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Chair

Mr. James Rajotte

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• (1530)

[English]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): I call to order the seventh meeting of the Standing Committee on Finance.

Pursuant to the order of reference of Wednesday, December 2, we are discussing Bill C-10, An Act to implement certain provisions of the budget tabled in Parliament on January 27, 2009 and related fiscal measures. As a committee, we are very pleased to have before us the Honourable Jim Flaherty, Minister of Finance. We have the minister with us today from 3:30 to 4:30, as part of the discussion surrounding the budget implementation act.

Minister, welcome to the committee.

You have an opening statement of about 10 minutes, I understand. Then we will go to questions from members. You may begin at any time.

Hon. Jim Flaherty (Minister of Finance): Thank you, Mr. Chairman.

My opening remarks should be about 10 minutes. I hope they're not more than that.

[Translation]

I will keep my remarks brief so that there will be enough time for questions.

First of all, I would like to thank the chair and the members of the committee for recognizing the seriousness of the recession that is presently gripping every country's economy at the same time.

[English]

I am confident that all members understand the importance of expediting the passage of the important measures in Bill C-10, the first budget 2009 implementation bill, to stimulate and protect our economy. As we all recognize, in order for these measures to be most effective, they must be implemented in a timely manner. That is why we need parliamentarians to pass this bill without delay.

Last year, I note, the first budget bill took approximately three months, or more than one hundred days, to receive royal assent. We do not have that kind of luxury this year.

[Translation]

We will be going through a very difficult year, a year in which we will see a slowing of the economy, both in Canada and around the world, a drop in exports and more and more job losses.

[English]

Mr. Chairman, to delay our economic action plan for partisan or abstract debates would be reckless. We owe it to those Canadians who will be hardest hit by this difficult period to rise above politics as usual and act as quickly as possible.

To those who would engage in lengthy debates about our economic action plan, I remind them now that during December and January we held the most comprehensive pre-budget consultations in history, which were open to all parliamentarians. We asked for input then, input that helped to shape our plan. That time has now passed. It is now time for Parliament to act. I am heartened that the majority of this committee has understood that and has understood why we must expedite this bill, led by their able chair, the member for Edmonton—Leduc.

[Translation]

As I mentioned, the recession is hitting every country in the world simultaneously. It did not start in Canada.

[English]

As the Governor of the Bank of Canada said to this committee earlier this month, "The reality is that the financial crisis and subsequent recession originated beyond our borders and the necessary triggers for a sustainable recovery must be found there as well." We need to acknowledge that reality. As an open exporting country, our prosperity is tied to a healthy, open global economy.

A recovery in the global economy, especially in the United States, will be a strong prerequisite for sustained economic growth in Canada. That's why we are taking a leading role in international forums to help facilitate that. We have been especially prominent on the regulatory leadership file. Canada is co-chairing a G20 group, known as Working Group 1, that is developing a blueprint to enhance regulation of financial services and improved transparency to help avoid another global banking crisis. That group and the others will be preparing their work for the G20 leaders meeting in London on April 2.

Recently I attended a meeting of the G7 finance ministers in Rome. In my discussions, two things quickly became evident. First of all, Canada has become a model for the world to follow in combatting the current global economic crisis, both in how we have managed our finances and how we have kept our financial system strong.

In the words of President Obama last week, "...in the midst of this enormous economic crisis, I think Canada has shown itself to be a pretty good manager of the financial system in the economy in ways that we haven't always been here in the United States. And I think that's important for us to take note of."

[Translation]

Second, like other countries, we must immediately take measures that will fulfill Canada's international commitment, meaning that we must implement the economic recovery plan as quickly as possible.

For Canada, the first stage of that process is to pass this bill and allow the government to put Canada's Economic Action Plan into effect quickly.

But our expectations must be realistic. The plan in itself will not be able to protect every job or to solve every problem in the global economy. As I said, the recession did not start in Canada. Concerted international efforts will be needed to stamp it out.

[English]

What our plan will do is take real action to protect those hardest hit by the current recession, while helping create and maintain jobs. Briefly, let me outline a few select measures from our economic action plan being legislated in Bill C-10, measures vital to stimulating Canada's economy, and measures that should be passed quickly.

First of all, Bill C-10 implements various tax relief measures outlined in the recent budget. This represents important tax relief that will help stimulate the economy and also remove 265,000 low-income Canadians from the tax rolls completely.

Among the tax measures are these: raising the age credit amount by \$1,000 to help seniors; increasing the amount that can be withdrawn under the home buyers' plan to \$25,000 to help first-time home buyers; an extension of the temporary mineral exploration tax credit; raising the threshold from \$400,000 to \$500,000 to allow more job-creating businesses to qualify for the reduced 11% small business tax rate; increasing the basic personal amount that all Canadians can earn before paying federal income taxes; and allowing Canadians to keep more of their money before being subject to higher tax rates by increasing the two lowest personal income tax brackets.

I note that the Canadian Taxpayers Federation heralded many of these moves as important broad-based measures that will allow individuals and families to make the decisions that are necessary for them during these uncertain times.

Bill C-10 also helps Canadians hardest hit by the recession by extending all regular EI benefit entitlements by five extra weeks, increasing the maximum benefit duration from 45 weeks to 50 weeks for two years.

• (1535)

[Translation]

I emphasize that this sorely needed assistance cannot be provided before Parliament allows the bill to receive royal assent.

[English]

Bill C-10 also takes action to help improve access to financing and strengthens our financial system. We all recognize the impact the current economic downturn is having on access to credit.

[Translation]

To combat the recession, our plan contains a number of measures designed to ease access to credit for Canadians and for Canadian businesses. Many of those measures are in set out in Bill C-10.

[English]

The bill also allows EDC and BDC to extend additional financing to Canadian businesses, which is vitally important.

[Translation]

In addition, it also increases the maximum amount for loans made by the Canada Small Business Financing Program.

These and several other measures explain why organizations like the Alliance des manufacturiers et exportateurs du Québec have praised the merits of our plan. They want it to be put into effect quickly. I quote:

Budget 2009... includes a number of positive measures designed to help our businesses in this time of crisis. It is imperative that these measures be put into effect as quickly as possible.

[English]

Bill C-10 also authorizes nearly \$6 billion for initiatives ranging from infrastructure to community adjustment, housing, and health care. This includes nearly \$4 billion in investments to pave roads, improve our universities and colleges, fix sewers, and repair bridges. These are investments that would have been required regardless, but they will help create jobs now by being brought forward. As the Federation of Canadian Municipalities recently stated:

"Quality infrastructure will help Canada compete for talent and investment in the global economy."

With all orders of government working around the same table, with the same goal, [budget 2009] will create tens of thousands of jobs, boost our flagging economy, and deliver value to Canadians for generations to come.

Our plan also includes over \$1 billion in investments for social and low-income housing, seniors' housing, housing for persons with disabilities, and first nations' housing.

These represent only a few highlights of the vital measures included in Bill C-10.

Also included are initiatives to help transition toward a Canadian securities regulator with willing provinces and territories, to modernize the Investment Canada Act to encourage new investments and the jobs that new investments will produce, to protect consumers from anti-competitive and unscrupulous business practices by adding new provisions to the Competition Act, and more.

Colleagues, I can see that at 524 pages, this is a detailed and lengthy bill. We could, as parliamentarians, spend months engaging in debate, some of it abstract or philosophical, and sometimes partisan, I'm sure, about the measures within this large bill, but as I mentioned earlier, we do not have that luxury. The consequences of delay for Canadians are too high. Bill C-10 contains the right measures that we need to implement right now in order to help Canadian families now and to help our overall economy weather the current economic storm.

● (1540)

[Translation]

We must pass this bill as soon as we can.

At this point, I invite the committee to ask questions.

[English]

Thank you for the courtesy of permitting me to deliver that opening statement, Chairman. I look forward to the questions of the members of the committee.

The Chair: Thank you, Minister, for your opening statement.

We'll go immediately to questions.

Mr. McCallum, you have seven minutes.

Hon. John McCallum (Markham—Unionville, Lib.): Thank you, Mr. Chair.

Thank you for coming today, Minister.

As you may have heard, we got a little flak from some of our opposition colleagues by saying that we would work to get this bill through at lightning speed by parliamentary standards. I agree with you that we are faced with a crisis and that urgency is crucial. But I have three questions, and if I may, I'd put my three questions all at once, which in part underlines the urgency.

First, you mentioned EDC and BDC. As I understand it, there's something on the order of \$8 billion committed in the budget. Given that the credit situation is getting more and more serious, according to reports, and given the disturbing news that I have heard from representatives of the business community that BDC does not share my sense of urgency and it may take some months before they even decide how to proceed, I would like you to be able to commit to Canadians that BDC and EDC will act with urgency.

I don't know the exact commitment that can be made, but if the number is \$8 billion, is it reasonable that all of that \$8 billion get out the door within twelve months? We would like to have some indication of your degree of urgency on this, especially in light of indications of a less than urgent attitude on the part of some of those institutions.

To my second question, yes, we want to get everything in this budget that has to do with stimulating the economy through as fast as possible. There are many items in the bill that have nothing to do with stimulating the economy and may be contentious. Will the government entertain any amendments that are not to do with getting money out the door, or do you consider every word and item in the bill to be set in stone and a matter of confidence?

My third and final question is what I tried to raise in question period, which had to do with the tradition since Confederation that the government goes to Parliament with a borrowing authority bill when it seeks to borrow money to finance a deficit. For the first time in Confederation, it appears that this is not the government's intention, which, I would contend, trivializes the enormous debt that is being placed on our children and grandchildren. Will the government seek authority from Parliament to borrow, as has been the tradition since Confederation, or will the government simply do this by order in council?

The Chair: Thank you, Mr. McCallum.

Mr. Minister.

Hon. Jim Flaherty: If I can try to respond to the first issue about EDC and BDC, I can assure my colleagues around this table that I have met with the CEO of EDC, as have my officials. He and his senior people certainly understand the urgency of the situation. The idea is not to create a lending power for 2010, 2011, or 2012; it's for now. We know that the number one issue is access to credit, not only here but among our trading partners. I'm also following up with BDC in the same way, through my colleague, the Minister of Industry, since, as you know, BDC reports to Industry, but I'm also going to deal directly with the CEO of BDC. So the degree of urgency is understood. I can add that the degree of urgency is understood throughout the government. This is an extraordinary time. This is not a time for business as usual. We—and I—have been making that clear throughout the departments of government, particularly those departments that are primarily charged with delivery of the items that are in the budget, including infrastructure.

With respect to the budget bill and it being a matter of confidence, yes, it is a matter of confidence. With respect to the authority to borrow, I think if I'm on the same wavelength as the member from Markham—Unionville on this, this is from budget plan 2007, where we brought in the borrowing authority, the standing authority to refinance market debt and specific authority under the FAA for the Minister of Finance and the filing and accountability requirements. If we're not on the same page on that, please let me know and I'll look into it further.

● (1545)

Hon. John McCallum: I'd like to come back on two of these areas.

On BDC and EDC, I hope you're right. I've heard otherwise in terms of sense of urgency. My question was really specific. I don't suggest you do this at this moment, but can you come back at some point and say that if the total borrowing is for \$8 billion, we can expect to see X within six months and Y within twelve months? It's much in the same spirit as we want to get the infrastructure money out the door.

The second point I come back on is your last one. The measure you referred to, I understood, was to allow the government to borrow on behalf of crown corporations. It seems to be about to be used as a sort of backdoor mechanism to avoid going back to Parliament to seek authority to get into deficit financing. I just think that if the government treats deficits seriously and honours the history since Confederation, then the government, notwithstanding its borrowing on behalf of crown corporations, should seek parliamentary approval for the specific borrowing authority, especially when we're talking about a \$34 billion deficit.

The Chair: Thank you.

Mr. Minister, you have about 30 seconds.

Hon. Jim Flaherty: I take your second point.

On the first point about EDC and BDC, of course I will be reporting to Parliament about the steps we're taking to increase access to credit. I take the member's point and I will seek to get the best information possible from EDC and BDC about their projections, bearing in mind that we are in significantly uncertain times.

The Chair: Thank you.

Thank you, Mr. McCallum.

We'll go to Monsieur Laforest.

[*Translation*]

Mr. Jean-Yves Laforest (Saint-Maurice—Champlain, BQ): Thank you, Mr. Chair.

Good afternoon, Mr. Minister, and thank you for being here at the Finance Committee. You quoted a group that came out in favour of the budget measures you have proposed to stimulate the economy. Well, since this morning, we have heard a number of groups tell us the opposite, and we are going to hear from others today. For example, the Québec Forest Industry Council completely disagrees with the \$170 million that you are allocating across Canada while it has been asking for loan guarantees for a sector that has been in crisis since 2005.

How do you explain that the Government of Quebec, through Investissement Québec, can provide loan guarantees to Quebec forestry companies while you answer our questions on the subject by saying that the softwood lumber agreement does not allow it? How can one government do it while another cannot? A lot of people need that explained to them. Why is the federal government not providing adequate assistance to the forest industry in Quebec when it is going through a major crisis?

Hon. Jim Flaherty: I thank the honourable member for his question.

We have ideas about that. I refer you to page 185.

[*English*]

In chapter 3 of this year's budget, there are four specific provisions with respect to forestry. They provide \$80 million over two years for a transformative technologies program administered by FPIInnovations; an additional \$40 million provided to Natural Resources Canada to develop pilot-scale demonstration projects of new products; \$40 million over two years to Natural Resources Canada

for the Canada Wood, Value to Wood, and North America Wood First programs; and an additional \$10 million to Natural Resources Canada to support large-scale demonstrations of Canadian-style use of wood. I'd remind the honourable member that we also provided \$1 billion last year for communities such as forestry communities hard-hit by the recession.

• (1550)

[*Translation*]

Mr. Jean-Yves Laforest: Excuse me, Mr. Minister, but the amounts you are talking about are peanuts compared to the \$2.7 billion in loan guarantees that the automobile industry in Ontario is getting. You have not answered my question: why is the federal government unable or unwilling to give loan guarantees to the Quebec forest industry? That is what the forest industry is asking for. Earlier today, people were saying, Mr. Chevrette principally, that businesses were going to close, that they would not be ready for the recovery that should be happening towards the end of 2009 or in 2010. Hundreds of municipalities in Quebec make their living from the forest industry alone. This is what they have to look forward to. You say that you are providing \$40 billion, that you set up a fund of \$1 billion last year and will do the same this year.

Last year, when you testified before the Standing Committee on Finance, I told you that you should have provided trusts and communities with assistance per job lost, as it should be, not by proportion of the population. Last year, Quebec received \$2,000 per job lost while Alberta received \$23,000 per job lost. This year, you are using the same calculation again, and that is of no help to the population of Quebec, Mr. Minister.

[*English*]

Hon. Jim Flaherty: Forestry is not an industry confined to the province of Quebec in this country. New Brunswick has a substantial forestry industry, so does Ontario, so does British Columbia, and so do some of the other jurisdictions in Canada. The provisions that I've referred to in the budget apply to all of Canada and the forestry industry across our entire country, including Quebec. So did the \$1 billion fund last year, I say to the honourable member, and to me, \$1 billion is still a lot of money.

[*Translation*]

Mr. Jean-Yves Laforest: I would like to ask a question about the tax breaks being given to Hydro One, in Ontario, for its transmission and distribution operations.

How is it that Ontario gets tax breaks because Hydro One makes money from the transmission and distribution of electricity when we know very well that Hydro-Québec, which does not get the same tax breaks, gets two thirds of its revenue from transmission and distribution operations? That is an outrage, and I would like to know why you are ignoring the fact that Hydro-Québec does not just produce electricity, but also, mostly, in fact, transmits and distributes it.

[*English*]

The Chair: You have about one minute for the answer. Also, Minister, could we introduce your official?

Hon. Jim Flaherty: This does raise a technical point that arises out of the fact that Ontario has now entered equalization.

If it's okay, Chair, I'd like Barb Anderson to reply.

Mrs. Barbara Anderson (Assistant Deputy Minister, Federal-Provincial Relations and Social Policy Branch, Department of Finance): In the equalization program, we changed the treatment of hydroelectricity revenues just to ensure the consistency of how we treat those revenues across all the provinces. That is the change that was made.

The Chair: You have 30 seconds.

[Translation]

Mr. Jean-Yves Laforest: I am sorry, Mr. Chair, but that does not answer my question at all.

Why are Hydro-Québec and Hydro One treated differently?

[English]

Hon. Jim Flaherty: I can try to respond to that. I have discussed this with Premier Charest as well, and I received a letter just in the last week from the Quebec Minister of Finance.

The OPG in Ontario performs certain services and certain functions, and Hydro-Québec performs certain services and functions. They're not all the same, they are not identical, and that is the foundation or reason for the different treatment.

[Translation]

The Chair: Thank you.

Thank you, Mr. Laforest.

Mr. Mulcair.

Mr. Thomas Mulcair (Outremont, NDP): Thank you, Mr. Chair.

I am pleased to welcome the minister too. I am going to advise him, because time is always limited, that I will be raising two matters with him.

First of all, there are a number of things included in the Budget Implementation Act that have nothing to do with the budget. For example, pay equity is still there, and has been since November, even though he himself has said that it will not save the government a cent. Could he tell us what it is doing in a budget bill? The Supreme Court has already clearly said that, if such a thing were attempted, it would be rejected since it would not be in accordance with the Charter of Rights and Freedoms. Taking away basic rights would be contested. So, if the object is not to save money, why is it here? The Navigable Waters Protection Act is also in the budget. Can the minister give us one specific and concrete case, not an anecdote, where the Navigable Waters Protection Act prevented anything? Why is it in a budget bill?

Let us move on to the tax provisions for tax havens. Several years ago, Sheila Fraser said that it was a mistake. The minister has already said that it was a mistake, but he is now making it possible to run off to tax havens again.

Let us start with the first part of my question.

• (1555)

[English]

Hon. Jim Flaherty: It's because they are issues dealing with compensation in the public sector.

Listen, we are in the midst of a very serious recession. Thousands of Canadians are going to lose their jobs. I hope you don't think it's reasonable, because I don't think it's reasonable, for public sector workers not to be cognizant of the fact that fellow Canadians in the private sector, thousands of them, are losing their jobs. What we're asking people in the public sector to do, including you and me, is to limit our pay increases to 1.5% over the course of the next few years.

On the pay equity side, we're saying let's have a system that works, that functions properly, that doesn't take 15 years to resolve a pay equity dispute, to learn from the provinces that have successfully dealt with this issue, to get pay equity to the labour negotiation table in collective bargaining, which is where it belongs. You know the way it's been played has been that it isn't dealt with at the table, and then it's taken off to some tribunal after that, causing incredible delay and disservice to the women and men of Canada—because not all the pay equity claims are one way. So that's why it's being done. It's good public policy, and it's important.

On the Navigable Waters Protection Act, when I met with the province and the territories, they were very concerned about the fact that infrastructure spending in this country—and we work in partnership with the provinces and the territories—is ineffective and delayed, at a time of serious recession and with people losing their jobs, because of duplications of environmental assessments. So we're sorting that out in cooperation with the provinces and the territories, getting away from a system right now, quite frankly, where the Northumberland Strait is treated the same as some little creek that's almost dried up. So we're getting more realistic, in cooperation with the provinces and the territories, to create jobs for Canadians. I think that's a good thing.

Mr. Thomas Mulcair: Mr. Chairman, I'm going to simply say this. I asked about pay equity and I got an answer that included a reference to what was dismissively called “some tribunal”. These are rights. They can't be negotiated away. They can't be legislated away.

The other thing is that this government has had this ideological bent for a long time. This will be challenged in the courts because it's completely illegal, so any reference to saving time by creating this new thing is completely false. With regard to what was done in the provinces that have made this work, this government, in this legislation, is bringing in, with the culpable complicity of the Liberals, a new bar of 70%, whereas Quebec, Ontario, and New Brunswick, to give but those three examples, had set the bar at 60%. The federal government's general rule before was a 55% presence of women.

You have made it mathematically impossible for anybody to get pay equity, and it's a right, and you're going to lose. This is going to be defeated, but it will take that time. As for the dismissive reference to “some tribunal”, I think that shows a total lack of respect for our institutions.

But let's move on. The time is limited.

I would like to understand how the government reversed itself on the principle of not allowing companies to basically put money twice through tax havens. Sheila Fraser, the Auditor General, has come up against this. You've come back and you've reversed yourself on it. Hundreds of millions of dollars are involved. Those are not my figures, but Sheila Fraser's figures. Why is the government reversing itself on this? At a conference I attended in Paris in January, there was agreement on all sides, whether it was from President Sarkozy or Angela Merkel, who was also there, on this reference to the fact that money can transit so easily through these fiscal havens, these tax havens, and that it's one of the biggest problems we have to face.

This government seems to be rowing against the current on this one, and I'd simply like to understand why they're leaving hundreds of millions of dollars on the table.

• (1600)

Hon. Jim Flaherty: We have chosen to listen to and follow the recommendations of the expert panel on international taxation, chaired by Peter Godsoe, which recommended that, in this time of economic crisis, this rule was hampering Canadian businesses investing abroad. We took their advice.

Mr. Thomas Mulcair: In closing, Mr. Chairman, in both cases I'd like to ask this question. I was the Minister of the Environment for several years in Quebec and I never got one single case of this. I often heard this sort of anecdote that environmental rules were holding up big projects and I heard this type of comparison of this small thing to this big thing. That's never been the case.

There is not a single case that he can point to. If he could, he would have given us one. I'd like to give him the opportunity again. Can he give us a single case of an infrastructure project that was held up or blocked for the reasons he evokes, a single case of a Canadian company that was at a competitive disadvantage through the fact that we're not allowing them to use tax havens the way he's going to be allowing here? Is there a single case?

Hon. Jim Flaherty: There are a lot of examples of the duplication of environmental assessments between the Government of Canada and the provinces and territories. I'm surprised you're not familiar with that.

Mr. Thomas Mulcair: There isn't one and you know it.

The Chair: Thank you, Mr. Mulcair.

We'll go now to Mr. Kramp. You have seven minutes.

Mr. Daryl Kramp (Prince Edward—Hastings, CPC): Thank you, Chair.

Welcome, Minister.

I'm sure I could probably provide the opposition member with several hundred examples simply from my own riding, from the municipalities that I talk to. I'd certainly be willing to sit down and give him direct anecdotal evidence of such, and I know most members around this table are probably experiencing something similar.

However, Minister, there isn't anybody who doesn't recognize that we're in a global economic malaise and that it's certainly going to require a concentrated global response and, quite frankly, an unprecedented level of cooperation, both internationally and

domestically. As you have mentioned, Canada has been participating in the various regulatory bodies, and certainly you personally, as our finance minister, have been, whether it's the G7 or the G20. Through budget 2009 and this bill, you've intimated that we have met and will meet our international stimulus commitment. We've actually exceeded, I understand, the suggested stimulus levels of the IMF.

What I think most people recognize, and what I'm more familiar with, of course, as a member in this country, is that we need a coordinated approach domestically—I work with my provincial colleagues on a routine daily basis—so we must have the provinces join in as part of the solution. In regard to your discussions with our provincial counterparts, how confident are you that they are willing to step up to the plate and help provide a coordinated stimulus effort?

Hon. Jim Flaherty: Thank you for the question, and as well, may I compliment you on that lovely tie you're wearing?

Mr. Daryl Kramp: It wouldn't be green, would it?

Hon. Jim Flaherty: Save it for March 17, which isn't that far away.

I mean this sincerely. I'm quite encouraged by the acknowledgement by the provinces and the territories, not only by the ministers of finance but by the leaders when they met in January in Ottawa with the Prime Minister, of the seriousness of the challenge we're facing. We need the provinces and territories to work with us on the infrastructure front because that's where the leverage comes from. So in this budget, for example, the leverage is about 1.5%; with the provinces it's 1.9% in the next fiscal year, and then in 2010, 1.1% federal, and then a total of 1.4%. That gives us, in cooperation with the provinces, 3.2% of GDP by way of stimulus over the course of the next two years. This is well above our commitment at the G20 level, and we want to keep our commitments because we want to show leadership again in the G20. Stimulus in one country, because we're all trading countries, produces more stimulus and complements the stimulus in another country.

So I'm very encouraged by the cooperative and collaborative view that the provinces and territories have taken. We are talking to each other about budget processes. As you know, the Province of British Columbia went ahead with its budget last week. The British Columbia budget contains substantial infrastructure stimulus. There are more budgets to come before too long. It's important for all Canadians that we work together.

• (1605)

Mr. Daryl Kramp: Thank you.

Minister, I've seen a number of companies, even in my riding—companies like Procter & Gamble, Kellogg's—that in past budgets, and certainly in Bill C-10 now, have been eagerly anticipating and will use the accelerated capital cost writeoff that has been presented in the budget and is certainly intended to be of more assistance. But in supporting the whole global recovery and encouraging our trade and the open markets, we see that Bill C-10 really does eliminate now a significant number of tariffs on machinery and equipment. Quite frankly, how will this measure help facilitate the opening of global markets while certainly helping the stimulus in our economy in general?

Hon. Jim Flaherty: Well, we're getting rid of some tariffs on machinery and processing equipment. This will help create jobs. It helps make productivity gains more achievable for Canadian businesses that import a lot of machinery and equipment, whether it's from Europe or from the United States.

It also shows leadership. We have a protectionism issue now around the world. There's a great temptation for politicians to act in a protectionist way because it's quickly popular in the short term—regrettable, ill-advised, but quickly popular—to say only buy goods in one's own country, for example. We've had that discussion, obviously, with our American neighbours, given the stimulus package that's been brought forth in the United States, making clear that our international agreements will be honoured and making sure that everyone is sensitive to the inadvisability of protectionist measures. We had these discussions at some length at the G7 finance ministers' meeting in Rome a little over a week ago as well.

Canada, as with our banking system, with this measure on reducing tariffs again shows leadership. We show that not only do we believe in open markets and that we are against protectionism, but we are in fact taking steps to reduce tariffs now and to eliminate tariffs at a time when some countries are inclined toward protectionist measures.

The Chair: You have 30 seconds.

Mr. Daryl Kramp: Well, there's one story that I believe is an unbelievable success story. My daughter happens to be in the financial investment business, and I've been talking to a number of our local financial advisors, and everybody is telling me that the tax-free savings account has been an absolute boon. What kind of feedback are you getting across the country?

An hon. member: Oh, come on.

An hon. member: Good question.

The Chair: Order.

Hon. Jim Flaherty: Thank you, Chair, for bringing order to these proceedings.

The feedback has been superlative.

The Chair: Thank you, Mr. Minister.

We'll go now to Mr. McKay.

Mr. McKay, you have five minutes.

Hon. John McKay (Scarborough—Guildwood, Lib.): Thank you, Chair, and thank you, Mr. Minister.

One of the reasons or pretty well the only reason the government enjoys provisional support of the official opposition is that we agree that Canada needs fiscal stimulus, monetary stimulus, and your budget provides about \$6 billion in fiscal stimulus. The parliamentary budget officer said at these hearings a couple of weeks ago that the lapse rate of the Government of Canada in terms of last year's fiscal infrastructure projects was about 50%. In other words, about 50% of the money went out the door, and 50% simply got rolled back into the program.

It's not very encouraging, Minister, so what assurances can you provide this committee that in fact the speed, which is the basis of your argument to pass this budget, will in fact happen this time when it didn't happen last year?

• (1610)

Hon. Jim Flaherty: We are in an economic crisis, and so is the world. We have made commitments to our colleagues in the G20 that we will do this. Canada keeps its commitments. We are taking every measure possible within the Government of Canada to expedite delivery of the various forms of stimuli. That includes moving forward with more expedited processes within government itself, within Treasury Board, within the machinery of government items. That includes seeking that this bill be expedited, of course, because of the spending that's in this bill and creating a new vote so that we can get more money out the door in advance of supplementary estimates.

It will bore a lot of Canadians if we get into talking about estimates, and I won't get into it, but you've been here a number of years and you know that the estimates process can take a lot of time. So we're trying to move forward, I hope, in an intelligent way to be both responsive in terms of getting the money out the door to the benefit of Canadians and responsible. The President of the Treasury Board and I have met with the Auditor General, and we talked today about meeting with the parliamentary budget officer as well, to make sure they're fully informed about what we're trying to accomplish here for Canadians—not to act in an irresponsible manner, of course, but that extraordinary times require extraordinary measures for the benefit of our country.

Hon. John McKay: How will we measure your success, though, sitting here at this time next year? Will it be 50%, 60%, or 100%? Can you give Canadians assurance? You've actually put in your budget a use-it-or-lose-it provision. So what will be the measure of success for this government?

Hon. Jim Flaherty: The measure of success will be to have properly executed the economic action plan that is in the budget, and that is a widespread plan. As you know, it has many aspects and it is not without its challenges, but in our view, it's what the country needs.

Hon. John McKay: Secondly, anecdotally and factually, you hear a great deal about restrictions in credit and people having a great deal of difficulty. In fact, in this morning's paper there's a story about NOVA trying to find \$200 million and basically being thrown to vulture funds because it can't get extensions to its lines of credit.

The government has done some things to facilitate extensions of credit. Are there plans for the Government of Canada to actually bypass chartered banks and get directly into, in certain selective instances, extensions of credit?

Hon. Jim Flaherty: That possibility is being created by giving domestic financing authority to EDC, for example, and they will operate in higher dollar amounts than BDC. I expect the banks in Canada to work with the Government of Canada to ensure adequate access to credit. I expect the banks to work in cooperation with EDC and BDC and the other crown financial corporations, just as CMHC has been assisting with providing the service of acquiring insured residential mortgages over the past number of months.

Hon. John McKay: Thank you.

The Chair: Thank you, Mr. McKay.

We'll go to Monsieur Carrier.

[*Translation*]

Mr. Robert Carrier (Alfred-Pellan, BQ): Thank you, Mr. Chair.

Good afternoon, Mr. Minister. We are pleased to see you. We are asking ourselves a lot of questions about the budget you have brought to us.

Earlier, you mentioned the need for urgent action. Of course it is important to act quickly to kick-start our economy. But you will recall that, last fall, you preferred to plunge us into an election, and then to prorogue the House. So here we are at the beginning of 2009 with the same problem for which urgent action is required.

Perhaps we could have acted quickly, except, as someone mentioned previously, the budget implementation bill contains some major legislation that we need to think about, like pay equity, the Navigable Waters Protection Act, and the entire principle of collective bargaining. We are not necessarily experts in all these matters, and they deserve to be studied by other standing committees.

I previously sat on the Transport Committee, and, starting in February 2008, I was part of a process of study on the Navigable Waters Protection Act. In June 2008, we reached the point where we were ready to make recommendations for a bill. Now here you are with a budget implementation bill that you are asking us to pass quickly. At very least, it should have been studied at a joint committee, with the Transport Committee, the people who have looked at this whole matter, to see if what you have proposed in your bill is any good.

Anyway, I will forget all that; it is very problematic and you are not going to be able to solve it today.

I could ask you a number of questions, but I will just ask about securities. In your budget implementation bill, you propose a Canada-wide commission even though the matter is in provincial jurisdiction. You say that you have received a legal opinion on the scope of your proposal. I have asked your officials to send me a copy of that opinion. Could you make a note of it and have it sent?

I would like to ask another question, this time about the treatment of Hydro-Québec. There was no answer a while ago, though there was an answer about Hydro One. Electricity distribution, such as

Hydro One is involved in, has been considered business income and so is not included in the calculation of assets. Hydro-Québec is considered as two divisions, one dealing in transmission and distribution, just like Hydro One. That division could also be considered not part of the assets, but as business income.

You were asked this question before and we did not get a reply. Why does Hydro-Québec not get the same treatment, which would result in \$250 million more in equalization payments for the people of Quebec?

● (1615)

[*English*]

Hon. Jim Flaherty: To respond to the latter question, the different entities in Ontario and Quebec do not perform exactly the same functions, which results in a difference with respect to their treatment under the equalization regime.

With respect to the issue of securities regulation, as we have always said, we will respect the jurisdiction of the provinces. That is not to say that the federal government does not have jurisdiction.

[*Translation*]

We will respect provincial and territorial jurisdiction.

[*English*]

In terms of the legal opinion, before I forget, the Hockin report deals with the legal issues—and that panel had pre-eminent legal counsel.

[*Translation*]

Mr. Robert Carrier: What was that you said?

[*English*]

Hon. Jim Flaherty: It's the Hockin report that was delivered in January, the report by the Honourable Tom Hockin, who chaired the panel.

[*Translation*]

Mr. Robert Carrier: Can we have a copy? Has that document been published?

[*English*]

Hon. Jim Flaherty: The report is public. The legal views received by the Hockin panel are set out in the report, and the names of those who gave the opinions are provided. As I say, they dealt with pre-eminent constitutional scholars in Canada.

The Chair: Okay, thank you. *Merci.*

We'll go now to Mr. Dechert, for five minutes.

Mr. Bob Dechert (Mississauga—Erindale, CPC): Thank you, Mr. Chair.

Minister, thank you very much for your comments today and your description of the economic situation facing our country.

As you mentioned, Bill C-10 is a very lengthy bill of over 500 pages, and it includes many positive initiatives. We obviously spend most of our time as parliamentarians focusing on those initiatives with the biggest dollar amounts, the major infrastructure announcements. But I've noted that there are a number of other very important changes for people that are really quite worthy and deserve to be recognized. One in particular is the extension of the deadline for registered disability saving plan contributions. I know that in my riding, as I campaigned in the last election, I encountered many people who have children with disabilities or other family members who do, and this is something that's very important to our society.

RDSPs, as we know, are the new savings vehicle that our government has introduced to help parents and others set aside future funds to financially support children with severe disabilities. It's an important program with important changes that I'd like you to comment on, but I'd also like to underline how important this program really is by quoting someone who will actually benefit from the proposals that have been introduced.

Here is what Laura Mackenrot, a young woman from Vancouver who happens to be blind and is a strong disability advocate, had to say: "This is just going to be absolutely incredible for the disabled community nation-wide. This is really going to help improve people with disabilities, their lives and their quality of life. The rest of the world, the disabled communities of the world, are watching. They're watching Canada, so we're literally making history right now, and I'm very happy to be a part of it."

I wonder, Minister, if you could comment on that.

• (1620)

Hon. Jim Flaherty: I suppose the important technical point for Canadians who want to make use of their new registered disability savings plan is that contributions made up to March 2, 2009, will be considered to have been made in 2008. That's important, because there are government benefits involved for many of the persons who are entitled to have a registered disability saving account. There is a matching Canada disability savings grant from the government. The Canada disabilities saving bond is also available for low- and middle-income families even if no contributions are made.

So it's important for families with family members with significant disabilities to make use of the registered disability savings plan. A number of our large banks have the facility available now, so I encourage Canadians to make use of the plan by March 2.

This is a good example of the development of public policy, in my view. We appointed a panel of experts to look at this issue following budget 2006. They did extensive consultations across Canada and reported back. We acted on the report. We went through the design stages and it eventually became law. And now we have the actual accounts up and running in the system and available for Canadians. It took time, but I think the result is well worth the effort for persons with disabilities in Canada.

The last thing I'd say about this is that internationally we are getting tremendous credit for this around the world. This is a novel, leading program in the world for helping persons with disabilities and their families create some financial security for the person in the family with a severe disability.

Mr. Bob Dechert: Thank you, Minister.

I'd like to take a slightly different tack, particularly as I have a little extra time.

We all heard the comment that projects should be shovel-ready, and it's somewhat confusing to know exactly what that means. I wonder if you could describe what you think that means in terms of that infrastructure projects that have been announced. And could you discuss how quickly we need to move on these projects in the current economic circumstances?

Hon. Jim Flaherty: Well, as the Italian minister of finance said the other day at our G7 meeting, we are in *terra incognita*. I don't have a crystal ball about how the economy is going to do. You had the Governor of the Bank of Canada here, I know, and he's fairly optimistic about next year.

What we do know now is that we need to create economic activity in Canada. We know that the private sector is not doing so adequately, due to access to credit issues and other things. So that is why we have the use-it-or-lose-it approach in the budget with respect to infrastructure.

Many of the municipalities and some of the provinces have work that could be done right away in the nature of repairs, renovations, and restorations that do not require environmental assessments. We believe in environmental assessments, but environmental assessments cause some delay, and the need for job creation is immediate. That's one of the reasons for the provision of a few billion dollars for colleges and universities in the budget, to permit the universities to go ahead with some of the deferred maintenance, as it's called, that needs to be done at our universities from coast to coast. So that's what I mean by shovel-ready.

There will be other projects later this year and next year contemplated in the funding for infrastructure in the budget, projects that will be constructive—excuse the pun—or good for the country, but these will not provide immediate employment.

• (1625)

The Chair: Thank you, Minister.

Thank you, Mr. Dechert.

We'll go to Mr. Pacetti.

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

Thank you, Minister, for appearing before the committee. It's always a pleasure.

Just quickly, I'm a little troubled by Mr. Kramp's question regarding the tax-free savings account. I've had a little different feedback on what's been going on. I've been talking to a few people who are actually having a hard time putting money into RRSPs—it's RRSP season. In fact, there are a few people withdrawing money from RRSPs.

So I don't see how you can determine that it's been a huge success. The numbers are not in. I spoke to a few people in the banking sector. They said they've thrown huge amounts of money at it in terms of advertising, and it hasn't brought in any new business. People are turned off by the fact that they just can't make ends meet, never mind trying to put a couple of bucks together to open an account.

We had your officials here last week. Much to our committee's surprise, the Finance officials threw out \$15 million in advertising to promote this tax-free savings account. The first instalment at the CRA is \$19 million just to set up the infrastructure for a program that probably is going to generate nothing. I'm not sure what the return is going to be from an account like this. Even if people were to put \$5,000 away, at a 1% return, I don't see what the return is going to be for the Government of Canada. If I were to give almost \$50 million to taxpayers, I think they could probably find more use for it than what the government has done with it today.

So if there's a failure with the tax-free savings account.... I look at how it was supposed to generate a stimulus and to increase savings, but then you turned around and said, no, it's not supposed to increase savings, but it is more of a stimulus. And now I look at this package again, which is supposed to generate a stimulus. But if we look at all the little tax deductions here and there.... Again, I'm an accountant by profession and I'm talking to friends and constituents. They're not seeing any difference in their paycheques. Some of them are losing their paycheques. For somebody earning \$30,000, it's \$33.

Wouldn't it just have been easier to say, we're going to give the people who need the money \$200 or \$300—pick an amount—and actually stimulate the economy as we have to? I say this because with some of these personal tax deductions, even if people are entitled to get them and have jobs until the end of the year and file their 2009 income tax returns, they will only be refunded by April 2010. So even the direct stimulus part of the budget is not going to generate a direct stimulus.

Perhaps you could comment on this. And then I have a couple of other quick questions.

Hon. Jim Flaherty: Sure.

On the first issue about sending out cheques to people, that is a failed policy. You can look at the American experience last year under the administration of President Bush and how they had anticipated a substantial stimulus in the economy by sending out cheques in 2008, and the anticipated stimulus did not result, because some people used the cheques to pay down debt and other purposes—and not to purchase goods and services. So I can assure the member that we looked at that policy in the preparation of the budget and we rejected it because it does not work well.

With respect to TFSA, the tax-free savings account, I'm not quite sure where you're getting your data. These have been incredibly successful; Canadians have responded by the tens of thousands. In fact, ING Direct sold more than 100,000 accounts in a matter of weeks.

Mr. Massimo Pacetti: Sold accounts? Opened accounts? Has there been any money put in there?

Hon. Jim Flaherty: Yes, there sure has. In fact, it was about \$800 million. It's a very substantial amount of money.

Mr. Massimo Pacetti: I have friends who are opening tonnes of accounts as well, but there's not actually any money going in there.

Hon. Jim Flaherty: If you read *The Globe and Mail* online, ING Direct said it was racking up about 2,000 to 3,000 new accounts a day, while BMO InvestorLine said about 85% of new accounts opened in the past couple of weeks have been—

Mr. Massimo Pacetti: Okay, Mr. Minister.

Hon. Jim Flaherty: But the more important public policy here, and I'd like to discuss it, is why we are doing this. It's because 15 to 20 years from now most Canadians' savings are not going to be taxed. This is a good thing. This is reducing taxes on Canadians.

Mr. Massimo Pacetti: You can promote that during question period. My time is limited. I just have two more quick questions.

Thank you.

• (1630)

The Chair: Mr. Pacetti, make it one. You've got 30 seconds, maximum.

Mr. Massimo Pacetti: Okay.

The home renovation credit doesn't seem to be anywhere in the budget, it doesn't seem to be anywhere in the ways and means. And the third quick question is, has anybody calculated how much money the Government of Canada is guaranteeing via EDC loans, BDC loans, CMHC, swapping bad assets for good assets? Has anybody made a calculation as to how much money the Government of Canada is on the hook for?

Hon. Jim Flaherty: The home renovation tax credit is not in the bill; it was in the ways and means. It's a tax measure, yes, and it has been approved by the House. I had this discussion recently with your colleague from Markham—Unionville. This is not easy to design. The design is complex. So the home renovation tax credit will be in the usual second budget bill this year.

Your other concern is about the total credit, is that correct? As we set out in the budget, up to \$200 billion is the extent of the extraordinary financing framework.

Mr. Massimo Pacetti: That was \$200 billion?

Hon. Jim Flaherty: Yes, \$200 billion.

Mr. Massimo Pacetti: Thank you.

Thank you, Chair.

The Chair: Thank you, Mr. Pacetti.

Thank you, Minister, for being with us here today on our review of the budget implementation act. We look forward to welcoming you back again.

Members, we will suspend for a couple of minutes and we'll bring the next witnesses forward for the 4:30 p.m. session. Thank you.

This meeting is adjourned.

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