935)

Mr. Lee Richardson: What about previous contributions? I understand the city has always been a long-term contributor to the society. What about the province?

Dr. Clément Lanthier: The province gave us $35 million, and it's in trust in our name.

Mr. Lee Richardson: Have you ever received money from the federal government?

Dr. Clément Lanthier: Yes. I think in early 2000 there was a project called Destination Africa. There was a contribution at that time. I think the project was supported by the federal government.

Now we're asking for one-fourth of the total project. The contribution from the private sector is catching the 25%. That was not originally there at this level with previous projects.

Mr. Lee Richardson: Thank you.

Mr. Alvarez, I was taken with some comments you made on a recent visit to Ottawa about the price of oil and about profits in Alberta to the industry. I think there's a lot of misinformation out there. As someone who should know, I was surprised by the cost of recovering oil and also by the amount of conventional oil—the oil that brings $90 a barrel—as opposed to some of the unconventional oil we produce in the province.

I'm really looking at the spread. For the edification of the committee and hopefully others, can you give me in a nutshell what it costs to get a barrel of oil out of the ground these days?

Mr. Pierre Alvarez: It depends on which barrel.

Mr. Lee Richardson: Yes, and that's the difference that I'd like to—

Mr. Pierre Alvarez: If you're looking at a fully upgraded barrel of synthetic crude, it's probably somewhere between $55 and $65 a barrel. The average on a conventional barrel is probably $40. The costs are going up, not down, because you're into enhanced recovery and those kinds of things, and remember that the dollar, in the midst of that, is a huge factor.

Mr. Lee Richardson: How much of the oil that's produced at a cost of $40 to $60 a barrel gets, less taxes, $90?

Mr. Pierre Alvarez: Half.

Mr. Lee Richardson: It's half of it.

Generally, on synthetic oil produced out of the oil sands at an average cost of around $60, what would the return be?

Mr. Pierre Alvarez: Well, that depends right now on where the royalty review settles out on a go-forward basis. I think that's the first big question. The second big question is what the climate change policies and the air quality changes in the land will be over the next little while. The third question is local steel prices and things like that. We've seen dramatic increases in costs over the last little while.

When you look at where we rank internationally in terms of attractiveness, we're in the bottom half of the world's destinations for investment.

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

Thank you, Mr. Richardson.

Monsieur St-Cyr, vous avez cinq minutes.

When Monsieur St-Cyr takes the microphone, he's going to ask a question in French, so any of you who do not speak French may want to put on your translation headsets.

[*Translation*]

I am going to say a few words in French to see if you are receiving the interpretation.

Go ahead, Mr. St-Cyr.

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

Thank you all for being here this morning.

I am going to continue with Mr. Alvarez from the Canadian Association of Petroleum Producers, because a number of statements and visions are different for the petroleum industry.

During your presentation—and I read this in your brief—you stated on several occasions that you wanted to be treated like any other industry. You explained to us that capital is mobile and that industries can obviously invest elsewhere. While it is true that capital is mobile, the oil, as such, is not, since it is concentrated in specific places. At present, major investments are being made in certain regions of Canada, primarily in Alberta, naturally, and these investments, among other things, are the reason why you are facing such high development costs.

The other thing that really surprised me when you talked about being like any other industry is that for years, petroleum companies, namely those developing the oil sands, received preferential treatment: the accelerated capital cost allowance was in place for years, and there was the tax treatment for royalties that was modified and that favoured oil companies over mining companies. During all of those years spent developing the oil sands to make them profitable, you asked for special treatment.

But now that the oil sands are profitable and making money—we see the huge corporate profits—you are asking to be treated like everyone else. To me there seems to be an imbalance there, and as a society, it would be normal to ask oil companies to bear a portion of the environmental costs resulting from both the development and extraction of the resource rather than only when it is ultimately used, because greenhouse gases are essentially produced through the combustion of oil or natural gas.

As an industry, are you prepared to bear the burden of the environmental damage caused by petroleum development? For example, if an industry causes a spill, accidentally or otherwise, should it be responsible for the consequences?

● (0940)

Mr. Pierre Alvarez: You have asked several questions; I will do my best to try and answer them. I am going to give you two or three examples. Why are we afraid? Why do we see a threat of discrimination?

There are two very recent examples. First of all, budget 2000 treated our sector very differently from other sectors of the economy. We paid much higher taxes than other sectors of the economy for six years. That was a very significant form of discrimination.

Moreover, in terms of climate change, we saw reduction targets that might have been twice as high for us as they were for other sectors of the economy. We have been ready to launch a program since 2002. When Mr. Chrétien was Prime Minister, there was a program slated to begin in 2008. We reworked a program with Mr. Dion, when he was Minister of the Environment. We were ready to begin. We are also ready to begin with the new government. We are prepared to pay our share for our emissions. However, we do not want to pay for others' emissions. We are prepared to begin.

What's more, this has started in Alberta. Since July 1, 2007, Alberta has had a carbon tax, like the one in Quebec.

Mr. Thierry St-Cyr: You say that you are ready to begin, but what is preventing you from doing so now? Is it because there are still no greenhouse gas emission reduction targets set in the act? Is it because the Kyoto Protocol has not yet really been implemented? Or is it because there is no carbon exchange? What is preventing you from starting immediately?

Mr. Pierre Alvarez: We have already started in Alberta. It is in the act: we will start this year. It will probably cost us up to $150 million, that we will pay to the Government of Alberta for a technology fund. That is how we will pay this carbon tax here in Alberta.

Mr. Thierry St-Cyr: If I understand correctly, you are waiting for government investments. Is it a government fund?

Mr. Pierre Alvarez: No, we are paying with our money. It is not a fund. We are paying directly.

Mr. Thierry St-Cyr: Okay.

Mr. Pierre Alvarez: There is no program at the federal level. There will not be a tax before 2010. Quebec and Alberta have a program. There is no problem. We will not pay voluntarily if other sectors of the economy do not pay. We have been ready since 2002, we are starting.

Mr. Thierry St-Cyr: That is fine, thank you.

My next question is for...

The Vice-Chair (Mr. Massimo Pacetti): I am sorry, Mr. St-Cyr, but your five minutes are up. I was listening; that is why I did not intervene.

Mr. Thierry St-Cyr: It was so interesting.

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

Mr. Dykstra, you have the floor.

[*English*]

Mr. Rick Dykstra: Thank you, Chair.

I did want to acknowledge that the member of Parliament for the riding here, Art Hanger, wanted me to pass on his goodwill and recommendations. He assured me that Mr. Richardson was going to be able to more than hold the fort this morning, and bring the good folks of Alberta and represent them well here.

I did want to continue along this line, Mr. Henwood.

One of the investments the government has made in the sports centre was the $1.86 million. I think you touched on it a little bit in terms of the use of those funds. I wondered if you could elaborate a bit more on how that's been helpful for your organization, and basically how things are going with it.

● (0945)

Mr. Dale Henwood: Absolutely.

The support we get right now from the federal government at our centre for high-performance sport is about a third of our total cost. But particularly with the recent investment the federal government has made, along with sponsors from the Vancouver organizing committee—again, that's specific to the winter side—I think we've seen tremendous improvements in our Canadian athletes.

As I tried to indicate, looking at it from a medals standpoint, we have consistently gone up. We were third in 2006; we were second last year. The intent is to be number one in 2010. As I said, that's a little fragile, but I'm confident we'll be there.

The bigger issue is on the summer side, where we haven't had any new investment, and I think it shows. Not that there's always a direct correlation between investment and results, but there is a pretty good correlation there. On the summer side, it's just going down.

That's why the focus today is not necessarily on the winter side; it's more on the summer side.

Mr. Rick Dykstra: I'll be quick, because I know we need to move through these five minutes fairly quickly.

It's interesting, looking at our slogan for Vancouver—“Own the Podium”—I think as Canadians, five or six or ten years ago, probably our motto would have been “Share the Podium”. So it's good to see the focus and effort that we've made on this—the $11 million a year that the federal government invests, directly focused on athletes for the winter games—is certainly paying off, and that's certainly a compliment to your organization.

I noted that you mentioned St. Catharines, which is of course my riding. Believe it or not, there are lead athletes from all over the country, and St. Catharines certainly has produced its fair share. I appreciate the note on that. Please pass along my good wishes to those who are there.

Mr. Dale Henwood: Thank you.

Mr. Rick Dykstra: Jeff, you noted in the budget—and I just happen to have it with me here—the manufacturing component that you worked on with a leading motor coach manufacturer to integrate a modified heavy-duty diesel engine into an existing vehicle in order to meet requirements for reduced emissions.

I find that fascinating, not only because it's in the budget, but because it covers so many bases with respect to what we've been trying to talk about when we're trying to lower our emissions and be environmentally conscious while at the same time trying to make sure we have a strong economy.

I wondered if you could just comment on that, because it's an extremely practical application.

Mr. Jeff Zabudsky: I'd like to acknowledge that program, which has now moved from a pilot phase to a more permanent program, and acknowledge the federal government for recognizing the research that can take place in colleges.

We're all familiar with research that happens in universities. It's very important and needs to continue and be supported.

In colleges our approach is much more applied. It's about solving a real-world problem in business and industry. That project itself was one where our students had a chance to work with a local company that needed to retrofit their engine to fit into their existing chassis to meet emission requirements for the U.S. that came into effect last January. The exciting part of that initiative was that our students had a chance to be front and centre in that project and worked directly on a leading-edge, new technology, and they were very proud of that. We are now graduating students who have had a chance not just to learn in a classroom but to learn directly with industry. Those people are going to be much more valuable in industry because of that innovation and that critical thinking they had to go through to solve that problem and to solve the problem for industry. It's a great example of the kinds of things that can happen in colleges and technical institutes.

Mr. Rick Dykstra: Thank you.

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

I have just a quick question before we go back to Mr. Richardson.

Ms. van Kooy, can you explain the national strategy for charity? Are you looking for all charities to have the same strategy? It was not clear what you were discussing or what your point was.

Ms. Katherine van Kooy: No, it's not that the charities need to have a consistent strategy. We're encouraging the federal government to take a broader strategic approach to how it deals with charities and not-for-profit organizations across the country. There are initiatives such as the tax relief that was offered that made it much more attractive for individuals to make donations of stocks to charities and to be exempted from capital gains tax. That was great, but the measures were introduced in isolation from each other, and many government departments work closely with charities in terms of delivering government services throughout the country and the decisions that are made on an—

The Vice-Chair (Mr. Massimo Pacetti): For example, in what case...?

Ms. Katherine van Kooy: A lot of work in the health area is delivered in communities. Services to immigrants are largely delivered through not-for-profit organizations. One of the things we're finding in Alberta is the growing awareness of the human resource challenge and, as Mr. Alvarez mentioned, the federal government's initiative to increase immigration. Many other sectors of the economy are now looking at and identifying the need for community-based services to help integrate and settle new immigrants to our communities, or the work they do in communities, just to make them attractive environments to be able to attract new populations to meet the needs of other sectors. It's for the government itself to take a more holistic view as to how it works with charities and not-for-profit organizations across the country.

● (0950)

The Vice-Chair (Mr. Massimo Pacetti): Was a study not done two or three years ago on something like this?

Ms. Katherine van Kooy: Work was done a number of years ago —the voluntary sector initiative under the former government. That initiative led to quite a number of substantial gains. Some of the things I mentioned in terms of the data collection are outcomes as a result of the work that was done during that period of time, but the reason I mention those particular surveys and studies and the satellite accounts is that it's our understanding that those data collection initiatives are potentially not going to be continued to be funded anymore, so that would really be moving us backwards.

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

Mr. Richardson, for five minutes.

Mr. Lee Richardson: Thank you.

I wanted to thank the committee for appearing here. I wish you had more time. I wish you had time to see around the city. I'm sorry that it's snowing out there. You might get the notion that the streets really aren't paved with gold, that it's very much of a free enterprise society that we live in here. I know that comes as a very strange thing to some on the committee.

One of the things I think it's important to know is how it all works together somewhat differently from perhaps other parts of the country. I think of Ms. van Kooy's volunteer organizations, the amount of support they get, for example, from our leading industries, the oil industry. I think we probably have the highest per capita of volunteer cooperation and charitable donations of any jurisdiction in Canada.

I look, too, at the numbers of our employees who are employed in the oil industry and spin-off industries, for example. I look at the benefits out of all our organizations as a result of this, like the sports centre, like CODA, like the zoo. And it's simply a different way of looking at things that we like to leave some of this in the hands of the people who create the wealth so that they can decide where they want it spent as well as to funnel it through bureaucracies.

I had a question here, but it's dragged out. I just want to get that on the record. We don't always do things the same way out here, but we manage to have a pretty good quality of life as a result of it.

Who might want to comment further on that sort of thing and how we develop that? There are those of us who sometimes take offence at the shots at our industries here and how we work and the contributions they make to the rest of the country. We don't have an accelerated capital cost allowance any longer, for example.

I would like to ask Mr. Alvarez what the impact of that has been and what he expects it to be. I personally didn't think it was a very good idea to lose it.

Mr. Pierre Alvarez: I think the bigger problem isn't just the accelerated capital cost allowance, Mr. Richardson. We've just seen wave after wave of dramatic changes federally, provincially, on top of very difficult economic circumstances, particularly relating to the dollar and global growth.

The concern I think, and I'm sure you're hearing it from the business community as well, is that there is just a growing weariness in the capital markets about how many changes you can take, how many shots you can take, before people simply start saying, “We're going to look at doing business anywhere else”.

I really think the biggest single concern that's out there is just this growing fatigue in not just the domestic but in the international investment community. Canada enjoyed a tremendously positive reputation, especially on the oil and gas side, for a long time. I think that's grown pretty thin over the last 12 months.

Mr. Lee Richardson: We've heard that, and I'm just going to wrap up by asking you this. A response might be “So what?” If they don't, then what kind of impact does that have, and how long can we sustain it?

● (0955)

Mr. Pierre Alvarez: There are two ways to look at it. One way is from an activity level. We've seen natural gas drilling drop from 23,000 wells to 15,000 wells. We will probably see somewhere between a 5% and 10% reduction in natural gas production this year —not exploration, production. Those are big numbers.

More importantly, where you've seen it is the value of RRSPs and everything else. Over the last 12 months the performance of the international oil and gas stocks has been on a tear and has grown very, very significantly. In Canada, at best, it's been flat. In many sectors, and Mr. Andrew can talk to you about that later, it's been negative.

So we have not enjoyed, as a country, that uptake in prosperity that a lot of the larger international firms have, and that flows through not just in production, as I said. That's the value of the Alberta heritage fund, it's the value of RRSPs, it's the value of pension funds—all of those have a huge weighting in the oil and gas industry, because we're 25% of the national economy now. We can't take any more hits.

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

Monsieur St-Cyr.

[*Translation*]

Mr. Thierry St-Cyr: I would like to put a question to Mr. Henwood, from the Canadian Sport Centre Calgary.

In your brief, you mention a number of points to examine. Among others, you mention up-to-date tax credit evaluation results from the 2007 Children's Fitness Tax Credit.

Do you have any objective information from studies or research, as well as figures, on the impact that this tax credit has had on young people practising sports, or at the very least, if you do not have that, do you have an idea, something that may be more subjective? What have you seen out there in terms of the use of sports facilities as a result of this Children's Fitness Tax Credit?

[*English*]

Mr. Dale Henwood: First of all, I would say there's a vast array of research evidence on studies related to the importance of children being active. I could provide you with lots of documents on that. I think there is lots of information there.

In terms of the impact right now of, as an example, the children's tax credit, this is the first year. I believe, based on people I've talked with—people in my community and my neighbours—that it's a very good thing. I believe it's part of a comprehensive policy that we need for sport.

I would also say that right now in the sports sector we get about 88% of our money from non-government sources. I will compliment a lot of the oil and gas companies in this area in particular, because I think they have shown a great support for sport. I think the corporate tax benefits afforded in other G-8 countries are much better than they are in Canada in terms of the benefit back to the corporation.

[*Translation*]

Mr. Thierry St-Cyr: Going back to this credit, you are saying that currently, there are not necessarily any figures or studies that confirm the impact of this tax credit on the use of facilities, and that it is perhaps too early to know what the real impact is. Is that correct?

[*English*]

Mr. Dale Henwood: It was just introduced not even a year ago, so I think it's difficult, but from the people I talked to in my community, I can say anecdotally that it's going to be very significant.

[*Translation*]

Mr. Thierry St-Cyr: Thank you very much.

Ms. van Kooy, in your brief you mentioned alternative funding methods for charities, namely debt financing. That is an interesting idea, because the problem exists throughout Canada, be it in Alberta or in my riding, in Montreal.

You say that certain jurisdictions have programs that encourage funding, debt financing for charitable organizations.

Can you give us some examples of institutions and programs that we could use as models?

[*English*]

Ms. Katherine van Kooy: A number of things have been looked at. One of the issues experienced by many organizations in need of debt financing is that the commercial banking system is not necessarily attracted to supporting those kinds of organizations.

There have been efforts in Canada to try to establish a bank specifically for financing not-for-profit organizations. It would be a financial institution that would have a better understanding of the needs of these organizations, and a funding supply would be available to it. The challenge has been to get the initial amount of capital you need in order to establish that kind of institution.

It's one of the approaches that has been looked at. It's a matter of looking at different ways, either by making different alternatives available legislatively or by arriving at some vehicle whereby the government perhaps would stimulate it.

● (1000)

[*Translation*]

Mr. Thierry St-Cyr: I am going to interrupt you, because I wanted to hear something more concrete.

In your brief, you say:

[*English*]

> There are examples in other jurisdictions of approaches adopted by governments to encourage investors and corporations to invest in community development....

[*Translation*]

I would like to know what those other jurisdictions are, those other governments that we could use to base such measures on.

[*English*]

Ms. Katherine van Kooy: There are a number of situations in....

I'm going to draw a blank on this. I'm sorry, perhaps I could provide that response to you in writing following this.

The Vice-Chair (Mr. Massimo Pacetti): I think that was my question as well.

Mr. St-Cyr's time is up.

The brief is a good brief, but the problem is we don't have any examples, and a lot of the recommendations are a bit...I hate to use the word “vague”, but you've got to give us what you want to see; you've got to give us some good concrete examples.

Ms. Katherine van Kooy: I'd certainly be happy to do that. If there's a possibility of following up with you, I will provide that in writing.

The Vice-Chair (Mr. Massimo Pacetti): Right. Just send it through the clerk. That's what we're looking for.

Thank you.

Mr. Dykstra, you have five minutes.

Mr. Rick Dykstra: A couple of you spoke about the scientific research and experimental development tax credit. We've had a lot of discussion about this as a committee. Obviously, our industry committee came forward with some pretty solid recommendations, and a number of them were put into the 2007 budget.

The finance committee itself actually, for good reason, I think, decided to abstain on that vote of endorsing it from a finance committee perspective based on the fact that moving on the scientific research and experimental development tax credit without making sure you're going to do it properly is a concern for us. If we're going to do it, we want to make sure it's done properly and has the maximum amount of impact. That's why the Minister of Finance actually started the panel on this, to discuss it to make sure that it does comes forward in a positive way.

I noted, Mr. Alvarez, that you did use a couple of words that I think are pretty important, and I'd like you to expand on that; the words are " transparency" and "clarity". It would be good to get your thoughts on that, because we are just in the middle of trying to move forward on this, and it would certainly be helpful to get your thoughts.

Mr. Pierre Alvarez: SR and ED is a hugely underused program, not just in the oil and gas industry but in the resource sectors broadly. I think a large part of that is the way it has been administered to date simply does not recognize the difference between benchtop and university-type R and D and the kind of thing Red River College was talking about.

We've got projects in northern Alberta that are essentially giant R and D projects, CO_2 floods and gasification. They don't get recognized as part of that. A lot of the resource industry has just given up on applying for the program because of the frustration, the administrative burden, associated with it. It's an area that we think needs to have time devoted to it.

Transparency is not an issue. We do it for tax purposes. I've got to believe there's a way to do it, and I think effectiveness...it hasn't worked for a lot of our sectors. I don't have a magic solution. I'm encouraged by the review that's under way. I know the Canadian Academy of Engineering is also doing one as well. All I can say is that we'd love to continue to work on this, because at this point it's just not meeting our needs.

Mr. Rick Dykstra: Jeff, maybe you could expand on it from a Red Deer College perspective. You noted the transfer or the use that you'd like to be able to make of that. Certainly it's ingenious off the top. I wonder if you could comment as to how that would actually be a benefit.

The reason I'm intrigued with this is because the outcome isn't just that you can invest a whole lot of money into research and create jobs because of the research itself. It obviously has to have a long-term benefit to the economy, the government, the companies, and, if we were to go in this direction, the colleges and universities involved.

Bearing in mind what I just said, can you give us an understanding of how you feel it should apply to you?

● (1005)

Mr. Jeff Zabudsky: First, I would echo the remarks around the administration. We've certainly heard that from some of our industry partners, that it needs to be streamlined in terms of just the work involved in accessing the program. We would endorse that.

In our particular case as colleges, we see ways whereby the program can be refined to ensure that there's a greater degree of collaboration between colleges and business and industry. We already have strong connections to industry at colleges. We have advisory committees, and our curriculum is developed through processes that are consultative with industry. We're there already, and there's the opportunity to now create, as I mentioned in the briefing document, top-ups for industries that want to work with colleges. That will help then get our students exposed to those innovations that are occurring and provide a better learning opportunity for students. But the administrative piece is something we've heard about constantly from our partners.

Mr. Rick Dykstra: Mr. Lanthier, I have a question for you. I'm a member of Parliament from St. Catharines in Ontario. I do come out to the west occasionally, but I wanted to just take away from your presentation and your request what the benefits are. I know what the benefits are to Calgary. I know what they'll be to the province here. Could you just expand on how the investment the federal government would make at the zoo would be beneficial to those of us in the rest of the country?

Dr. Clément Lanthier: I think it's all about the outreach component of our program. We will definitely have education programs that will talk about the Arctic and raise the issue of the Arctic, but those programs will not only be delivered in Calgary. They will be available for all of the institution members of the Canadian Association of Zoos and Aquariums, which reach 11 million visitors per year. The same program or an adapted program will be available and will be given to the Aquarium de Québec or the Toronto Zoo or the Vancouver Aquarium. We need to build those programs that will be available.

We also want to disseminate all the bio-research that is coming from the Arctic. In the throne speech, there was an initiative to talk about an institute to build a new Arctic research facility, but the research that will come out of this institute will definitely be published in peer-reviewed journals. We need to find a way, and it's one of the mandates of the Polar Interpretive Centre to take the abstracts coming from those peer-reviewed research journals and make them available, to translate them in such a way that they will be accessible, for Canadians, for schools, and for kids.

We need to talk about the Arctic. We need to make sure that Canadians will connect and will be aware of what's going on, so that they will create a sense of ownership of the Arctic and support the federal government.

I can go on and talk about the conservation initiatives that we want to—

Mr. Rick Dykstra: I'm sure you can; I don't know whether the chair will let you, though.

If I were the chair, I would let you. I just want to make that clear.

Dr. Clément Lanthier: My point is, this is definitely not something that is specific to Alberta; it's not specific to Calgary. It's a lot of benefit for Canada. This is what our project is.

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

Monsieur Lanthier, in follow-up to that question, where is the money going to come from? Where can we help you? The government is not going to write a cheque to the Calgary Zoo. It has to come from some type of program. Is there nothing with the Western Economic Diversification—what's it called here—agency?

Dr. Clément Lanthier: I think the magnitude of this project might be too big for that program; I'm not sure. I think we fit in the infrastructure program. The way it has been written, it's to support heritage, cultural institutions, and sports facilities, and if you go to Statistics Canada or Heritage Canada or to many other websites of the Canadian government, you will see that zoos are recognized as heritage institutions. So I think we fit the program.

The Vice-Chair (Mr. Massimo Pacetti): But have you made any application? Have you made any attempt to get some funding from the government?

Dr. Clément Lanthier: We are in discussion with the federal government in this regard.

The Vice-Chair (Mr. Massimo Pacetti): With what department? Is it Heritage?

Dr. Clément Lanthier: No, we have been in touch with Infrastructure and....

The Vice-Chair (Mr. Massimo Pacetti): Okay, that's fine. And you have a good member of Parliament. Don't you have the Prime Minister in Calgary? He can give you a hand.

Mr. Alvarez, you spoke about having a bit of difficulty also in getting financing, or in projects coming forward. Did the income trust decision hurt your industry, or how is it affecting your industry?

● (1010)

Mr. Pierre Alvarez: Probably the biggest impact of that has been felt not just by the trusts but by the smaller companies that would build up and then sell their production to get to two or three or four thousand barrels a day. It was a way to sell their production into a unit that would.... What's happened is, there have been a number of provincial royalty changes, some economic changes, and then the disappearance of their exit strategy. It's the combination of all of those that has had an impact on the viability of the junior sector to raise capital, because they are the highest-risk part of the industry.

The Vice-Chair (Mr. Massimo Pacetti): Can we go through this exercise again? I'm not sure I follow. If you were able to sell oil at $67 a barrel—I think that was your example in the brief—and now it's $88, isn't the extra $21 all profit?

Mr. Pierre Alvarez: To start with, if you want to take $95, let's remember that we're now dealing with, let's say, parity—for a period of time, it was higher than that. You have straight operating costs, you have taxes provincially, you have taxes federally, and you have royalties provincially.

I would love to say it's all profit, Mr. Chairman. Unfortunately, it's not.

The Vice-Chair (Mr. Massimo Pacetti): I understand that part. But those costs were there when it was $65 a barrel or $95 a barrel. The royalty, I'm assuming, is based on a percentage.

Mr. Pierre Alvarez: Yes.

The Vice-Chair (Mr. Massimo Pacetti): If we use the example of $88 versus $67, or $95 versus $67, if you want to use $28 or $21, I agree it's not all profit. There's some percentage there that goes to royalty, but the fixed costs are fixed.

Mr. Pierre Alvarez: The fixed costs are fixed, but you're also looking for investment capital to go on and do the next-level investment.

The Vice-Chair (Mr. Massimo Pacetti): You would do the same thing at $67.

Mr. Pierre Alvarez: I'm not convinced you would do the same thing at $67.

We're seeing a remarkable retrenchment in the industry right now, Mr. Chairman. A lot of talk of the Alberta boom right now is from people who are looking in the rear view mirror. There is a tremendous slowdown that is occurring in the economy here, outside of the large urban centres. We're going to see that slowing down. What people are finding is that they could keep producing, but are they going to make the next investment, which is going to be more expensive as we see costs continue to spiral. Some of those costs are local. The biggest challenge, though, is international costs—the price of steel, the price of cement, the price of chemicals, even the price of —

The Vice-Chair (Mr. Massimo Pacetti): Yes, but that's true for any industry.

Mr. Pierre Alvarez: Absolutely.

The Vice-Chair (Mr. Massimo Pacetti): Thanks, Mr. Alvarez.

Mr. Henwood, in terms of percentage, you said there is 88% that's non-government money. So your ask is about $30 million. Is that what I understood, $1 per person, $32 million or $33 million, something like that? Is that what you're asking for?

Mr. Dale Henwood: Yes, to be clear, I said the sports sector itself gets 88% of its revenue from non-government sources. The request today is specific to a new investment on the summer program to match what we call on the winter side, “Own the Podium”, which is a winter program. We have not got any new investment on the summer side. We'd like to try to get $30 million annually on the summer side to invest in the programs we call the Road to Excellence.

The Vice-Chair (Mr. Massimo Pacetti): Is that $30 million additional?

Mr. Dale Henwood: Additional.

The Vice-Chair (Mr. Massimo Pacetti): So what are you getting right now?

Mr. Dale Henwood: The sport system in the country I think gets $140 million.

The Vice-Chair (Mr. Massimo Pacetti): So what will the Canadian taxpayer get for his additional $30 million?

Mr. Dale Henwood: They'll get significant new performances, for one thing. I think you'll see a lot more people involved, a lot more kids, deeper down in the system, involved in sports. One of the things I tried to provide in the brief was some reasons why investment in excellence, because excellence is very—

The Vice-Chair (Mr. Massimo Pacetti): I think the problem I'm having...and I don't want to speak for everybody, but I think we understand that we're looking for excellence and we're also looking for participation. But in the end, what is going to be the return on investment, if I can use that expression? How do we know that the $30 million is going to be enough, first of all? I don't even know if it is enough, especially with the number of sports that are out there. If we start including sports teams, how do we draw the line? You're saying summer sports, but summer sports are endless. I think winter sports are probably more controllable. I don't see how even $30 million is enough.

Mr. Dale Henwood: We have a very comprehensive business plan that's been, again, submitted to the committee, called "Road to Excellence", which outlines how we arrived at that $30 million figure, how it would be invested in coaches and athletes and R and D and new technology for performance. That whole $30 million is outlined in that program. It's a very comprehensive business plan that was developed over the last couple of years.

● (1015)

The Vice-Chair (Mr. Massimo Pacetti): Okay, and it's been submitted to us.

Have you been working with Heritage on that as well, and Sports Canada?

Mr. Dale Henwood: Yes.

The Vice-Chair (Mr. Massimo Pacetti): Okay, great. Thanks.

Mr. Zabudsky, can you take me through the R and D, how it works when you're partnering? How is that going to benefit if we increase it? I don't think you mentioned in your brief that you want it to be refundable. Some of the corporations have been asking for the R and D to be refundable. Are we talking about the same program? How is that going to benefit you?

We'll use an example—Nortel. Why would we want to increase and give more money to the Nortels, the Celesticas, the bio-pharms, the aerospace? These are all the companies we saw last week, asking for this money to be refundable.

Mr. Jeff Zabudsky: What we're talking about is refining the program to drive public–private partnerships between the private sector and colleges, because the advantage to us is that our students then have the opportunity to be working on real-world problems. We've demonstrated through a series of projects, one of which was cited earlier, but there are others, where students were able to work directly with industry in solving a real-world problem. We've done hydrogen buses, cold weather testing in Winnipeg, sustainable building technologies, the MCI project. So what we're talking about is ensuring the program is accessible and is not administratively over-burdened, but we're also expanding it to provide incentives for business to want to work directly with colleges.

We're looking for a hand up as colleges. Universities have had a long history of research. They're known for the research they do. We believe we can leverage the practical, the applied, activity that occurs in a college environment to assist with the innovation agenda.

The Vice-Chair (Mr. Massimo Pacetti): What happens when the technologies are successful? Do you want to commercialize them? Then it's the companies that make the money?

Mr. Jeff Zabudsky: Exactly. In our case, the benefit to us has been the benefit to our students, their opportunity to work on real-world initiatives. Ultimately, it will benefit the students.

The Vice-Chair (Mr. Massimo Pacetti): So the students get the experience and the companies get the free labour, and then if you end up making money, they get to keep all the profits related to that, through commercialization.

Mr. Jeff Zabudsky: The economy gets the innovation and the expanded productivity.

The Vice-Chair (Mr. Massimo Pacetti): And meanwhile, the government is going to refund the companies for their R and D. All right, as long as we get to tax the profits on them, I think that's where the key is.

I have one quick question, actually. I think Mr. Alvarez spoke about this as well—the R and D. It's been coming up repeatedly, the streamlining.

Do you have specific examples of how we can streamline the R and D program, make it easier? A lot of companies have been telling us it's not refundable, they have tons and tons of credits, they get audited, but it's not worth anything to them, really. It's just an asset that's lying there, dormant, not working well.

Mr. Pierre Alvarez: Two issues have come up with us. One is about the definition of what does and doesn't qualify. It seems to be an endless and ever-changing one. Secondly, the audit provisions are to the point where companies simply quit applying, because for the amount of return....

Take Syncrude, for example. I think it's only one out of ten projects they file now, because it's just not worth the hassle. And I think that's definitional as much as anything else, Mr. Chairman.

I can give you other examples, but that's probably the best example I can think of. They just don't bother anymore.

The Vice-Chair (Mr. Massimo Pacetti): Mr. Zabudsky, the colleges are not part of the application process, correct?

Mr. Jeff Zabudsky: No.

The Vice-Chair (Mr. Massimo Pacetti): Okay, that's great.

Thank you to the panellists for coming before us. We appreciate it.

We'll suspend for a couple of minutes till the next panel comes up. Thank you.

●

(Pause)

●

● (1035)

The Vice-Chair (Mr. Massimo Pacetti): Let us start.

Good morning to the panellists. We're here in the second part of the first panel here in Calgary.

I'm going to allow you five-minute time intervals to present your briefs or memoirs, to make your opening statements. Then the members will be asking questions.

As you can see, there are not too many members around the table. That's because we had some problems getting in yesterday. Some of the members got snowed in or snowed out, whichever expression you want to use. We also had some other problems: there's a budget bill going on, and the same committee is responsible for that budget bill. There are problems in planning by the Conservatives, but we're not going to get partisan.

In case any of you want to swear, you cannot swear, but to comfort with respect to your testimony, everything you say will be recorded. All your testimony is going to be on record for all the members to look up and review; everything is on record.

We have somebody filming. To whoever is going to be the first presenter—I think it's going to be Mr. Andrew—he'll be filming you for the first minute. Don't feel the pressure; it's just a camera.

Let's get started. From the Coalition of Canadian Energy Trusts, we have Mr. Andrew.

Go ahead, for five minutes.

Mr. Bill Andrew (Co-Chair, Coalition of Canadian Energy Trusts): Thank you very much, and thank you to the members of the committee.

My name is Bill Andrew. I'm the president and CEO of Penn West Energy Trust, and I'm presenting here as co-chair of the Coalition of Canadian Energy Trusts.

Over the past year, many members of our coalition have been in front of you on a number of occasions. We've also had the opportunity to meet privately with committee members and the committee as a whole, in the hope that we could influence some change to the federal government's decision to tax income trusts.

I note that Mr. Pallister, the chair of the Standing Committee on Finance, is from Whitecourt. Our company, Penn West, conducts a lot of business in Mr. Pallister's riding. We employ a total of 1,100 employees in western Canada, 75 of whom live in and work around Whitecourt and 600 of whom drive trucks made in the Golden Horseshoe area of Ontario.

Our ability to do business and to sustain these jobs has been significantly challenged since October 31, 2006, due to the downward pressure on our unit price caused by the reaction to the government's decision to change the rules regarding income trust taxation. I'm sharing this with you not to tug at your heartstrings but to bring home a story that is being played out in ridings across western Canada among people living with the consequences of your government's decision.

Mr. Chair, the oil and gas sector brings significant benefits and tax revenues to towns and rural areas throughout western Canada, towns and rural areas that are home to the hardworking Canadians the government loves to single out for recognition. The actions of this government have significantly reduced the ability of energy trusts to access capital and are putting many energy trusts firmly in the sights of foreign interests. It follows that these actions, which replaced a made-in-Canada solution that fit our mature oil and gas asset base, and the potential fire sale of these assets, clearly cannot be in the best interests of Canadians.

The federal government has asked us to speak today on the tax system needs for a prosperous future. We'd like to reiterate one more time the Coalition of Canadian Energy Trusts' main points regarding the need for a continuation of the income trust structure, which fits the energy industry reality in Canada.

Firstly, we believe it is the responsibility of government to formulate policies in a transparent manner. We are dismayed and continue to be dismayed at the government's continued refusal to provide documentation and evidence concerning how the Department of Finance arrived at the decision to implement the tax fairness plan.

Secondly, as expert witnesses at the finance committee's hearings have testified, the Conservatives' one-size-fits-all approach to the income trust decision was not the most appropriate model for the Canadian economy. Many witnesses have cited the need to consider sector-specific exemptions to the policy. We continue to believe there's a strong case for this made-in-Canada solution, which would keep our energy assets in the hands of Canadians and provide options for accessing capital to companies working to extend the economic life of western Canada's energy industry.

Thirdly, the federal government has “unlevelled” the playing field. We believe the corporate tax model should be competitive with those in other countries. This is one of the reasons for our objection to the October 31, 2006, decision. Contrary to the government's assertions in the tax fairness plan, oil and gas exploration businesses and development and production businesses do continue to qualify for similar treatment in the U.S. In fact, since the Halloween announcement, the size of the U.S. MLP sector has grown dramatically. The sharp devaluation of the energy trust sector since October 31 has imposed a significant cost of capital disadvantage to Canadian entities relative to our U.S. counterparts. This puts the entire sector at risk of increased foreign ownership of Canada's energy resources.

Fourthly, from an investor's point of view, there has been a significant and detrimental effect on the growing population of Canadian seniors, who had come to rely on revenues from income trusts as a legitimate income stream. These investment decisions were made in good faith, based on a promise made by Canada's current Prime Minister. The Conservative government's decision not to keep this election promise betrayed our investors and caused incalculable damage to their long-term fiscal well-being and to Canada's financial reputation on the world stage.

● (1040)

In conclusion, the Coalition of Canadian Energy Trusts again urges the Standing Committee on Finance to revisit the recommendations that emerged from the committee's investigation into the income trust decision, namely, to extend the period from four to ten years for all entities currently operating as income trusts, and, secondly, to consider sector-specific permanent exemptions from the policy, based on precedents being set overseas and as in the United States, where they've done so through the MLP structure in the energy sector.

Thank you very much.

● (1045)

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

Just to correct the record, the former chairman was Brian Pallister, and his riding is Portage—Lisgar, and the present chairman is Rob Merrifield, and his riding is Yellowhead. So I'm not sure what you were referring to in your brief.

Mr. Bill Andrew: Whitecourt is Yellowhead. I'm a little behind the times.

The Vice-Chair (Mr. Massimo Pacetti): They're both Conservatives, just for the record. I'm a Liberal and the vice-chair. I used to be the chairman.

Mr. Bill Andrew: We do have operators in Liberal areas as well.

The Vice-Chair (Mr. Massimo Pacetti): Okay.

On that note, from Meyers Norris Penny, we have Mr. Tait. Go ahead for five minutes, please.

Mr. Gordon Tait (Partner, Meyers Norris Penny): Good morning.

I'd like to thank the chairman and the committee for this opportunity to speak to you this morning. My name is Gordon Tait, and I'm a chartered accountant with Meyers Norris Penny.

I am here to address the circumstances of a small, highly productive, community-minded minority here in Canada known as Hutterites. Our firm represents over 300 of the 320 Hutterite colonies in Canada, and we have done so for over 45 years. We are here to ask for your support for amendments to section 143 of the Income Tax Act, which contains the provisions the Hutterite colonies are taxed under.

Specifically, we are asking that Hutterites, like other Canadian farms, be permitted to allocate a portion of their taxable income to members under the age of 18 who are actively involved in their business.

A Hutterite colony is a diversified grain and livestock operation. Colonies consist of 15 to 20 families and range in size from 60 to 150 people or more. As the colony grows in population, it will branch out or split, and it will purchase a new farm site and construct various agricultural and personal buildings and establish a new congregation. With the cost of approximately $15 million to $20 million for a new colony, we can be assured that any tax savings resulting from this request will be reinvested back into our rural economy.

There are approximately 30,000 Hutterites in the 320 colonies located across the west. The Hutterite religion is a Christian religion, and the members' fundamental belief is in the community of goods. The colony members share all things common, and they take a vow of poverty. Contrary to popular belief, Hutterite colonies are not self-sufficient. As does any other agricultural business, they require and purchase many goods and services in their local communities, including fertilizers, chemicals, feed, farm machinery and equipment, and vehicles.

Colonies are significant enterprises, with annual operating and capital expenditures of $3 million to $5 million per colony. That is about a $1.5 billion direct impact annually, likely helping to generate $7 billion to $10 billion in spinoffs. Colonies do not have a central buying group. They don't pool their resources or buy in mass quantities. Each colony operates quite independently and makes its own business decisions. There is no central pooling of financial resources.

Colonies play a very active role in their local communities. They support many charitable and community organizations with both their time and their finances. While significant in size as an agricultural operation, a colony supports 15 to 20 families. On a per capita or per family basis, colonies are quite small, with only 500 to 750 acres per family. They are a great example of a family farm, surviving and thriving because of their commitment to work and live together and to share.

Colonies are no different from any other farm or small business in Canada. Each member has responsibilities, and the young people are actively involved. Specific chores and responsibilities are assigned, and at the age of 15, Hutterites leave public school and begin their apprenticeship and training on a full-time basis.

The current income tax legislation regarding Hutterites puts restrictions on them that other Canadian farm businesses do not have. The legislation allocates the taxable income of the colony to specific individuals, but it does not allow an allocation to anyone who is under the age of 18. No other business is subject to an age restriction of any kind. They are restricted by the bounds of reasonableness.

Based upon the number of colony members under the age of 18 who are actively engaged in the farming enterprise, this restriction results in the loss of $22 million in non-refundable tax credits to Hutterites in Canada, which equates to a tax cost of $2.5 million per year. A Hutterite family will pay 45% to 50% more income tax than a non-Hutterite family. It is our submission that fairness and equity would be achieved if Hutterite colonies were permitted to allocate a reasonable amount of their taxable income to members under the age of 18.

We have had ongoing discussions with the office of the Minister of Finance and the Department of Finance, as well as several MPs, on this issue, and all of these discussions have been very positive and supportive. The changes that are being proposed represent a minor financial impact to the government but a significant amount to this small group of Canadians.

The history of section 143 goes back to the Carter commission of the 1960s, and this section has been updated only once or twice since then. We are not requesting anything special. We are looking to catch up with the rest of the act. It is with a focus on fairness and equity that we respectfully request this committee's support and recommendation that section 143 be amended.

I look forward to discussing this further or addressing any of your questions during question period.

Thank you.

● (1050)

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

From the Poverty Reduction Coalition, we have Mr. Legge.

Mr. Adam Legge (Director, Research and Business Information, Calgary Economic Development, Poverty Reduction Coalition): Thank you very much. I am Adam Legge, volunteer committee chair for the Poverty Reduction Coalition. It's a community collaborative, supported by the United Way of Calgary and Area, that aims to reduce poverty in Calgary. We work collaboratively with all orders of government, the business community, social service organizations, and community members.

In terms of criteria to guide federal taxation decisions, we encourage the federal government to review its tax and spending programs through a filter that ultimately improves the well-being of all Canadians. We feel that decisions regarding taxation policy in Canada for individuals and for corporations should be based on three key concepts: incenting individuals to become skilled and to work; being globally competitive; and providing supports that will enable people to be part of the workforce to their greatest potential.

On incenting individuals to become skilled and to work, taxation policy should be supportive of individuals and companies that make investments in increasing skill levels and education. A highly skilled and trained workforce performs at the upper end of the value chain and results in higher returns. Both individuals and corporations benefit. Taxation policy should never discourage one from working, but unfortunately, the welfare wall experienced by many at lower income levels creates a disincentive to entering the workforce at a higher level of productivity and income.

Collectively, taxes and reductions in benefits should flatten and make the marginal effective tax rate an incentive to work rather than a disincentive. Canadians exiting social assistance through employment should be encouraged. In this regard, the federal government's commitment of $550 million per year to the working income tax benefit is to be applauded. This program should be increased to see greater advancement into employment by those on social assistance or at lower levels of income.

In being globally competitive, Canada's taxation rates should be competitive with other OECD and G-8 nations in order to attract and retain not only companies, but people, our most critical resource, particularly in a time of labour shortages. Studies by the CD Howe Institute indicate that some Canadians face a very high marginal effective tax rate, as high as 80%, depending on the province and the level of income, and therefore Canada is one of the most expensive jurisdictions in the OECD from a taxation perspective. Efforts should be made to reduce the marginal tax burden, particularly for those at lower income levels. Additionally, taxation reduction should focus on income taxation rather than on consumptive taxes. Canadians and corporations both benefit when we have a competitive tax system.

In terms of providing the supports that will enable people to be part of the workforce to their greatest potential, what the federal government needs from Canadians more than anything else is for as many as possible to be employed. Yet barriers exist for many to be employed. These barriers are those things that you and I take for granted every day. They include things like child care, elder care, transportation, and housing.

The recently introduced federal tax program given to employers who acquire day care spaces for their employees' families is a positive example currently in place. More of these programs are needed to assist with elder care and child care to enable more Canadians to be productive, earn income, and generate economic well-being. This would also include transportation support for those who need assistance with transportation.

Additionally, tax changes should also favour investments that grow the stock of affordable housing. Changes such as the elimination of capital gains on donations of real estate to registered charities that provide perpetually affordable housing would be beneficial. One interesting note is that under the current Canadian taxation system, one gains a greater benefit from donating land for ducks than from donating land for humans. Further, an elimination of GST on construction materials associated with affordable housing and affordable rental housing developments would create further incentives.

Both individual Canadians and their employer corporations benefit from an increased capacity to be part of the workforce and to focus on productivity and other life matters.

On behalf of Jim Dinning and Nancy Laird, our PRC co-chairs, and our 90 volunteers, thank you very much for the opportunity to present to you today.

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

From the Public Service Alliance of Canada, l'Alliance de la fonction publique du Canada et du Calgary and District Labour Council, we have Mr. Christie. You have five minutes, please.

● (1055)

Mr. Gordon M. Christie (Representative, Public Service Alliance of Canada and Calgary and District Labour Council): Thank you. First I'd like to thank the committee for the opportunity to put forward our presentation this morning and welcome you to Calgary.

The Calgary and District Labour Council has approximately 30,000 members, and the Public Service Alliance of Canada has about 5,000 members in the Calgary district. In reality, we at the Calgary and District Labour Council, the voice of labour, truly try to represent the best interests of all working people in the city of Calgary, whether they have the privilege and opportunity to belong to a union or whether they're unorganized workers.

As we do our presentation today, we really feel it's about choices. We feel that taxation is about choices. I should go back and say that what we truly strive for, both the Labour Council and the PSAC, is equality in our society. That would include such things as the eradication of poverty and of child poverty. Taxation is about choices, and equality should be front and centre.

There are a lot of rosy things happening in Alberta, but a lot of things get left behind. The colleague before me talked about poverty reduction and things of that nature. I would echo a lot of those comments. A little-known fact is that what has happened in Calgary over the last couple of decades is that the gap between the rich and the poor has increased dramatically. In fact, when we go back to the tax year of 2003, Calgary became the capital of the rich—i.e., of high-income people and low-income people—and not only that, it was the highest divide ever in the history of Canada.

It has only gotten worse since. At that time, it was approximately $248,000 for the top 10% of wage earners and between $12,000 and $13,000 for the lowest 10% of wage earners. It works out to $19.10. As I said, that's the largest divide ever in the history of Canada, and it has only gotten worse since 2003.

We talk about taxation and about fairness. We need to do the things to change this, so that the divide between the low-income and high-income is reversing, not getting worse each and every year. We feel it was created over the last couple of decades not just by the federal government and its budgets, but more so by the provincial government and the local government as well—particularly the provincial government in going to a flat tax, which is great for some people but really negatively affects others.

I have to state that universality.... We don't believe in spending cuts for the rich. We have lived that. Twenty years ago I worked for the Alberta government, and the line there was, we're going to do the trickle-down effect. Well, let me tell you with absolute certainty, for the last thirty years, workers in the Calgary area have not been trickled down on. We have not received the benefits that have been portrayed by provincial and federal government leaders. The trickle-down effect on workers does not work.

We feel that taxes should not be cut, that tax cuts in the past have not benefited our society, and that in fact taxes shouldn't be cut. The money should be put into our fully funded public services.

To qualify that, they have to be universal. In public services, our priorities are a properly funded health care system, a properly funded national child care system, which I think is probably our priority, and also a national pharmacare system.

These aren't big, expensive items. We had hearings in Calgary about a month ago on the pharmacare issue. In fact, it would save the federal government money if we had a national pharmacare program.

It's things of that nature we would like to use our taxes wisely for, instead of taking tax cuts. We really and truly have to go back more to a system based on ability to pay and a fairer tax system, because flat taxes don't cut it. Tax cuts for the rich do not help anybody in our society, other than the extremely wealthy.

I want to bring people back to reality in Calgary. When I moved to Calgary in 1977, we had the highest minimum wage in Canada. It took 20 years for the Alberta government to achieve, by 1997, the lowest minimum wage in Canada. We have a lot of struggles here. It used to be that you could work for 42 hours and make the low-income cutoff line. In Calgary now, our minimum wage is $8 an hour. You would have to work 83 hours to afford a one-bedroom apartment in Calgary. If you were a parent with one kid, you would have to work 101 hours in Calgary each week just to make what it would cost to have 30% of your income going to pay for housing, for a two-bedroom.

We don't feel that the tax cuts we've seen are fair and that the tax system in Canada is fair in any way, shape, or form. We think it's totally disproportionate towards visible minorities, the aboriginal community, and women.

● (1100)

In fact, we find when we look at wages in Calgary.... We've developed a living wage at $12 here in our community, which I think is low as it is, but even at that we find when we look at the workers in Calgary making less than $12 an hour—and these are all our figures going back to poverty—that 60% of them are women; one-third of the disabled community in Calgary are in poverty; 50% of our recent immigrants are in poverty; one-third of our visible minorities are in poverty; 50% of one-parent families are in poverty; 20% of our children, i.e. one in five children in this city, are in poverty and in fact often go to school in the morning without food; and 25% of our elderly are in poverty.

To cap that off, we know for a fact that in the year 2007 there are almost 75,000 people in Calgary working for less than $12 an hour. These are the people who need tax relief, not the people who are setting record profits.

Just to go a little further on that, the reality is that when we look at low-income—

The Vice-Chair (Mr. Massimo Pacetti): Can you just wrap it up?

Mr. Gordon M. Christie: Yes, I'll conclude here now.

When we look at low-income Calgarians, they spend each and every cent right here in the city. What we really and truly would like to do, to sum up, is increase spending in our health care, our education, our environment, poverty reduction, and our social infrastructure to take care of things so that there is tax fairness, and to add to literacy, and to look at all the individuals in our society.

We need to expand our services; we don't need to cut taxes. We've found it doesn't work.

The Vice-Chair (Mr. Massimo Pacetti): Thank you. That's fine.

You went way over.

Mr. Gordon M. Christie: Thank you.

The Vice-Chair (Mr. Massimo Pacetti): From Simpson Roberts Architecture, we have Mr. Richardson.

Mr. Neil Richardson (President, Heritage Property Corporation, Simpson Roberts Architecture): Thank you for giving us the opportunity to present to you this morning. This is a joint presentation from Simpson Roberts Architecture and Heritage Property Corporation.

Simpson Roberts Architecture is an architectural firm that has a very large focus on the preservation and restoration of our historic buildings. Heritage Property Corporation is a developer that is focused exclusively on the restoration and sensitive rehabilitation of our historic buildings in Alberta.

What we are advocating today is a tax credit for historically designated properties through a federal rehabilitation tax credit. Such incentives are already available in Canada in the areas of environmental heritage and also for cultural objects and should be extended to Canada's built historic resources. Such heritage tax incentives have been proven to be successful in other jurisdictions. The United States has had a program for decades that has proven to be tremendously successful.

Given that all Canadians benefit from the restoration and preservation of our historically significant resources, it is only proper that the federal government provide the necessary tax incentives to encourage their preservation.

The benefits of restoring our historic buildings and preserving the built historic fabric are numerous. Regretfully, tax incentives are often a necessary catalyst for historic preservation, but they've been proven to be cost effective.

One of the benefits, which has been overlooked recently and should not be underestimated, is the environmental impact that restoring our built heritage affords us. The amount of debris that contributes to our landfill and the reduction of costs to municipalities to participate in and maintain landfills are a substantial benefit to heritage preservation.

Unfortunately, programs such as the LEED program, which provides incentives or certainly a way of monitoring construction practices and environmentally appropriate construction practices, simply do not consider restoration or renovation in their models. They're exclusively focused on new construction. So historic preservation is something that has been significantly overlooked.

If we intend to have a sustainable society, we simply can't build our way to that. We must restore and renovate our way to that.

The second part of our presentation is going to focus on a particular project in Calgary, the Lougheed Building, as an example of how a tax incentive helped restore this important building. The Lougheed Building was built in 1912 and it occupied a significant future development site in downtown Calgary. In 2001 a development permit was issued by the city to allow for its demolition and replacement by a high-rise office building. When we purchased the building in 2003, the purchase price alone for the development site made the project uneconomical. The only way the building could be preserved was with government support. Unfortunately, the economic incentives from the Province of Alberta, through grants offered from the Alberta Historical Resources Foundation, were insufficient to change the economics of the proposal. This was an approximately $30 million restoration project, and the maximum provincial grant was $100,000.

The federal government at the time had a grant program under the Commercial Heritage Properties Incentive Fund, and we were eligible for $1 million under that program. That was certainly a significant incentive. Regretfully, that program has since been cancelled, but in addition, that was only available if the building were historically designated, and there would be no guarantee, if it were designated, that the grant would be either fully or partially available.

The grant we did obtain from the City of Calgary, which was a $3.4 million grant paid over 15 years, was the catalyst for the restoration of the building. This grant was calculated based on the estimated increase of property taxes for the 15 years following the building's restoration, and it was successful, because we knew immediately upon obtaining historical designation, the building could be preserved. Such an economic-certain tax incentive could be and should be provided by the federal government.

● (1105)

From a developer's point of view, the only way our historic buildings will be preserved is if the federal government participates through a tax incentive program.

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

What we will do is go to questions from the members. I'm going to allow them five-minute rounds. It includes the questions and the answers, so if you can keep your answers to a brief comment, it will help with the debate and increase the numbers of questions you're going to get.

I'm going to pass the floor to Mr. Richardson for five minutes.

Mr. Lee Richardson: I would like to follow up—first of all, no relation.

I was very impressed with what you did with the Lougheed Building. It's a remarkable undertaking and you had a lot of courage to tackle it, because everyone knew the escalating cost of how much you put into it.

Were you able to take full advantage of the existing federal program at the time? You wouldn't have got any more out of that anyway, would you?

Mr. Neil Richardson: We wouldn't have got any more out of the federal program. In fact, that grant comes into play when we're finished, so we will see that money about a year from now.

Mr. Lee Richardson: So you have to get there.

There was a lot of discussion about it around the city at the time of your undertaking, so there was a lot of public interest. Are there societies, foundations, from the private sector that are also prepared to contribute to maintaining historic buildings?

Mr. Neil Richardson: If the project is economically viable, the private sector will get involved.

The problem we have with heritage preservation is there are always so many more needs for the private sector to be involved in, be it poverty, be it health care issues. The demand for funds for non-economic projects or charities, societies, is tremendously limited, because there are always other good causes.

The grassroots of support is there. There are a lot of people who will put in time and effort, but the economics typically aren't there because there are other demands on their funds.

Mr. Lee Richardson: Okay. Thank you.

I also wanted to ask Mr. Tait, because I am not familiar.... I don't know why I was under the perception that colonies did not pay tax. You're telling me that they in fact pay more taxes than someone who lives in the city?

Mr. Gordon Tait: Yes. That is again I think a rather common misconception. In the mid-seventies, actually, there was a tax dispute that involved Hutterite colonies. It got an awful lot of notoriety and an awful lot of press. That dispute was resolved.

The current legislation of the Income Tax Act goes back to 1961, and Hutterite colonies have, by and large, been taxed the same way since then. In fact, my father, Logan, and another partner of Meyers Norris Penny by the name of Dave Norris were involved with the Department of Finance and the Carter commission back in the sixties.

Basically, there was a recognition that while it was a religious organization, it was also a farming organization, and the government developed section 143 to tax the business profits of that farming organization.

Colonies have paid tax under this method since 1961.

● (1110)

Mr. Lee Richardson: The difference is now that there is a difference in what young people are prepared to deduct. Is that the point you're making?

Mr. Gordon Tait: No. I think the biggest issue, as many in small business and/or agriculture would recognize, is that there's no recognition of the involvement of someone at a Hutterite colony under the age of 18. So if you take a child who is 14 or 15 years old, who is working actively in the farming operation, helping in the hog barn, the dairy barn, or on the farm, the colony is not permitted to either pay a salary or wage to that person and/or not put any income in that person's hands for the allocation of taxable income.

As a result, anyone under the age of 18 at a Hutterite colony is a tax nothing. In Canada's tax system, with federal non-refundable tax credits of approximately $9,000 per person, and in Alberta, non-refundable tax credits of about $15,000 per person, that inability to allocate income to someone who is very actively involved in the business creates that huge tax gap. All other farmers, all other businessmen, can allocate an amount to anyone involved in the business, provided the amount is reasonable for the amount of effort and contribution of effort expended by that person, so that's where the gap comes from. There's this inability to recognize anyone under the age of 18.

The Vice-Chair (Mr. Massimo Pacetti): Before I allow Mr. St-Cyr to speak, people can put on the interpretation devices.

[*Translation*]

Mr. Saint-Cyr.

Mr. Thierry St-Cyr: Thank you all for coming this morning.

Mr. Legge, in your brief, you propose “[...] the elimination of capital gains on donations of real estate to registered charities that provide perpetually affordable housing [...]”. That is an issue I am concerned about for my riding, in Montreal. For starters, I would like to ask a somewhat technical question to gain a better understanding of the mechanics of your proposal.

Presently, if I donate land to an organization to build affordable housing, is it the market value of the land that will be considered? Technically, if I donate my land, it should not be a capital gain, but rather a capital loss. Am I to understand that at present, for tax purposes, the market value of this land is considered?

[*English*]

Mr. Adam Legge: I'll give my best interpretation of the situation.

My understanding is that yes, when you donate land, for the purposes of the donation, the land is assessed at fair market value. Then you are taxed on the capital gains between purchase and the donation, but you are given a tax credit for a portion of the value that you have donated to the charitable organization. In order to assess the value that you contributed, yes, it is my understanding that it is at a fair market value.

[*Translation*]

Mr. Thierry St-Cyr: So the capital gain is taxed initially, and after that, the person is eligible for a general donation tax credit for the entire amount. If I understand correctly, you are proposing that there be no tax on the capital gain and that the person be eligible for a general donation tax credit.

[*English*]

Mr. Adam Legge: Correct.

[*Translation*]

Mr. Thierry St-Cyr: In your brief, you say that a measure like that already exists for conservation societies, I believe. You gave the example of ducks.

Have those organizations seen a real increase? Do you have figures showing whether the measure has helped them reach their objectives? Have donations increased in real terms?

● (1115)

[*English*]

Mr. Adam Legge: I can't speak to whether there have been significant increases in the amount of land donated to conservation activities because of the tax benefit accrued to the donation of land, but I think anyone really considering the situation should examine it. The tax benefit as a result of donating land to a conservation society is greater than one donating to an organization that creates perpetually affordable housing. I don't know if the tax benefit actually created larger donations, pre-tax situations. I don't have that information.

[*Translation*]

Mr. Thierry St-Cyr: Your proposal is an interesting one. However, you are telling us that a program exists for animals, namely ducks, but not for affordable housing. As a committee, we want to know if, for animals, this measure is useless or, if on the contrary, it is helpful and should be applied to people who will live in affordable housing units.

I would recommend that you meet with the people who benefit from this measure, to obtain figures on this. You could then provide them to the committee through the clerk. As lawmakers, we implement measures when we have good reason to believe that they are effective.

Do I have any time left, Mr. Chairman?

The Vice-Chair (Mr. Massimo Pacetti): No.

I was totally focused on the questions.

[*English*]

We'll have Mr. Dykstra for five minutes. Are you ready to go?

Mr. Lee Richardson: Before he starts, I know it's amusing, but it isn't about ducks so much as it's about the conservation of wetlands, the preservation of our water in Canada, and filtering water systems for most of the cities in Canada. It's not about ducks.

We do have $1.4 billion in new funding for the creation of affordable housing in Canada, in addition to the $2 billion CMHC provides to 630,000 low-income households across the country today. So we're a little ahead of the ducks in terms of federal contributions.

Mr. Rick Dykstra: Thanks, Mr. Richardson.

Mr. Richardson, I wanted to get your thoughts. One of the things we had set up in the last budget was Canada's National Trust. I wondered if you were aware of it. What we've tried to do, at least over the next two years, is put some money aside so we can actually deal with the aspect of heritage, not just from a government perspective but from the perspective that you bring to the table, which is the private sector, which we need to include. I wanted to get your thoughts on that and on whether or not, specifically, the cities of Calgary and Edmonton, and to a larger extent the province, are participating in the program.

Mr. Neil Richardson: I'm not very familiar with that particular program. My understanding is that most of the incentives have been focused on documenting the historic buildings we have—creating inventories—and on creating the groundwork and the systems necessary to get to the next stage of preservation.

For instance, on the federal CHPIF program, in order for it to even work, they had to generate a lot of infrastructure to have people able to inspect what type of project was done. I'm not familiar with the trust area, but my understanding has been focused more on creating the appropriate infrastructure necessary to do preservation.

Mr. Rick Dykstra: I'll take a minute on this, because I think this is pretty important to point out. The United Kingdom went into a program such as this, and we're actually emulating that program. What it basically does is establish a new entity called Canada's National Trust, and its focus will be to protect lands, buildings, and national treasures. Once set up, it will be able to receive donations and contributions to ensure its long-term sustainability. It will be managed and directed by private sector individuals. The best part of it is that it will be at arm's length from the government.

The approach you're speaking of, and the importance of our heritage, isn't something that's been lost on this government. Over the next couple of years, the intent, as you mentioned, is to collate, collect, and have a clear understanding of the inventory of buildings, land, and treasures we have in this country, and we'll be able to address those issues.

I'm going to switch gears a little. Adam, I'll ask you a question or two.

Mr. Richardson touched on the focus and the huge number of dollars the federal government invested in affordable housing across this country. In the 2006 budget, we carried through on an $800 million commitment to provinces and territories to specifically deal with this issue on a short-term basis. In fact, our government's part of the funding was put into a third-party trust so that it was available immediately if the provinces were able to move on it as quickly as we hoped. This isn't an issue, of course, that doesn't come up at every hearing we hold. It's obviously a very important one.

We can talk about more dollars. We can always talk about more dollars. There virtually isn't an organization that doesn't come to pre-budget consultations to ask for more dollars. Very few of them come to say they're getting enough and can actually take a cut. Based on that, and the volume of federal dollars associated with this, should we not perhaps be looking at a better way of delivering the services?

In Victoria yesterday we heard very clearly that the government's involvement in affordable housing, whether it be at the local, provincial, or federal order of government, is ostensibly, in Victoria anyway, done at three dollars to one in terms of what the private sector can deliver on behalf of those who need affordable housing. They can produce it at a much more reasonable rate and therefore can do more with the dollars.

I wanted to get your thoughts on that. What I've sensed in the last two years sitting on the finance committee and talking about and learning about this issue from a federal perspective is that there are a lot of dollars being spent. Do we need to spend more? Perhaps. But certainly one of the important components of this is whether we are spending the money effectively now and whether we should be trying to manage it a little differently.

● (1120)

Mr. Adam Legge: I think that's an excellent point you raise. The approach we really proposed with the Poverty Reduction Coalition is what I would call a suite of solutions regarding affordable housing, because there isn't really one direct solution. It's not necessarily all about new building or new construction; it's not all about rental subsidies. It's contextual, based on whatever city it's in; it's contextual based on the individual.

So while more dollars are obviously better, we have to recognize that there are finite pools of dollars available. We're advocating looking at perhaps distributing things differently and looking at a package of options. Whether it is a way to increase the amount of land contributed to affordable housing organizations through an increase in the tax credit, a reduction to capital gains, or whether it is about creating a pool of dollars that can be drawn upon in individual cities....

In a city with a high rental vacancy, oftentimes it doesn't make a lot of financial sense to build a brand-new building, so why don't we put some of those people in some existing units, or why don't we purchase units in a complex that has already been developed?

So we can distribute the dollars in different ways instead of building a brand-new building that is solely affordable housing. Not only does that create a capital maintenance item, but it also, in some ways, can create social problems, with ghettoization of the affordable housing complex.

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

Mr. Andrew, to get you into this debate, do you have any additional information regarding the tax leakage number that Finance was supposed to get your coalition? Has there been any luck?

Mr. Bill Andrew: No.

The Vice-Chair (Mr. Massimo Pacetti): Has there been an attempt to try?

Mr. Bill Andrew: Yes, and nothing.

The Vice-Chair (Mr. Massimo Pacetti): There's been nothing? There's no additional information, or there's no...?

Mr. Bill Andrew: Neither. There have been attempts, but there has been no additional information. We are being stonewalled.

The Vice-Chair (Mr. Massimo Pacetti): Do you have any information in terms of whether that tax leakage number is correct?

Mr. Bill Andrew: We absolutely do not believe it, and any analysis we've seen doesn't point to tax leakage. It points to other reasons for the decision, which were outside the world of tax leakage.

The Vice-Chair (Mr. Massimo Pacetti): But some of the numbers you have, some of the additional information you have, have not convinced you otherwise that the tax leakage number was perhaps remotely correct?

● (1125)

Mr. Bill Andrew: No.

The Vice-Chair (Mr. Massimo Pacetti): Okay. I'll allow Mr. Richardson to go again. Are you ready?

Mr. Lee Richardson: I just want to follow up on that point. I think it's been about a year since your organization and affiliated interests made some, I thought, positive recommendations with regard to things like extending the grandfathering from four years to ten years, and other suggestions. And there has been this difference of opinion over tax leakage or loss to the unitholders.

Do you have a sense, in that year, of how the tax leakage, if any, would have been different if we had, for example, extended it out to 10 years, having a little hindsight now, with the changes you'd proposed? Have you documented that?

Mr. Bill Andrew: I think we've provided estimates to the committee. I know Dennis Bruce as well has done a representation—not on our behalf, but to the committee—as has Yves Fortin. We would look to those types of numbers.

Basically, the income trusts were set up as a flow-through vehicle. So we don't buy the fact that there's any leakage in taxation. The taxation flowed to the investors, and the investors paid the tax, were very happy to pay the tax. Certainly now, when you look at the yield markets, when you look at bond markets that are at record lows, where do people go to seek income? Increasingly, it looks like they really don't like a vehicle that has a three-year shelf life, because they're flushing the units of the income trust down the toilet as fast as they can right now.

Mr. Lee Richardson: For my own edification, because I was always a bit concerned about potential tax leakage to American owners of trust units, I did see information from the industry that suggested that over 50% of the trusts were owned by Americans. Do you dispute that? And if not, would it not have been some leakage to Americans who were only paying a 15% withholding tax?

Mr. Bill Andrew: Yes, they were paying a 15% withholding tax. I guess one thing to advise the committee of is that they weren't receiving any of the benefits that Canadians do from paying taxation within the country; so they don't use our infrastructure, they don't use our health system. They were paying a pure 15% surtax, I guess you would call it.

It's interesting, Mr. Richardson, for example, that our trust pre the decision was owned about 64% or 65% by Canadians. Currently, we're owned about 43% by Canadians. If part of the reason was to drive the Americans out of the stock and put the Canadians in, you've succeeded in doing the opposite—another unintended consequence.

Mr. Lee Richardson: I wasn't suggesting that was the reason. I was suggesting that there was probably some tax leakage if they were only paying 15% versus 31% in Canada. You were continually responding that there was no tax leakage, or no notable tax leakage—

Mr. Bill Andrew: I think the other thing to remember, Mr. Richardson, is the size of the sector itself. Anyone who has an investment portfolio will know that you probably invest in some U. S. stocks, and if those stocks pay dividends, you pay a percentage of tax in Canada. That's what trade agreements are for and it's what financial agreements between countries are for, so you can finance sectors.

The energy sector cannot be financed within Canada; it's too large. If you start to grow a company over $5 billion or $10 billion, there's not enough liquidity left in Canada. You have to go to the U.S. And it followed that with the success of the income trusts and....

The one thing I bristle at is the notion that somehow we're tax evaders and tax avoiders. The growth of the income trust had to do with the demand, the tremendous demand, for yield. That's evident, not only with individuals but with institutions as well. And because of this demand, there was tremendous growth in the sector and we've lost that growth.

● (1130)

Mr. Lee Richardson: Could I make one point? Do you think that yield is sustainable?

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

Monsieur St-Cyr—

Mr. Bill Andrew: Sorry? The yield was sustainable?

Mr. Lee Richardson: No, were the yields—

Mr. Bill Andrew: We weren't paying 15%, we were paying about 8% before your decision. We're paying about 15% right now, because their stocks have gone down 40% to 50% in value. That's where the 15% yield comes from.

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

Go ahead, Monsieur St-Cyr.

[*Translation*]

Mr. Thierry St-Cyr: Thank you very much. I would like to continue on that topic. The Bloc Québécois has been calling for a moratorium on income trust conversions for a long time. While the Bloc Québécois agrees with the government on the end result, which was to tax income trusts, the Bloc Québécois does not agree at all with the means used to achieve it. First of all, promising not to tax income trusts and then doing so was outright irresponsible. Many people invested in these trusts in good faith, believing them to be an attractive investment tool. People were misled and deceived by the government.

Having said that, on the issue foregone taxes and revenues for the government, I was equally unimpressed with the demonstration here in committee. In my mind, it is an important tax issue, if only because the day after the announcements, stocks plummeted. That is the best indication that people who invested in those tools and companies that decided to structure themselves that way did so essentially for tax purposes. In my view—and in the view of my party, that was the main problem.

In your brief, you say that we should not impose a corporate model throughout Canada. I agree with you. There are different models that correspond to different organizations, but those models should be chosen based on the nature of the operations, and not based on tax considerations. That is why we are still in favour of taxing income trusts. However, as you reiterated in your brief, the proposal was for a ten-year transition period rather than a four-year one, which is somewhat short, in our view.

I would like you to repeat the figures. I heard you mention figures on Canadian ownership, on changes to Canadian ownership of trusts before and after changes made by the government. You gave them to us, but I did not have time to grasp them. I would like you to repeat them.

[*English*]

Mr. Bill Andrew: I'm talking specifically about our company, but I think anecdotal.... Certainly the coalition will attempt to get some more information on U.S. ownership. But we've seen an increase generally in U.S. ownership of the funds over the past year and a general walking away from the Canadian retail side. They tend to be a little more conservative as investors, and they're probably worried about the next shoe to fall in the income trust. Generally, they've started to make an exit out of the sector. Some of the stock has been picked up. There's been some demand in the U.S., and that seems to be the incremental buyer, the primarily institutional buyer, in the U.S. So there has been an increase. It's a—

The Vice-Chair (Mr. Massimo Pacetti): Mr. Andrew, you quoted some numbers. Could you repeat the numbers? Some of the staff didn't catch that.

Mr. Bill Andrew: At the time of conversion, we were some 40-odd percent, in the low forties, on U.S. ownership. Now we would see ourselves, our foreign ownership, at about 60% or a little over 60%, so to us that's a dramatic increase.

Commenting about the sector, it seems that there are certain individuals in the corporate world who figure there's only one model, some of whom seem to have the Prime Minister's ear. I would remind the committee—and we'd like to provide some information to the committee in the future as well, with regard to the absolute money that's been spent on the energy trust sector versus some of the corporate—if investing means buying back stock, we wonder what that's doing for the economy and the growth of the economy.

● (1135)

[*Translation*]

Mr. Thierry St-Cyr: Once again, I agree with you on the need for more than one model. However, I believe that must not be done essentially for tax purposes.

Moreover, among the people who appear before the committee, CEOs of large corporations—and we could see conversions coming —told us that they were converting not because the income trust model suited their company, but for tax purposes. That is what their shareholders wanted, because they wanted quick short-turn gains. But that creates risks for the economy.

Are you denying the fact that more and more companies were converting to income trusts essentially for tax purposes that had nothing to do with their true corporate structure?

[*English*]

Mr. Bill Andrew: I think you have to look at individual situations. I'll run you through ours quickly.

Our situation is very simple. We converted in 2005. The three choices we had were these: to attempt to merge with another company, and that failed; to sell to the company.... The only offers we had were from American companies, at what I felt was a discounted value to the assets. I went to our board and said, “We want to keep this thing together.” The only way we could keep this thing together was to go to a trust. We did pay some $213 million in stub taxes to do it, so it wasn't exactly the most tax effective measure for the company to take at the time. We did it to maintain the company. We probably should have sold. If we had sold then, we would have received about $25 a barrel on the ground. We're currently trading at about $15 a barrel on the ground and waiting for the phone to ring.

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

Have you seen a slowdown because of the strength of the Canadian dollar, by U.S. investors or potential U.S. investors?

Mr. Bill Andrew: A bit.

I was listening in on Pierre's discussion. One of the things they understand, for you gentlemen who are from Quebec and Ontario, is that the increase in the Canadian dollar impacts the resource sector. When you're trading oil at $70, and it's an 80¢ dollar, that's the equivalent of $90 oil at par. So there's nothing. There's no change to us in terms of our revenue. That's been the difficulty. We've probably seen a bit of an increase in the U.S. investor, to answer your question, because as they call it in the States, their dividend—we call it the distribution—goes up because the relative value of our stock goes up. For example, we pay 34¢ per unit, per month. If it's on par, the Americans get 34¢. If it's an 80¢ dollar, they get 20-odd cents.

The Vice-Chair (Mr. Massimo Pacetti): Yes, but it's 15% more expensive for them to purchase a Canadian company now than it was a month, two months, three months ago.

Mr. Bill Andrew: Yes.

The Vice-Chair (Mr. Massimo Pacetti): So they're still going to spend that extra 15%.

Mr. Bill Andrew: If you look at the stock market, there doesn't seem to be a whole lot of incremental buyers out there right now. When you see Fortress Mountain duplicated on the stock market, there are not a lot of incremental buyers.

The Vice-Chair (Mr. Massimo Pacetti): Is there any talk about extending the holiday or the tax relief period to 10 years? Has there been any advancement?

Mr. Bill Andrew: None.

The Vice-Chair (Mr. Massimo Pacetti): Mr. Dykstra, five minutes.

Mr. Rick Dykstra: Thank you.

I just want to go back a bit, Adam, with respect to some of the requests you had.

A couple of things. One thing was providing tax incentives for employer-sponsored training programs and work-related supports. One of the things we did in the 2006 budget was address the issue of apprenticeship and the lack of attention that's been paid to that.

The trades industry, quite frankly, over the last 20 years or so...and obviously seeing that here in Alberta is probably the greatest example as any in the country. We've seen a lot of pick-up on the program, both from an employer perspective in terms of the additional tax credit they get at the end of the year from hiring an apprentice and, likewise, from the apprentice's ability to at least have a tax write-down on some of the tools he purchases and the equipment he needs.

Were you thinking a bit more about that type of program in terms of encouraging an employer-sponsored training program?

● (1140)

Mr. Adam Legge: I was thinking of programs like that, but also across the board, beyond just the trades, into continuing education, companies that provide either corporate training or individually based training to help them gain and increase skills and therefore become more productive. It could be tax credits or some kind of program like that. I think it depends upon the skill set and the type of training they want to offer. But our largest position is that we need to become more productive, more skilled, and more educated as a population and a workforce.

Mr. Rick Dykstra: One of the other proposals you put forward that interested me was encouraging Canadian companies, for one thing, to constantly increase the skill of their employees, and for another, to reinvest in new equipment and technology, thereby improving productivity and environmental performance.

One of the things the industry committee recommended to the finance minister was the accelerated capital cost allowance for this exact recommendation you're making. We've seen a huge uptake from companies across the country; in particular, Quebec has really picked up on the ability to invest. I believe we're up to about $1.8 billion in the total of new investment in the country since the announcement in the budget, getting at the exact issues you referred to in the recommendation.

One of the points we've heard from a number of our presenters, both when we're talking about the value of the dollar and when we're speaking about pre-budget consultations and what we should do for the manufacturing industry, is that they believe the window is pretty short for this. It was in the 2007 budget, and they're talking about either extending it to five years from the two years that exists or actually going to an additional five years.

What would be your recommendation, and how do you see the benefits, in terms of why you think it's a good idea?

Mr. Adam Legge: Our idea as to duration is to propose that it be an indefinite extension, in the sense that if we wish our Canadian companies to be competitive globally and continually reinvesting in productivity to compete at a global level, this is a program that will incent companies to do so. It is a move we very much applaud the federal government for making. We would recommend that it be extended, because combined with the value of the Canadian dollar at present, Canadian companies are in a very good position to increase their productivity through the purchase of technology and machinery. That is a position we really need to be taking.

A number of studies in the past while, by the TD Bank and others, have highlighted the declining productivity of the Canadian economy and Canadian companies. If we really want to become competitive and to pass higher-level skills to our employee base to help with increasing economic well-being, this is the kind of credit that should be considered indefinitely.

Mr. Rick Dykstra: Thank you. I appreciate your comments.

Mr. Tait, I have a short question. I'm trying to determine why the Hutterites are set specifically out of section 143. Is there any other community in the country that faces that same sort of issue? I apologize; it's the first I've heard of it.

Mr. Gordon Tait: No, it's a good question.

From our discussions with Finance and the Canada Revenue Agency, we're not aware of any other group or organization that files under section 143. The terminology in that section never uses the term “Hutterite”, but it does describe the lifestyle of a Hutterite colony.

Going back to 1961, the general allocation rules were pretty similar to what happened inside regular and normal agricultural businesses at that time. Section 143 is a good example of legislation recognizing the unique nature of this organization. Prior to 1961, they filed as a religious organization and took a religious exemption, so they did not pay income tax. This recognized that there is a business there, and it is an agricultural business.

The colonies agree with that, and they are more than happy to pay tax on their profits. Because they take an individual vow of poverty, without section 143 the taxation system would be very different, and there would be some challenges I think with respect to some of their cultural and religious beliefs.

It's a good working mechanism; we just feel it needs to be brought up to date with the modernization that's happened throughout the rest of the Income Tax Act. As a matter of fact, it wasn't until 1997 that there was actually a recognition of income to a husband and wife at a Hutterite colony; only one adult number was actually permitted to file an income tax return.

● (1145)

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

Mr. Tait, let's continue along those lines. To bring the income tax situation up to date, shouldn't we be looking at increasing the age to 21? Do you think it's appropriate for kids of 15 to be in the workforce? Here we are, trying to promote education and lifelong learning, and we're going in the opposite direction. Religious purposes are fine, but I can't see it; it's just going to open up a Pandora's box.

Mr. Gordon Tait: That's a good question.

First off, we certainly recognize this is not a social policy issue. No other farming business, no other business in Canada, has a restriction as to the ability to employ people. There are many examples of children well under the age of 18 actively and gainfully employed throughout Canada.

The Vice-Chair (Mr. Massimo Pacetti): I'd like to see some of those examples.

Mr. Gordon Tait: What about someone who works at a restaurant. I'm sure there are many people in this hotel who have jobs before they're 21 years old.

The Vice-Chair (Mr. Massimo Pacetti): They're called part-time jobs.

Mr. Gordon Tait: If you take a farming situation in western Canada, for those of us who have been around farms, we know it's a common practice for individual children, and below the age of 18, to be actively engaged in the business of farming.

The Vice-Chair (Mr. Massimo Pacetti): I understand that, but if we cultivate that in the restaurant business, I'm sure we can do the same thing. I'm sure we can get kids 15 years old to do the same thing in the restaurant business.

Mr. Gordon Tait: I'm sorry, I just don't understand the nature of the question then. These people are actively involved. Any other Canadian business, any other Canadian farm, non-Hutterite, has perfect and total freedom to allocate or pay wages to anyone. This group is not permitted to have any recognition of the effort they expend. They attend full-time public school. They're just actively engaged before school, after school, and all summer long.

The Vice-Chair (Mr. Massimo Pacetti): I have another question. Are the Hutterites just out west? Isn't there a colony also in eastern Ontario or western Ontario, and in the Eastern Townships of Quebec, I believe. No?

Mr. Gordon Tait: No, there's not. There are Hutterite colonies in Manitoba, Saskatchewan, Alberta, and now there are two in northern British Columbia.

The Vice-Chair (Mr. Massimo Pacetti): Okay. Thank you, Mr. Tait.

Mr. Christie, you talk about the fully funded programs, you believe in that, and one of the priorities you stated was child care. We haven't really heard much about child care. How is that going to help your unit or your organization, in terms of the people you represent?

The Conservatives have their own child care plan. I'm not going to debate that and I'm not going to go into that. How does that affect you? There was supposed to be a plan for employers to create some child care spaces. Has that helped? Has there been any headway? Have you seen any of that?

Mr. Gordon M. Christie: I haven't seen a lot of increase in that. I also sit on the Calgary Children's Initiative Council of Champions, and they've been very involved in children's initiatives for the last half-dozen years. We've been lobbying for a national child care program for decades now, and when Minister Dryden came out with a proposal, I guess it was a couple of years ago, it was a first step. It certainly didn't cover all the bases or go nearly as far as we want it to. But in Alberta things get twisted. You have to have a special agreement in Alberta. You couldn't have the same one we had across the country.

The Vice-Chair (Mr. Massimo Pacetti): We have the same thing across Canada, the same thing in Quebec. We have child care. I'm just asking—

Mr. Gordon M. Christie: Actually, as an example, when I researched this, not just in Canada but around the world, we've very proud of the example we have in Quebec, and many times we use that as an example here in Alberta.

The Vice-Chair (Mr. Massimo Pacetti): But the question is, has your employer created any day care or child care spaces with the funding that's been made available by the present government?

Mr. Gordon M. Christie: For the record, my employer has two employees, so, no, they would not have done that.

The Vice-Chair (Mr. Massimo Pacetti): Okay.

Also in your brief you talk about your taxes being too high. But doesn't a general tax decrease for everybody still help poor people? Even though it's low, it still helps, does it not?

● (1150)

Mr. Gordon M. Christie: What we found with low-income folks is they're not benefiting from the tax cuts or from the so-called Alberta advantage, as people at the high incomes are. We don't honestly feel that the tax cuts by the federal government or the provincial government have benefited low-income folks. We have seen the exact opposite happen. For over the last two decades they've had less and less disposable income. Whether it's through the privatization of services, the user fees on services, or the contracting out of services, we have just seen that there are fewer and fewer services available and more and more fees attached to them.

The Vice-Chair (Mr. Massimo Pacetti): Okay, great. Thank you, Mr. Christie.

Thanks, again, to the panellists. It has been very good input. We appreciate your coming forward and we appreciate your time.

The meeting is adjourned.

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

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

Also available on the Parliament of Canada Web Site at the following address:
Aussi disponible sur le site Web du Parlement du Canada à l'adresse suivante :
http://www.parl.gc.ca