



House of Commons  
CANADA

## Standing Committee on Finance

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FINA • NUMBER 051 • 2nd SESSION • 40th PARLIAMENT

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EVIDENCE

**Monday, October 19, 2009**

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**Chair**

**Mr. James Rajotte**



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• (0930)

[English]

**The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)):**  
Good morning, ladies and gentlemen. Welcome to Regina.

This is the 51st meeting of the Standing Committee on Finance. This is the seventh of nine cities we are visiting as the committee is going right across Canada to hear from organizations and individuals.

We are here in Regina this morning and then we are going to Weyburn this afternoon to do a site visit to the EnCana facility there, so we're very excited about that as well.

We have here with us this morning seven organizations. I'll read out their names in order of presentation: the Saskatchewan Association of Rural Municipalities; Saskatchewan Telecommunications, better known as SaskTel; the Saskatchewan Urban Municipalities Association; the Canadian Medical Association; the Canadian Real Estate Association; the Saskatchewan Chamber of Commerce; and finally, EnCana Corporation.

Each organization will have five minutes for an opening statement and then we will go to questions from members.

We'll start with the Saskatchewan Association of Rural Municipalities.

**Mr. David Marit (President, Saskatchewan Association of Rural Municipalities, Federation of Canadian Municipalities):**  
Thank you, Mr. Chair.

First of all, on behalf of the Saskatchewan Association of Rural Municipalities, I wish to thank the members of the Standing Committee on Finance for allowing SARM the opportunity to appear before you this morning. We really appreciate it.

Perhaps the most pressing matter facing rural Saskatchewan today is its road infrastructure. Rural Saskatchewan has a population of 200,000 and has 162,000 kilometres of roads that service industries vital to the nation's economy, including agriculture, oil, natural gas, and potash.

As most of you are aware, rural line and elevator consolidation, which began in the early 1990s and continues today, has created a ripple effect that has resulted in our roads being used more and more frequently, thus resulting in more and more damage. Railway companies discontinued 517 miles of track in western Canada in 2007-08 and 403 of those miles were in Saskatchewan. According to the Quorum Corporation's annual report on the grain handling

system, there are plans for the discontinuance of an additional 700 miles of track in western Canada over the next few years.

Any time a rail line is discontinued, roads in our province experience an increase in use, which is why it is imperative that the Government of Canada introduce a federal rural roads program to help with the maintenance and upkeep of our roads. The rural taxpayer simply cannot afford to shoulder the consequences of rail line consolidation on his or her own.

SARM has undertaken efforts to improve and upgrade our province's roads. We have done this by initiating a program called "Clearing the Path", in which secondary roads are improved to primary weight standards capable of carrying and accommodating the heavier loads required by our province's industries in order to remain competitive in this global economy.

A report prepared by AECOM engineering for SARM and the provincial Ministry of Municipal Affairs this year indicated that road construction costs between 1998 and 2008 increased by 152%. This enormous spike in costs naturally reduces the distance over which road repair money can be stretched. SARM sees no real chance that construction costs will be reduced in the near future.

A separate 2008 Associated Engineering study determined that many bridges in Saskatchewan will reach the end of their expected life in a few short years. There are approximately 2,300 bridges on municipal roads in Saskatchewan, 400 of which predate 1955. These bridges were built with the idea that they would last 60 years. In many instances, that lifespan expires in or around 2015. As well, many of them were not built to handle today's heavy truck traffic.

The AE survey determined that \$100 million is needed for immediate and near-future bridge repairs over the next five years. The majority of this money will address only the most serious maintenance backlogs that currently exist.

The province has recognized the seriousness of the problem and has raised contributions to rural municipal infrastructure from \$20 million to \$40 million, but again, there is a need for greater help. We believe the introduction of a new federal roads program would go a great distance toward assisting rural municipalities with the challenge of providing the necessary infrastructure to accommodate the province's growing economy.

In addition to our road infrastructure, SARM also feels that our livestock industry currently faces disadvantages that make it hard for the industry to compete. Specified risk material disposal and country-of-origin labelling are two of the principal problems that create competitive disadvantages for our livestock producers. These urgently need to be addressed.

In summary, we very much appreciate the Government of Canada's assistance with municipal infrastructure, including the gas tax program and the Building Canada fund. However, further assistance is needed in the form of a federal program that specifically targets rural roads. In addition, our prairie livestock industry needs assistance to overcome its current challenges.

I want to take this opportunity to once again thank the committee for allowing us to present here today.

Thank you, Mr. Chair.

• (0935)

**The Chair:** Thank you very much for your presentation.

We'll now go to Saskatchewan Telecommunications.

**Mr. Robert Watson (President and Chief Executive Officer, Saskatchewan Telecommunications):** Good morning, Mr. Chairman and committee members.

SaskTel appreciates the opportunity to provide our comments to your pre-budget consultations. I intend to speak on two issues—first, the importance of a national digital economy strategy, and second, the need for a focused federal program of broadband access for Canadians as part of that strategy.

First of all, with respect to the new digital economy, earlier this year Industry Canada held a summit on the digital economy. At the summit, the federal industry minister stated that Canada needs to regain its leadership in the digital economy. He indicated that one of the major challenges is to use the information and communications technology to increase innovation, improve productivity, enhance competitiveness, create jobs, and generate wealth in every firm of every size, in every economic sector, in every region of this country.

SaskTel strongly agrees with the position taken by the minister. Advanced communications networks are a key component of sustainable economic growth and social development. This is especially true in a province such as Saskatchewan.

The telecommunications industry in Canada has been one of the bright spots in Canada during this recession. Employment levels have been maintained and capital investments have continued. The strength has continued in spite of \$4.2 billion from the industry in the most recent AWS auctions. These record auction proceeds were, in the opinion of many, the result of artificial rules that created a scarcity of spectrum. The end result was that \$4.2 billion was not available for the industry to invest in this infrastructure and in jobs in the industry of the future. Rather, the \$4.2 billion was spent to rescue, arguably, the auto sector.

SaskTel and others are calling upon the federal government to follow the lead of many other countries in the world and create a national strategy focusing on the new digital economy. The strategy should include the following elements: it must be comprehensive

and look at long-term growth, it must ensure a strong telecommunications sector that is able to continue to make massive investments needed on new infrastructure, and it must include a national broadband strategy for rural Canada.

Broadband services are instrumental tools for accessing information and goods and services and for getting things done at a distance. They are at the core of today's social, cultural, and economic life. However, residents in these regions cannot pay the true cost of bringing these telecommunications services to their homes and places of businesses. SaskTel or other telecommunications providers cannot afford to make the necessary investments in infrastructure required to support rural and northern demands while remaining economically viable.

SaskTel suggests that one way of setting a national broadband policy would be for the federal government to follow the recommendations of the telecommunications policy review panel, which suggested that broadband should become part of a basic set of essential telecommunications services that Canadians are entitled to receive. If broadband is recognized as an essential service, then the federal government must become involved in a more consistent manner than continue with the random one-time facilities grants.

SaskTel believes that the federal participation in rural and northern broadband could become a key component of a national industry policy in a new digital economy. The base wealth of this country remains dependent upon commodities such as oil, potash, uranium, and agriculture. Canada must ensure that those rural and northern people and businesses can participate in the economic and social fabric of the country if Canada is to maintain its standard of living.

SaskTel is making two recommendations for a national broadband strategy for rural Canada.

Recommendation one is that the Government of Canada follow the lead being taken by governments around the globe in assisting in the construction of a single strong network in rural and northern areas for broadband, stimulating competition of services as opposed to facilities.

Recommendation two is that the national broadband strategy must recognize that investment in advanced communications and broadband is never done. This infrastructure is constantly in need of changing and upgrading. Any national strategy must therefore be more than a one-time capital program and create a true long-term partnership with the telecommunications industry that ensures fair returns for infrastructure providers in the maintenance, sustainability, and growth of leading-edge networks in the areas where market forces cannot achieve acceptable results.

Thank you, Mr. Chairman and committee members. We'd be happy to answer any questions.

● (0940)

**The Chair:** Thank you very much for your presentation.

We'll now have the Saskatchewan Urban Municipalities Association.

**Mr. Allan Earle (President, Saskatchewan Urban Municipalities Association):** Thank you very much.

Good morning, everybody.

My name is Allan Earle. I'm president of the Saskatchewan Urban Municipalities Association. At this time, I'd also like to introduce another official from our organization, SUMA's vice-president for cities and my colleague, Fred Clipsham.

We are a federation of urban governments that works to improve legislation, programs, and services to enhance urban life in Saskatchewan. SUMA's members represent 75% of Saskatchewan's population.

I wish to thank all members of the committee for being here today and for providing us the opportunity to address you this morning.

Saskatchewan is experiencing a tremendous amount of economic growth, and urban municipalities are on the front lines of this growth. Saskatchewan needs strong, viable urban centres with the capacity to foster and encourage growth, and that means we need the continued support of our federal government.

On behalf of our members, we have five key recommendations for your consideration here today.

As Canada addresses the implications of the worldwide economic downturn, municipalities are making progress in tackling the massive municipal infrastructure deficit. To that end, we are pleased to have assurances from the Government of Canada that municipal programs, including the GST rebate and gas tax programs, will be protected from cutbacks. The importance of these programs cannot be overstated, and we wish to acknowledge the major role these programs have played in the success of infrastructure projects in our province.

Over the last decade, the federal government has invested almost \$1.2 billion per year in application-based infrastructure programs like the Canada strategic infrastructure fund, the municipal-rural infrastructure fund, and the Building Canada fund. This funding has been a necessary, but not sufficient, element in helping municipalities address the growing infrastructure deficit.

However, the ad hoc and short-term nature of these programs has made it hard for municipalities to count on funding to build and maintain projects. We believe the federal government should extend these programs at least at current levels and consider adopting funding models similar to the GST rebate and gas tax programs.

I am going to turn this over to my colleague.

**Mr. Fred Clipsham (Vice-President, Cities, Saskatchewan Urban Municipalities Association):** Good morning, Ms. Block and gentlemen.

Our second recommendation relates to a long-term strategic approach to address the municipal infrastructure deficit. Rehabilitating and renewing municipal infrastructure is critical to the long-term health of our provincial and national economies.

Insufficient funding over the long term has resulted in unmet local infrastructure needs across Saskatchewan communities, estimated to be in the range of \$4 billion. SUMA believes that an integral component of the solution to the infrastructure deficit is the development of a nationally coordinated long-term strategy for infrastructure investment. The City of Regina's mayor, Pat Fiacco, has made a proposal for a national infrastructure summit, of which some of you may be aware.

There will be an opportunity over the next two years, while the current funding commitments are being delivered, to develop a national strategy. It is vital that the 2010 federal budget allocate funding to lead the development of this strategy.

Our third recommendation is for the federal government to work with the provinces and municipalities to address the issue of affordable housing. I should tell you that this is a priority for SUMA and for the Saskatchewan City Mayors' Caucus this year in working with our provincial government.

The federal government has made considerable investment in affordable housing renovations this year. These renovation dollars are needed, but it is time for the federal government to lead discussions with provinces and municipalities to identify how best to tackle the issue of housing. In our growing province, this is a key issue.

Our fourth recommendation is that the federal government extend recently expired transit investments and develop a fully funded national transit plan. Working in collaboration with municipalities, a national transit plan could make a significant impact in our fight to combat climate change. Canada is the only G8 country without a long-term national transit plan.

I will turn this back to President Earle.

● (0945)

**Mr. Allan Earle:** Thank you, Fred.

Our final recommendation is for the federal government to avoid downloading responsibilities onto municipal governments without the required funds to cover the costs. Specifically, SUMA is referring to the new standards for treatment of waste water that have been endorsed by the federal environment minister and many of his provincial and territorial counterparts. Along with FCM, we are looking for the federal government to underwrite and coordinate with provinces, territories, and municipalities a strategy to fully fund these new standards.

The urban municipal sector is an important stakeholder in creating business opportunities and fostering economic development, and we thank you for the opportunity to submit our recommendations for the 2010 federal budget. I know that you will seriously consider the proposals presented and work to ensure that municipalities are fairly represented in the next federal budget.

Thank you.

**The Chair:** Thank you for your presentation.

We will now go to the Canadian Medical Association.

**Dr. Anne Doig (President, Canadian Medical Association):**

Thank you, Mr. Chairman, and good morning, members of the committee.

As the president of the Canadian Medical Association and a family physician from Saskatoon, I am pleased to address the finance committee during your pre-budget consultations.

Canada's physicians believe that innovative action taken now will ensure that we sustain a strong publicly funded and universal health care system. Our pre-budget submissions include three recommendations, focusing on health care infrastructure, health workforce, and electronic medical records, or EMRs. These initiatives are about improving health care for all Canadians. They fall within the jurisdiction of the federal government and recognize the government's current fiscal capacity. These proposals will kick-start a transformation of the health care system while creating more than 17,000 jobs that will ensure a competitive economy for the future.

The first area is infrastructure. The federal government should expand the Building Canada plan to include shovel-ready health facility construction projects, including ambulatory, acute, and continuing care facilities. The federal government has chosen not to invest Building Canada funds in health facilities. This is inexplicable. We need to better prepare our health system to deal with an aging population.

In addition, we must ensure sufficient capacity in our acute care facilities to meet surge demands such as epidemic or pandemic illnesses. Scarce long-term care facilities and home care services dictate that patients remain in hospital, delaying hospitals from performing elective surgeries and restricting the movement of other patients from the emergency room to acute care wards. Hallway nursing has become the norm in many hospitals stretched above 100% in patient capacity. In a country as wealthy as Canada, this situation is shameful. Roughly 25% to 30% of acute hospital care beds are occupied by patients who do not require hospital or medical care but rather 24-hour supervised care.

The \$33 billion Building Canada plan could better support a smart economic recovery and the health needs of Canadians if health facilities were eligible for funding. A \$1.5 billion federal investment in hospital and health facility construction will create 16,500 jobs over a two-year period, and 11,000 jobs in 2010 alone. This is an area where a small change to an existing federal stimulus measure could pay much greater dividends.

In terms of health information technology, the federal government should expand the two-year time-limited accelerated capital cost allowance for hardware costs related to health IT. Canada lags behind nearly every major industrialized country when it comes to health information technology. This is inexcusable. For patients, the impact of this underinvestment is longer wait times and an overall reduction in the quality of care.

The 100% capital cost allowance rate for computer hardware and systems software proposed in Budget 2009 is the type of initiative

that will help make a difference on the front lines. For this initiative to provide the greatest benefit, the 100% rate should be expanded to include electronic medical records software and peripherals, and the whole initiative should be extended to five years.

Budget 2009 also pledged \$500 million to support front-line development of EHRs and EMRs, but this money has not yet been delivered. Let me be clear: this delay is hurting patient care. The federal government must transfer these funds as soon as possible. Information technology investments will enhance the safety, quality, and efficiency of the health care system. They will also result in a significant positive contribution to Canada's economy and create thousands of sustainable knowledge-based jobs throughout Canada.

• (0950)

Finally, our third recommendation deals with the investment in health human resources. Canada does not have enough physicians, nurses, technicians or other health care professionals to provide the care patients need. This shortage puts the system under pressure, and the impact is being felt by patients across the country.

In the 2008 federal election, all three national parties made explicit promises to address HHR shortages. The federal government committed to fund 50 new residency training positions per year over four years and launch a program to repatriate Canadian physicians practising abroad. The government must keep this commitment.

The emerging economic recovery offers an excellent opportunity for the federal government to create a more patient-focused and sustainable health care system. Bolstering the Building Canada infrastructure plan to include health facilities will help providers to help patients. Enhancing EMR tax incentives and addressing health workforce shortages are also critical first steps in transforming our health care system so that it is truly patient focused.

Looking ahead, it will be important to continue to honour the financial transfers of the 2004 health care accord, including the annual 6% escalator, through to 2014. Past cuts to health care funding at all levels have had significant negative effects on patient care that continue to be felt to this day. Now is the time to begin thinking ahead to the fiscal needs of the system in the post-2014 era.

Thank you.

**The Chair:** Thank you for your presentation.

We will now go to the Canadian Real Estate Association.

**Mr. Pierre Beauchamp (Chief Executive Officer, Canadian Real Estate Association):** *Merci, monsieur le président.*

I'm Pierre Beauchamp, CEO of the Canadian Real Estate Association. I am accompanied by Dale Ripplinger, who is president of our association, and Gregory Klump, who is our chief economist at the association. Like others, I wish to thank you for the opportunity to appear before you today with our thoughts on next year's budget.

Mr. Chairman, the Canadian Real Estate Association is forecasting annual residential resale activity in 2009 to be weaker than any other year since 2002. Interest rate increases promised by the Bank of Canada in 2010, combined with rising unemployment, threaten the sustainability of Canada's housing market recovery. The commercial real estate market has been particularly hit hard and has yet to improve.

A recent study found that year-over-year transaction volumes declined by 51% in 2009 and that the number of transactions dropped by 38% over the previous year.

[*Translation*]

Now is not the time to remove the training wheels provided by economic stimulus measures. That coincides with the opinion of Mark Carney, the Governor of the Bank of Canada, and that of the finance ministers of the G7 nations. Indeed, we should use this time to defer tax on real estate reinvestment.

• (0955)

[*English*]

The capital gains tax and recaptured capital cost allowance on income properties are holding back important stimulus. George Kirkland of St. John's, Newfoundland, is like many income property investors. He explains: "The tax system encourages us to hold on to our property. If we were to sell today, we would not have enough money left over to purchase a similarly valued property and therefore realize the same level of income."

According to Dianne Watts, who is mayor of Surrey, British Columbia: "The City of Surrey has been working hard to rejuvenate particular areas of its downtown for many years." She believes some local property owners are unwilling to sell their rental properties, even at prices above market value, because of the tax consequences. She says the tax deferral would greatly assist in accelerating plans for development and growth.

Mr. Chair, this is a main street proposal. Dr. Thomas Wilson of the University of Toronto found that those with net incomes of \$50,000 or less accounted for approximately 48% of the total dollar value of rental property gains.

[*Translation*]

Deferring tax would create opportunities for businesses in the renovation and redevelopment sector, generate revenue for industries engaged in mining operations, promote harvesting and manufacturing activities associated with building materials, and generate professional fees as well as tax revenues for all levels of government.

[*English*]

Between 2006 and 2008, the typical multi-unit apartment building transaction in Toronto, Vancouver, and Calgary generated over

\$287,000 in spinoff spending. In addition, more than one job was created for every two transactions.

The Canadian Chamber of Commerce recently adopted a policy resolution in support of tax deferral on property reinvestment. In addition, the National Trade Contractors Coalition of Canada, the Canadian Construction Association, the Canadian Federation of Apartment Associations, and REALpac, the Real Property Association of Canada, have expressed their support.

So again, Mr. Chair, we strongly recommend that you allow the capital gains tax and the recaptured capital cost allowance to be deferred when an income property is sold and the proceeds are reinvested in another income property within one year.

[*Translation*]

In terms of the residential sector, the 2009 federal budget recognized the need to maintain the value of the Home Buyer's Plan. The plan serves as a repayable zero-interest loan and can therefore reduce or even eliminate the need for costly mortgage insurance, and so reduce the amount of interest paid to lenders.

[*English*]

By allowing homebuyers to withdraw money from their RRSPs to buy a home, this program allows Canadian families to save for a home and retirement at the same time without having to greatly dilute both goals by choosing one over the other.

Indexing the plan is essential if tomorrow's homebuyers are to realize the same level of benefit from the plan. Moreover, when it was first introduced back in 1992, the homebuyers' plan was open to all homebuyers, not just first-time buyers, and, if you recall, helped combat the 1992 recession.

Residential housing transactions spin off benefits to industries across the country. A typical MLS systems transaction between 2006 and 2008 generated \$46,400 in spinoff spending, which adds up to \$22.3 billion each year. An average 202,000 jobs were created annually by MLS systems transactions.

We believe that expanding the homebuyers' plan by opening it to all homebuyers would not only support a recovering housing market, but would also benefit industries in a fragile state across the economy.

Thank you for providing us the opportunity to appear here today.

I would like to make a brief comment. Unfortunately, our group thought this meeting was over at 11 o'clock. We are committed to being in Ottawa tonight and will have to leave then. We apologize in advance. I would urge you to ask questions to our group before 11 o'clock if that's at all possible. Thank you for your indulgence.

• (1000)

**The Chair:** Thank you for your presentation.

We'll now go to the Saskatchewan Chamber of Commerce.

**Mr. Steve McLellan (Chief Executive Officer, Saskatchewan Chamber of Commerce):** Good morning.

My name is Steve McLellan. I'm the CEO of the Saskatchewan Chamber of Commerce. Thank you for the opportunity to present the perspectives of the Saskatchewan Chamber to this committee.

We fully appreciate the many presentations you'll receive and also the time limitations I have today. I'll be as brief and concise as possible. You have received our written document, so I'll only highlight the recommendations.

Canada has clearly experienced an economic body blow. Those provinces that for many years were our country's economic legs are now experiencing fatigue, most times not of their own making. I use this analogy to say that it's time for Canada to rely on new, fresh legs for a time and ensure that they get the full support of the rest of the body to carry us all forward.

I'm speaking of Saskatchewan as these new legs that can provide momentum and optimism for the rest of the country. While it's true that our province's GDP alone will not turn around the challenges facing Canada, it's also true that everyone loves a winner, and especially one that yesterday was an underdog.

With that introduction, I offer these few positions that, if you adopt and endorse them in committee and in Parliament, will carry the day for Canada. I'll briefly reference several key themes.

First, the delegation of regulatory authority in allowing the provincial governments to use harmonized standards and equivalency agreements makes good common sense. If there's one thing consistent across all governments in Canada, it's a desire for a smaller bureaucracy to assist in productivity of effort by government and industry in their dealings with government. It makes sense to cut government costs, and all modern-thinking agencies are looking to end duplication.

We're in a recess, not a recession, in Saskatchewan, and it's during those days that we should be increasing our skills training, not decreasing it. Therefore, we recommend an investment in all areas of post-secondary training funding, partnering with the province to make these spaces available and ensure that the programs are relevant for our people.

In Saskatchewan alone, we will be 120,000 workers short in the next few decades, and 70% of all jobs will need some type of post-secondary training. We urge the federal government to make this a key initiative and see the benefits of strategic investment in this area.

The real impact of any stimulus program will be on how much investment is made by the private sector. Therefore, to add great value to the already committed stimulus dollars from the federal government, we recommend that an investment tax credit for equipment that increases productivity or provides environmental enhancement be considered. Businesses are retooling, and with an incentive, the pace towards these two areas would significantly increase.

Paralleling this investment or this incentive would be an enhanced accelerated capital depreciation program. Allowing businesses to depreciate their capital over different periods would mean more investment now, and that too would stimulate the economy.

Again, I can't emphasize enough that the successful recovery of the Canadian economy, although being led by the federal and

provincial governments, will be directly related to the success of the business investment in our economy.

Our final point is a request for your committee to support our effort in striking a positive arrangement with the Saskatchewan government on harmonizing our PST with the GST. Currently Saskatchewan's government is not moving in this direction, partly, we believe, because the last negotiations with the federal government left too much money off the table in terms of transition dollars. We ask that you help these new legs of economic power in Saskatchewan by insisting that your officials get to the table with Saskatchewan to make our province a player in this modern tax environment.

As B.C. and Ontario finalize their arrangements to integrate their taxes, and as their economies react to the benefits, we too need to fully understand our competitive position. At the Saskatchewan Chamber, we are encouraging our province to move forward with the HST with a model that works for Saskatchewan.

So that's it, in four minutes: eliminate duplication of regulation and cut the cost of federal budgets and also for the provinces by allowing businesses to focus on business, not on regulatory paperwork; invest in people through enhanced funding to Saskatchewan's post-secondary facilities and programs, with the provincial government as your partner; develop a more productive investment tax credit to spur new capital investment and enhance the stimulus recovery; allow for accelerated capital depreciation to more accurately parallel business cycles; and finally, work with our provincial government to modernize our tax system through harmonization. We will push if you will pull.

Thank you for your time.

• (1005)

**The Chair:** Thank you very much for your presentation.

The last presentation will be from EnCana Corporation.

**Mr. Eric Marsh (Vice-President, Corporate Supply Management, Special Projects, USA Division, EnCana Corporation):** Thank you, Mr. Chairman and all committee members.

My name is Eric Marsh and I am vice-president of the EnCana Corporation. It is my pleasure to address this committee.

Today we are proposing that the Government of Canada take a bold and innovative leadership step towards addressing some of Canada's most pressing environmental, economic, and energy challenges by establishing a Canadian natural gas transportation policy. We believe that through strong government leadership in the expanded use of natural gas throughout Canada's transportation sector, our country would quickly become a world leader in marrying the environmental benefits of clean-burning natural gas with widespread economic growth that is capable of generating substantial benefits from coast to coast and through virtually every sector of Canadian society.



EnCana's 2010 budget request is that the federal government launch a natural gas transportation policy for Canada, with policy changes that would support the use of natural gas, rather than higher-polluting fuels such as gasoline and diesel, to promote emissions reduction and spawn economic growth, and with fiscal policy measures to establish an investment framework that would create the first natural gas transportation corridor for passenger vehicles and commercial trucks, starting from Windsor, Ontario, and going on to Quebec City.

This policy change would stimulate investment capital in large-scale infrastructure projects such as refuelling stations and liquefied natural gas plants. In addition, it would provide support for the auto sector and the trucking industry to encourage manufacturers to mass produce natural-gas-powered vehicles and provide more product choices for our consumers. With joint cooperation between government and industry stakeholders, we are proposing the creation of a road map that adopts a solid plan for multi-year implementation by the end of 2010.

North America has recently experienced an extraordinary increase in natural gas resource abundance that has been driven by new technology advancements in horizontal drilling. North American natural gas resources are widespread throughout the continent and currently stand at approximately 100 years of supply at current production rates. The new abundance of natural gas will provide price stability and ensure affordability for future use as a transportation and power generation fuel. Natural gas can accelerate the environmental benefits addressed by Canada's *Turning the Corner* plan through large and immediate emissions reductions for both stationary and mobile sources.

Compared to our traditional fuels, natural gas emits 30% less carbon dioxide when used in transportation vehicles and generates 50% lower emissions than coal for power generation. Technology for large-scale natural gas use as a transportation fuel for passenger and commercial vehicles exists today. Europe, Asia, and South America have experienced impressive growth in natural gas vehicles, to nearly 10 million worldwide.

Consumer fuel savings offered by natural gas are impressive. At current fuel prices and in equivalent profit margins to gasoline, fuel savings of 50% could be achieved by the use of natural gas as a transportation fuel.

Policy changes mentioned previously would aid in the design and development of an extensive natural gas fuel corridor between Quebec City and Windsor, Ontario. EnCana has met with many business and government stakeholders to solicit support for the construction of this natural gas transportation infrastructure. Ultimately, this plan will make natural gas a major transportation fuel, and it can be repeated in other regions of our country. EnCana believes that an accurate and aggressive road map to ensure success should be created in 2010 to drive positive change in job creation, economic value, and emissions reductions.

A full build-out of natural gas fuelling station infrastructure across the country and the establishment of the natural gas auto sector would place the scope of this project on a scale with Canada's greatest transportation accomplishments throughout history, such as building the transcontinental railroad, the Trans-Canada Highway, or

the St. Lawrence Seaway. It is important to start with these few key steps and launch a road map for the future. EnCana looks forward to working with industry and governments to help our nation realize this opportunity.

• (1010)

Thank you, Mr. Chairman.

**The Chair:** Thank you for your presentation.

We'll now start with questions from members.

Mr. McKay, please begin our seven-minute round.

**Hon. John McKay (Scarborough—Guildwood, Lib.):** Thank you, Chair.

Thank you, witnesses; uniformly excellent presentations.

I'm going to accede to Mr. Beauchamp's desire to abandon early and often—

**Voices:** Oh, oh!

**Hon. John McKay:** —and ask him my first question.

Essentially, your key request is that there be a one-year deferral of the realization of capital gains or recapture. Your main resistance, as I would understand it, comes from the Department of Finance, who says they can't keep track of what happens to \$100,000 worth of capital gains—to use an arbitrary figure—because that's just too difficult.

The second area of objection is that if you give it to the real estate industry, why not to a small entrepreneur, or why not to somebody in agriculture, or why not to somebody in some other field?

I'd be interested in hearing your argument with the Department of Finance—I think that's primarily where your argument is—as to why the real estate industry should be given special deferral rights, if you will, that no other Canadian would enjoy.

**Mr. Pierre Beauchamp:** Thank you for your question.

Just for the record, we don't wish to “abandon”; we just made a major commitment on the basis of what we had been told.

Basically, we are looking here at an issue of fairness. As you may know, the Income Tax Act already permits tax deferral for certain qualifying properties under subsections 13(4) and 44(1) to allow taxpayers to defer capital gains when a former property is involuntarily disposed of or a former business property is voluntarily disposed of. We're just trying to make sure here that where real property is specifically excluded from that definition of former business property, we get a fair shake in that particular area.

We've also given all kinds of arguments for the environment, for the revitalization of such properties, and so on. As well, the cost is negligible when you look at the studies we have put together. We have been at this, as you well know, for well over five years, and that was part and parcel of the direction the government was taking in the first place some years ago, when it was elected.

So it's on that basis, basically, that we feel we're dealing largely with fairness here.

**Hon. John McKay:** Yes. Effectively it's become a buy-and-hold strategy to the max.

**Mr. Pierre Beauchamp:** That's correct.

**Hon. John McKay:** Essentially, it just becomes too expensive to dispose of your assets, so you hold the property; depreciate, depreciate, depreciate, and you just run it into the ground.

**Mr. Pierre Beauchamp:** Forget the depreciation. We have given you some very specific examples here. For example, if your purchase price is \$800,000 and the value 20 or 30 years later is \$8 million, you end up having to pay capital gains on more than \$7 million. Capital gains on more than \$7 million means that you have to pay something in the order of \$2 million capital gains.

Who's going to sell properties in that kind of situation?

**Hon. John McKay:** Mind you, that's a problem a lot of us would like to have.

**Mr. Pierre Beauchamp:** Well, it may be so, but if you want to get the economy to move, and to rejuvenate the properties that are on the market now, and to listen to what many Canadians are saying, and to provide help to kick-start...and not only for real estate. We have demonstrated the importance in other sectors as well. Each property generates all kinds of other benefits economically and in terms of the job market.

**Hon. John McKay:** Okay. Thank you, Mr. Beauchamp.

My second question is for SaskTel.

A recent Harvard study said that Canada's broadband was slow and expensive. That's entirely coincident with my experience with Rogers in Toronto: it's slow, it's expensive, and it's infrequent. And yet the industry continues to make pretty serious profits.

You want to have it deemed as an essential service. If it's deemed as an essential service, it would likely become much more of a regulated industry, and the profits of a lot of companies might well be curtailed as they are driven into enhancement of service.

I'd be interested in your response to the Harvard study and whether that is uniformly true across Canada. As well, how does this essential service thing play out?

•(1015)

**Mr. Robert Watson:** Thank you for the question.

I'd like to introduce John Meldrum, who is also with me. He keeps me on the straight and narrow. In case I say something that's not true, he'll jump in.

It's very complicated. You have several elements to your question.

First of all, is Canada served properly in its broadband initiatives? You would say that in the urban areas, the main urban areas, Canada is doing quite well. However, I don't have to say to any member of the committee that we have a country that's 300 miles long and 100 kilometres wide; it stays mostly within the border—

**Hon. John McKay:** Sorry, but just let me stop you: you do think the urban areas are doing well?

**Mr. Robert Watson:** Generally, I would think the urban areas are doing well, quite frankly, compared to the rural areas. Yes.

**Hon. John McKay:** Well, compared to rural, I would agree in terms of access, but in terms of the quality of service, the Harvard study says it's lousy.

**Mr. Robert Watson:** I haven't read the Harvard survey in detail, but travelling around the world, I would think that the wireless service and the broadband services in the major cities, in Toronto, Vancouver, Calgary, and the 10 major cities, are as good as anywhere in the world. Generally, everybody—

**Hon. John McKay:** Okay. I'm not arguing with you.

**Mr. Robert Watson:** Quite frankly, in my personal opinion, sometimes our opinion is on quality of service rather than the broadband service itself. Certainly some competitors' quality of service isn't up to speed, in my personal opinion, but it doesn't mean that the broadband service is not there.

You have very robust competition in the major centres. In Montreal, you have Bell and Vidéotron, the cable company, and there is very robust competition generally in Quebec, not just in Montreal. In the Ontario area, you have very robust competition going on with Rogers and Bell—very robust competition. Even in this province, we have Shaw Communications and Access Communications, the cable providers, with very robust competition in this province in the major centres. It is the rural centres that people generally stay away from and the minimum requirements that they meet in rural centres.

Quite a while ago, they determined that local line service was an essential service in this country, and therefore a mechanism was put in place not only to help fund the build-out of that network, but also, how do you fund the ongoing...? Our point is that it's fine to say "we'll give you some money to build a network", but it's the ongoing upkeep of that network that's needed, which the national high-cost fund delivers for deep rural areas. We're saying to take that and make broadband an essential service, and then take that mechanism that's there already, making it more modern and making it so that the maintaining of the broadband network is...

**The Chair:** Thank you.

Thank you, Mr. McKay.

We're going to go to Mr. Laforest, s'il vous plaît.

[Translation]

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

Good afternoon to all the witnesses.

I will start with a question for Mr. Beauchamp, who mentioned that he had a limited amount of time.

You recommend expanding the HBP to all new homebuyers. Do you have a sense of how many people such a measure might target?

**Mr. Pierre Beauchamp:** Of course, it is impossible to say exactly. But we have specific statistics on the plan's performance since 1992. I will ask Mr. Klump to provide those figures.

[English]

**Mr. Gregory Klump (Chief Economist, Canadian Real Estate Association):** The homebuyers' plan has been a huge success in enabling people to buy a home. Originally when the plan was implemented in 1992, it was open to all homebuyers, and then later it was limited to first-time homebuyers.

The great thing, of course, is that every home sale involves spinoff spending as well. Based on data from 2006 to 2008, each sale generated an average of \$46,400 in spinoff spending over three years after the transaction. Also, based on data over that period, more than 200,000 jobs annually were created as a result. The homebuyers' plan is a huge economic benefit as well as a benefit to homebuyers.

Since the plan was implemented, I believe that over half a million homes have been purchased through the homebuyers' plan. Opening it up to all buyers would keep it consistent with what was originally an economic stimulus package in 1992. Activity is anticipated to fall off in the second half of 2010. Just to put that in context, with the implementation of the HST come Canada Day in 2010, one of the elements of consumer confidence.... Consumer confidence has rebounded quite strongly, but one of the elements of consumer confidence is whether families feel their household budget will be better off in six months' time.

Once it becomes clear in British Columbia and in Ontario when the HST comes in about how much more people will be paying for things, one of the things that can help offset that hit on consumer confidence would be the question about whether now is a good time to make a—

• (1020)

[Translation]

**Mr. Jean-Yves Laforest:** I will stop you there, as we are short on time. You answered my question for the most part. Thank you.

My next question is for Mr. Marit, from the Saskatchewan Association of Rural Municipalities.

You said that, as a result of removing miles of rail line, road use has increased, so much so that roads have deteriorated to some extent. So you are asking the federal government to invest in road reconstruction and repair.

Why are you not instead asking the government to reinvest in rail companies in order to restore a system that may have been performing well but that private companies were unable to support for a certain period of time?

[English]

**Mr. Dave Marit:** I guess the way I would answer that is by saying that, for the most part, the railways operate on profit and loss, on a return on investment to their shareholders. When they look at the traffic that is generated on some of these rail lines, they have to have a very high volume, be it in bushels or cars, moving on that track. When that gets down to what they call a breaking point, then they

feel it is time for them to discontinue service on those lines. So that's what they do.

In western Canada we're caught up in a chicken-and-egg scenario. The railway will provide service to the grain industry but the grain industry may not call for cars on those lines. So the railway will say that the grain companies aren't asking for cars, and the grain companies will say that the railway isn't providing good service.

[Translation]

**Mr. Jean-Yves Laforest:** You are pretty pessimistic about the future of the rail industry. Will the situation keep getting worse?

[English]

**Mr. Dave Marit:** In everything we're seeing in this province, yes.

I think if you had CN and CP in a room and told them they could provide a national railway through the provinces, where all they had to do was "hook and haul"—a term they sometimes use—they would love to do that. We think there is an opportunity for the rail industry in another category, whether it be short lines or provincial railways, to provide that service to CN and CP, but we need assistance in doing that.

[Translation]

**Mr. Jean-Yves Laforest:** Thank you.

Ms. Doig, you are recommending that the federal government spend \$1.5 billion on shovel-ready health facilities.

What do you mean by shovel-ready? Are you talking about projects or plans that are already down on paper?

[English]

**Dr. Anne Doig:** Yes, that's correct. The concept of shovel-ready means that we have facilities or construction projects that are ready to go but not yet actualized. I'm not talking about things that are seven years out; I'm talking about things where we're literally ready to dig the hole in the ground.

• (1025)

[Translation]

**Mr. Jean-Yves Laforest:** Thank you.

[English]

**The Chair:** Ms. Block, please.

**Mrs. Kelly Block (Saskatoon—Rosetown—Biggar, CPC):** Thank you very much, Mr. Chair.

Thank you to all of our presenters today. It's certainly a pleasure to be here in my home province and to meet with you. I know many of you personally.

I read your presentations with much interest. I hope I can get all my questions in today.

First, to the Canadian Medical Association, as a person who has served on a district health board and a regional health authority for over 13 years, I certainly know the difficulty in implementing any kind of provincial strategy, let alone a national strategy, when it comes to the rationalization of acute care services or even a health information network.

I'd be curious to have you expand a little bit on your recommendation for a national health strategy, as well as your comments, if you have any, on the "patient first" review that was just presented to the Government of Saskatchewan this last week by Commissioner Tony Dagnone. Does it fit at all with any of the things you are flagging nationally?

**Dr. Anne Doig:** That's a question I wasn't expecting from this particular audience, but thank you for it.

We've had only a brief chance to review the recommendations that Commissioner Dagnone has made. Having said that, I think there are strong synergies in many of the recommendations with the general direction that is being proposed by the Canadian Medical Association in the health care transformation project. We're really talking the same language. I noticed in reading Mr. Dagnone's report that he has fairly carefully stayed at a high level. That too is the approach that we've been taking at the CMA. The actualization of what will happen obviously may look different in different jurisdictions.

I'm also struck by the synergies I heard this morning in listening to my colleagues from SaskTel talking about the IT issues and the broadband issues. I'm sure members of the committee realize just how critical that kind of service is for the medical profession. Talking, for example, about telehealth, about the ability of physicians in small rural and remote communities to have direct clinical access to specialists in central tertiary centres allows physicians.... I've seen this in operation in northwestern Ontario, for example, where you can actually examine a patient online and talk to the specialist so that the patient is prevented from having to travel perhaps 300 to 500 miles to obtain that service. So the need for a unified approach to these kinds of issues is very strong.

**Mrs. Kelly Block:** Thank you very much.

I'd now like to move to SARM. I read your submission, and in that submission you stated that in recent months SARM has taken on the administration of the MREP and the SARM-initiated Clearing the Path program. Now, I was a mayor of a small community that worked quite closely with a rural municipality and thought that I had heard about the Clearing the Path program a couple of years ago. So are these new programs or was someone else administering these programs before SARM?

**Mr. Dave Marit:** They are very new programs. They were, to some degree, administered under Municipal Affairs and then they moved from there over to the Ministry of Highways, and the Ministry of Highways felt it could be better administered and delivered by us. So this is our first year in administering some of those programs.

**Mrs. Kelly Block:** Thank you.

I also understand that there are, I think, in the report 296 rural municipalities that are responsible for roads, bridges, and such, and that through MREP and CPT there is a budget of \$47 million for this infrastructure. I'm curious. Where does this funding currently come from?

**Mr. Dave Marit:** That comes from the provincial government.

**Mrs. Kelly Block:** Do any of the rural municipalities—

**Mr. Dave Marit:** It's cost shared.

**Mrs. Kelly Block:** It's cost shared with the province. Okay, thank you.

I'd also like to ask a little bit about the cattle industry because you've talked about that. I know you are aware of the things the federal government is doing in terms of the \$500 million AgriFlexibility program, the assistance to the agricultural sector in the form of expanded access to credit, and, most recently, that we have launched a world trade dispute settlement process over the U.S. mandatory country-of-origin labelling. But what I do want to ask you to expand a little bit on is your idea to attach a per-head payment to longer-term programs. You gave us one example. Are there any other types of strategies you could see that benefiting?

• (1030)

**Mr. Dave Marit:** I think there are two key areas we addressed in our brief this morning, one being of course SRM disposals, which is a federal regulatory regulation that we feel has a huge impact on the cattle producer and the livestock producer. It's something that has to be addressed. It puts us at an unfair advantage internationally.

Of course, we were happy to see the federal government challenge the country-of-origin labelling. We've heard the numbers by Minister Ritz, with the culmination that when you put everything together, SRM and country-of-origin labelling, we're hearing numbers up to \$200 per head, which is trade distorting to our producers. If we don't do something very quickly, we're going to lose the cattle industry, and we're also going to lose the hog industry in this country, which has a huge impact on the economy nationally.

When the mayor of Toronto says the livestock sector has a huge impact on his city, then it tells you something, that it's not just in rural Canada.

**The Chair:** Thank you, Ms. Block.

We'll go to Mr. Pacetti, please.

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

Thank you to the witnesses for appearing. It's always interesting.

It sounds to me like in this province you don't have enough roads to get to the hospitals, and when you actually get to a hospital, there are no services, and if you need to call somebody, you can't call them. So...no questions.

**Voices:** Oh, oh!

**Mr. Massimo Pacetti:** On a serious note, we're going to have a long week, so we have to lighten up a little bit.

Just briefly, I'm from Quebec, and I'm from an urban centre, so I don't know if I really care, but I just need to know. I'm dying to find out, Mr. Taylor, how much would your request be for roads in rural municipalities?

**Mr. Dave Marit:** What we've always asked for in the past is to fix the rural infrastructure to bring it to a primary weight standard so that we can be competitive—

**Mr. Massimo Pacetti:** But there is no dollar amount.

**Mr. Dave Marit:** No, there isn't. The number we've been asking for in the past is in the neighbourhood of \$500 million.

**Mr. Massimo Pacetti:** Is that \$500 million per annum?

**Mr. Dave Marit:** No, that is what we need. If we could get it over a five-year program, it would be significant.

**Mr. Massimo Pacetti:** Would any of your roads not be eligible for any of the infrastructure programs that are out there presently?

**Mr. Dave Marit:** They are, but what we're finding is that when we put a rural road into an application base, when we're competing against water and waste water, it doesn't go up the criteria scale in the way we'd like to see.

**Mr. Massimo Pacetti:** Thank you.

Mr. Earle, what is your experience with the application for stimulus funding? How is that working out for your membership or your group?

**Mr. Allan Earle:** It appears to be working quite well in Saskatchewan. Certainly there was a time lag, and that seems to have been caught up. Our main concern right now is March 2011. If projects aren't finished by that time, do we cease, or does that period get extended through to the end of 2011?

**Mr. Massimo Pacetti:** Were the majority of your projects approved? Was it the matching that was the problem? You said there was a delay in getting the program going.

**Mr. Allan Earle:** The matching is certainly a problem in some aspects. There are numerous communities in the province that just don't have the financial wherewithal to come up with their third, so they drop off the scope altogether. But it seemed to take quite a bit of time at the outset to get the ball rolling.

**Mr. Massimo Pacetti:** Do you have any idea how many projects you would have requested funding for?

**Mr. Allan Earle:** I'm not sure.

**Mr. Massimo Pacetti:** In terms of percentage, how many of those projects would have gotten approval?

• (1035)

**Mr. Allan Earle:** I believe there were 67 projects approved.

**Mr. Massimo Pacetti:** Have any of those been started?

**Mr. Allan Earle:** Yes, they have.

**Mr. Massimo Pacetti:** There are shovels in the ground?

**Mr. Allan Earle:** The shovels are in the ground.

**Mr. Fred Clipsham:** It needs to be said that the provincial government, here in Saskatchewan, was a great partner for municipalities in moving this forward, so there weren't the issues in coming to a federal-provincial agreement that there were in other provinces.

One of the things I would suggest is that we are elected, just as you are. We are honest people, just as you are. We have in our municipalities tendering procedures that require us to spend taxpayers' dollars in an open and efficient way. We don't need the Auditor General to hold things up. One of the big problems with this whole thing is that delays have occurred.

As I said, in Saskatchewan we have had a good partner to move things along, but there are other provinces where they haven't—

**Mr. Massimo Pacetti:** That's why I was asking for a Saskatchewan point of view, because some provinces have had ease in getting the money out and some have just come to a standstill.

I have one minute left.

Ms. Doig, in your presentation, in recommendation 2, you are asking for accelerated capital costs for hardware costs related to health information technologies. Who would benefit from that? It wouldn't be the hospitals because the hospitals would be non-profit. Who would benefit from accelerated capital costs?

**The Chair:** Just briefly, Ms. Doig, please.

**Dr. Anne Doig:** Absolutely.

The main benefit would be to individual physicians and those others who own facilities that are providing health care. It is not only physicians but anyone who is self-employed. In this province, well over 90% of physicians are not in fact supported in their infrastructure costs by either the hospital or any other—

**Mr. Massimo Pacetti:** They still have the ability to write it off; they'll have the ability to write it off, offset it against their income. Is that right?

**Dr. Anne Doig:** Yes.

**Mr. Massimo Pacetti:** Okay, thank you.

**The Chair:** Thank you, Ms. Doig. Thank you, Mr. Pacetti.

We should also ensure that Mr. Pacetti gets copies of pictures of shovels in the ground, because he's keeping a scrapbook across Canada of all the good work that's going on.

**Mr. Massimo Pacetti:** I simply don't believe it, that's all. The scrapbook is—

**The Chair:** It was very full after Edmonton.

**Mr. Massimo Pacetti:** I stopped waiting for those pictures.

**The Chair:** *Monsieur Laforest, encore.*

[Translation]

**Mr. Jean-Yves Laforest:** I would like to ask Mr. Watson a question.

In terms of broadband service, you said that telecommunications companies should have access to funding or a national program for regions where they cannot achieve acceptable results. I am from a rural area in Quebec where this is a big problem. You are talking about the federal government investing in a core program that seeks to set up and maintain infrastructure.

Do you have a sense of how much private companies would have to contribute to the installation program, the first program, and to the second, in order to have cutting-edge technology and maintain the network?

[English]

**Mr. Robert Watson:** Thank you very much for the question.

There are a couple of things I'd like to start off with. In Saskatchewan, we were the first province in Canada to eliminate party lines. In other words, every person in the province got to have their own single line, and we were the first province in Canada to do that. We have now come up with a program to guarantee 100% high-speed connection to 100% of the population, and that's at a minimum of 1.5 megs of traffic. Most of the population will get 5 megs, and that's a program we're doing in cooperation with the provincial government.

The one ask we have of the federal government, every time we see them, is out of that 29 first nations communities in the southern part of the province that are part of that program... However, we are looking for funding from the feds on behalf of those first nations. Interestingly enough, a couple of years ago there was a program that...actually, the first nations in the north, aboriginal communities of the north, are served quite well in this province; the ones in the south aren't. So within three years, 100% of this population will have high speed, at minimum 1.5 megs.

That program—and I'm getting to your answer because it was important to set that up—was put together on looking at what our normal return on investments are, as a corporation, and like everybody else, we look for a return on our investment. Over and above that, we look for provincial contributions. When we looked at the urban centres, they're served quite well, frankly, in the province. It's the rural and deep rural that are not presently served, and the difficulty is getting there. As much as 50% of the capital cost for those areas has to come with some sort of upfront grant and contribution. The problem is the ongoing upkeep and development of those networks, because if we give everybody their 1.5 megs now and then go away for five years, in five years from now that's not going to be enough for them to keep up their economic development in those areas. You have to have a sustainable, ongoing fund to help you do that.

Right now, there is the \$225 million broadband initiative that the federal government announced for federal broadband initiatives. First of all, that is certainly not enough money for rural broadband in this province—nowhere near it—nor does it deal with any of the ongoing sustainability of the network.

All we're simply saying is that history has this mechanism that was put in place to serve rural Canada for a local line, essential services, and in fact there's a hearing in front of the CRTC coming up where the big companies are trying to eliminate that. We in Saskatchewan don't think it should be eliminated. If it's eliminated, rural rates could go up as much as \$10 a month.

• (1040)

[Translation]

**Mr. Jean-Yves Laforest:** Thank you, Mr. Watson.

I now have a question for Mr. Marsh, from EnCana Corporation.

You mentioned that Canada has a natural gas supply that should last around 100 years. Is that estimate based on the current level of natural gas use by people and businesses from across the country?

Given the projects you are working on to generate electricity using natural gas so that an increasing number of vehicles are equipped with a natural gas system, I would imagine that the supply would not last 100 years. Do you have an idea of how long it would last if you are able to make as much progress as you hope?

[English]

**The Chair:** Mr. Marsh, please be as brief as possible.

**Mr. Eric Marsh:** Thank you.

First of all, thank you for your questions. I'll try to answer the three parts quickly.

The resource estimate I referred to of 100 years is at the current production rate. It's really 100 years in North America. We in Canada are very much in the same position as the United States in beginning to develop these large shale plays. So the 100-year estimate is probably a conservative one at current production rates. We believe that here in Canada we can grow our production by approximately seven to eight billion cubic feet per day, incremental to where we're at today. When you look at the quantity of natural gas we propose here, if we were to capture 25% of the market share we would use less than one billion cubic feet.

So to answer your question, Canada has plenty of resources to run anywhere from 25% to 100% of our vehicles on natural gas.

**The Chair:** Mr. Wallace, please.

**Mr. Mike Wallace (Burlington, CPC):** Thank you, Mr. Chairman.

Thank you, ladies and gentlemen, for joining us this morning.

As a quick note, my great-grandfather was a homesteader about an hour south of here, so the Wallaces have been in Saskatchewan for many years. I'm from Ontario and have been here a couple of times. Another little tidbit is that my great-grandmother had eight daughters and sons, and all of them were in uniform in World War II, although we lost two of them. They were all proud Saskatchewan folks, and I'm happy to be here today.

I used to be a municipal councillor in the City of Burlington. Can a municipal government run a deficit in Saskatchewan? No. So you have to be careful about one-time expenditures over program expenditures—both rural and urban.

What is the threshold for an urban municipality over a rural municipality in Saskatchewan? There are two organizations here, so I assume there's some sort of cut-off.

•(1045)

**Mr. Fred Clipsham:** I think the answer is a very bureaucratic one. It's incorporated and unincorporated. Outside of Regina we have a very large development called Emerald City. It's the largest unincorporated municipality in Saskatchewan. It's entirely within the RM, which means they have no local council and they depend on the rural council to make decisions. But it's much bigger than some towns.

**Mr. Mike Wallace:** How many members does the urban organization have?

**Mr. Allan Earle:** We have 470 members.

**Mr. Mike Wallace:** Very good. I appreciate that.

I ask that question because you asked about long-term funding. We also like balanced budgets. We're in an area where we don't have investments, so we have to be careful from the federal perspective about what is one-time funding and what is in the program and would be there long term.

A few years ago, in Budget 2006, the urban folks asked about housing. We put \$800 million into the budget for housing, with 99% delivered by the provinces, and in my area delivered through the regions.

Did your municipality see any of that money that went to the provinces?

**Mr. Fred Clipsham:** My understanding, through discussions between our mayor, Pat Fiacco, and the Minister of Social Services, Donna Harpauer, who's responsible for Saskatchewan housing, is that all the money this year has gone for renovations.

**Mr. Mike Wallace:** In the current year it's for renovations, but this was a number of years ago, in 2006-07.

**Mr. Fred Clipsham:** The number of apartments or accommodations built that qualify as affordable housing in Regina is limited to one development that Saskatchewan Housing did in the last little while. All the developments that historically have been done by the non-profit organizations, like Silver Sage Housing Corporation, Gabriel Housing Corporation, and Namerind Housing Corporation, are for aboriginal people. They haven't built anything new.

**Mr. Mike Wallace:** I appreciate that.

I have a question for the chamber. I'm from Ontario, and we're having issues with harmonization even at the federal level. A lot of people aren't that excited about it, even though I'm an advocate of it and have tried to explain it to people.

What is the sales tax rate in Saskatchewan?

**Mr. Steve McLellan:** It is 5%.

**Mr. Mike Wallace:** The Ontario chamber has a video on its website supporting the change.

Have you been supporting the change for a while? I don't understand. Is the provincial government just not happy with what the offer is from the federal government in terms of the transition costs? Is that part of where the problem lies?

**Mr. Steve McLellan:** I think it is more complex than that, but that's certainly part of it. In order to make the transition happen, the funding, or the agreement with the federal government, not only on

the core dollars that would be transferred to the provincial government but on the specific elements of the agreement, needs to be right for Saskatchewan in the eyes of our organization. And of course the federal and provincial governments need to be in agreement. It is a complex issue.

The other element our provincial government is concerned about is that there is a perception, which I don't believe is accurate, that harmonization is good for business and bad for consumers. The reality, we suggest, though, is that it is good for Saskatchewan, because it will hire more people, it will increase business expansion, and it will mean more provincial government dollars in the long run. It's a wash in the original years. That is good for Saskatchewan. The more money consumers have because they have more work is obviously a positive thing.

**Mr. Mike Wallace:** Yes.

I have one quick one. I appreciate your coming today from EnCana.

Don't we need cars that burn natural gas before we have an organization of filling stations for them? Aren't we putting the cart before the horse? Shouldn't the car companies be advocating for this instead of the person producing natural gas?

**Mr. Eric Marsh:** There are a couple of ways to look at it. First is that in the trucking industry you have the ability to do that today. When you look worldwide, you have about 10 million vehicles running on natural gas. For instance, in Europe alone you have probably between 40 and 50 different models that use natural gas. In North America we are really behind in embracing the whole concept.

We would definitely say that you need some opportunities and different styles of vehicles. In the United States you can buy one OEM—an original equipment manufactured vehicle. It is the Honda Civic GX. We have seven of them, and it's the only natural gas manufactured vehicle you have. It's a fantastic car, but not everybody wants to drive a Honda Civic. Some people like minivans; some people like trucks.

You're right. We need to work toward that, and we are meeting with the auto sector to try to encourage that. Fiat produces 16. It has probably been the leader in natural gas vehicles. It has a very large market share in Italy and Germany. We'd love to see that happen, but at the same time, you have, as Don mentioned, the chicken-and-egg phenomenon. We have a little bit of infrastructure, but we need infrastructure before you can start to generate the vehicles and begin to convert trucks.

In North America we have about 10,000 18-wheelers running on LNG right now. It is starting to happen.

•(1050)

**The Chair:** Thank you.

Thank you, Mr. Wallace.

We are going to Mr. McKay.

**Hon. John McKay:** Thank you, Chair.

My first question is directed to Ms. Doig and is with respect to physician adoption of electronic technology. It does seem extraordinarily slow.

In another life I used to practise law in Ontario. We decided we would convert the entire province to electronic filing for land titles. The system went relatively smoothly, and it was arguably a far more difficult job than converting patient records and things of that nature. The lawyers' part of it was that if you wanted to practise law, you had to buy the equipment, buy the technology, go to courses, learn how to use it, and teach your staff how to use it. If you didn't want to, to practise law, too bad for you.

What I don't understand is the core resistance of the physicians, or the apparent core resistance of the physicians, to adopting this technology and embracing it and driving it, because, frankly, in the health care system, if you don't drive it through the doctors, it ain't going to happen.

If you could expand on that thought, I'd be interested.

**Dr. Anne Doig:** I'd love to expand on that thought, but I think I must first correct the misinterpretation in the second part of your question. I absolutely do not agree that the holdup in the adoption of IT in the medical profession is the result of physician resistance to the development of EMRs—not at all.

There are two components to this. One is the complexity of the type of information we're dealing with. It is not as simple as what you're thinking of when you think of a dictated record, or the kinds of records that lawyers keep, where really what you're dealing with is note-taking. We deal with information that is much more complex and much more in need of manipulability.

I need, for example, to be able to integrate incoming lab results into my file. I need, if possible, to be able to link those lab results to information about the prescriptions the patient may be taking, and to link prescriptions to both the international prescriptions in our office and external prescriptions that are given to that patient elsewhere. I need to link that information so that drug-to-drug interactions can be managed, and I need to link that to knowledge of the patient's allergies.

The biggest piece of resistance has come from the fact that we do not have systems that are sufficiently integrated, interoperable, and manipulable.

The other issue for physicians is different from those in any other professional industry, if you will, around Canada. My husband is a professional engineer. I know about computerization in the engineering business.

This is an unfunded expense for physicians. As I mentioned earlier, 90% or more of us are self-employed individuals. We do not have external support for any of our infrastructure costs, our capital costs. So if you're asking us to purchase a system, as my office did 10 years ago, where the upfront cost is a quarter of a million dollars spread across seven physicians, with no opportunity to enhance the revenue stream to match that expenditure, that is part of the reason why physicians are asking for special consideration under the CCA—because in fact we need to be able to offset the quite

considerable costs. They've come down over time, but they are still quite considerable. Seven doctors could manage a quarter of a million dollars; if you go to two or three doctors, it's not supportable.

• (1055)

**Hon. John McKay:** I'd like to pursue that, but I'm running out of time. That was a very helpful answer and I thank you for it, because interoperability is an important issue, and, as you know, in Ontario it's a bit of a mess right now, so—

**Dr. Anne Doig:** I was afraid you'd ask me about that.

**Hon. John McKay:** Yes.

My last question is to Mr. Marsh. In one of the more bizarre experiences of my life, I went to the Republican national convention in 2008, and I came to the conclusion that I was a flaming socialist after listening to the presentations at the national Republican convention—holy gee.

**Voices:** Oh, oh!

**Hon. John McKay:** Anyway, there was an occasional moment of sanity, and one was provided by Mr. T. Boone Pickens, who has in the United States a concept that is very similar to what you are proposing for Canada. I thought he had it rather nicely laid out. It was, in effect, a network of natural gas facilities right across the United States, primarily for fleets.

But the one question that sort of nagged at the back of my mind was that with the fleets you had a kind of drop-off in the power of the unit. Can you address that?

**Mr. Eric Marsh:** Yes, I can. There is a fantastic company in Vancouver called Cummins Westport. They actually build engines for 18-wheelers, buses, and things of that nature. We've partnered with them from time to time. Certain of their technologies will allow you to have virtually the same horsepower out of an engine with natural gas as you will with diesel. Typically it's 98% or just slightly less than that.

What you're referring to is that often people will try to convert a diesel or gasoline engine without doing any of the advanced things, through the technology they have today, to pick that up. Many of us experienced that back 20 years ago when we were trying to run natural gas in our vehicles. You would have a drop-off of 15%, 20%, or 30% of the horsepower.

**Hon. John McKay:** Yes.

**Mr. Eric Marsh:** Today, with fuel injection, that's being taken care of by the technology in the engines. For instance, our Honda Civics run at almost the same horsepower as a gasoline version does. What they've been able to accomplish is fairly impressive.

**Hon. John McKay:** That is interesting. Thank you.

**The Chair:** I'm going to take the next five-minute round.



I just want to follow up very quickly with Mr. Marsh on both Mr. McKay's and Mr. Wallace's good questions. It seems to me, especially with respect to Mr. Wallace's question about the availability of vehicles in North America, that it is a chicken-and-egg thing, as you mentioned. What you are saying is that if the federal government were to at least adopt a policy, that would get the discussion going, and you'd sort of address the chicken-and-egg thing by the federal government indicating that this is a direction they'd like to move in. That is the first step.

**Mr. Eric Marsh:** That is correct.

Mr. Chairman, in the cases we have studied that are really success cases, one of the success factors in making it happen was the spread between the price a person pays for gasoline and the price he would pay for natural gas in the form of transportation fuel. When that spread widens out enough, now people can begin to.... Once you buy that natural gas vehicle, which is typically slightly more expensive than a gasoline version—a lot like a hybrid. People will begin to look at them and begin to buy them. It is the differential between gasoline and diesel and then natural gas that really has been able to stimulate people to use natural gas.

**The Chair:** I appreciate that.

I want to go next to SaskTel. You state that this province has a goal of providing all residents with broadband by 2011. Then in your recommendations generally you get very strong agreement on that. I think Mr. McKay pointed this out as well. The challenge is in how you do that, because once the federal government gets involved in any model to provide broadband, they tend to upset one or more players at the expense of other players being happy with how they choose to go.

In Alberta we have the SuperNet model, which seems to have worked well in the end. It didn't start out that well, but it worked well in the end. Is that the sort of model you are recommending here for Saskatchewan? What is the model where you wouldn't upset, perhaps, the BDUs at the expense of the telcos or be in favour of the telcos at the expense of the other companies?

• (1100)

**Mr. Robert Watson:** Thanks for the question.

SaskTel actually looked at the Alberta model. We also looked at the B.C. model. The Alberta model, the SuperNet, essentially took broadband to the community, and then the community was to look after the local access themselves. A lot of communities didn't do that. They just don't have the wherewithal, nor do they have the expertise, to do that.

**The Chair:** Some of them say they didn't have the demand.

**Mr. Robert Watson:** Yes, demand is another thing altogether. You're right.

The B.C. model actually took broadband to the communities and then they proactively encouraged the communities to do it, to take the local access themselves, and they found that a lot of communities did that to start with; however, they weren't able to carry on because of lack of expertise, lack of commitment and everything.

**The Chair:** When you say proactively encouraging communities to do so, how did they do that?

**Mr. Robert Watson:** They actually would go out to the communities and try to set up a program for the communities to invest in themselves or jointly invest in the local access side of it. We went to the Government of Saskatchewan with two models, actually. One was the model where we put in the backbone infrastructure and then an allotment of funds was to be set aside for individuals to deliver the local access. The other was the model where SaskTel would guarantee the delivery within a three-year timeframe to 100% of the population, and then from there we said that 70% of the total money allotted we would give out to private enterprise. But we were responsible for guaranteeing the delivery of the service. With that we've partnered with local communities and local companies to deliver access to 15 different locations where there are local companies doing it. We've also partnered with the national satellite provider in providing it to the deep rural, as we refer to it, where we know no economic model gets it—

**The Chair:** What percentage of Saskatchewan would have to be covered by satellite? Is it 5% to 10%?

**Mr. Robert Watson:** It's about 10%, we estimate.

**The Chair:** That is primarily northern Saskatchewan.

**Mr. Robert Watson:** Yes, we are talking really rural now.

With the development of this network, we are actually getting some of the mines in northern Saskatchewan, particularly the uranium mines, to look at even higher speeds. We are talking about some of the uranium mines in northern Saskatchewan that are looking at buying one gig of traffic that they need to get to run their mines, because they are going to completely automate the running. We are talking pretty rural stuff. For some of those mines we're actually going to be able to build fibre to them on a pretty economic basis because of this whole network being developed.

**The Chair:** In terms of costing, in the recommendations, do you have costing either national or for the province of Saskatchewan, either one-time or ongoing costs?

**Mr. Robert Watson:** No, we'd have to get into a dialogue.

What we are essentially saying is that we all agree we're falling behind the rest of the world in our delivery of broadband as a country. To get broadband to everybody, not only do you need a provincial strategy but also a national strategy.

Years ago we decided to do that as a country, and we said to the provinces that local-line service was essential and therefore it had to be funded differently from urban services. We're saying the types of parameters are there for us to move it forward on a broadband basis. First and foremost, the government has to say that broadband services are right, an essential service, for everybody in the province. Then there are two elements to the funding: up-front funding, and then the ongoing contribution has to be funded.

**The Chair:** I'm out of time, but I would caution about saying it's a right, because I think you do get into challenges, as Mr. McKay pointed out, with the federal government getting involved and with whether companies have a right to make a profit off it, if it's a right.

**Mr. Robert Watson:** Do you want me to comment on that?

**Voices:** Oh, oh!

**The Chair:** Sure.

I know we're in a province where crown corporations are king, but if it's a right, that takes it to an even further level.

**Mr. Robert Watson:** The only comment I'll make on that, quite frankly, is that the telecommunications industry in Canada—in fact, the communications industry—is alive and well. We're one of the few industries that has continued to invest dramatically through the recession—

**The Chair:** That's correct.

**Mr. Robert Watson:** —to create jobs and invest dramatically.

So my personal view is, don't kill the golden goose here and overregulate and overtax us.

**The Chair:** I agree.

**Mr. Robert Watson:** That's a personal comment.

**The Chair:** But that's a different task than going down the path of saying it's a right.

• (1105)

**Mr. Robert Watson:** Well, the mechanism was very formal where the CRTC evaluated what it would truly cost to deliver the local services in rural Canada. Therefore, the funding to subsidize that was a formula, and it had different bands applied to it. So it was done in a lot of detail back then; you had to justify your costs and therefore the funding difference.

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

Mr. Pacetti.

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

Just quickly, Mr. McLellan, it's interesting that the chamber requests more money for training, but you requested it in two different fashions: one, for the government to invest more money in the institutions themselves, and then you requested some money for training in the actual companies that are going to employ people. Am I correct in that?

**Mr. Steve McLellan:** No, it would be for the facilities. There are two costs for the operation of a post-secondary institution: one is the capital cost of housing the students and for programming, and the second is the operational cost. The challenge we've seen here is that there may be a capital assistance program for the facilities, but the operational dollars are a challenge. So it's not direct to the companies now.

**Mr. Massimo Pacetti:** So how does that affect your membership? Why is that of interest to you?

**Mr. Steve McLellan:** Right now, in Saskatchewan, we have a significant challenge in getting enough people into our post-secondary facilities, including everyone from apprentices all the way up to doctors. We face the challenge because the capital

investment by our provincial government and its partners—and federally, in some situations—has not been significant enough to keep up with the demand. Our argument for this strategic investment by the federal government right now is that even though our economy is still going very well, there are more unemployed people here than there were a year ago. Our perspective would be to get those people into training now so that when we come out of this recession we will see greater productivity out of those individuals, for their own benefit as well as for Canada.

I understand post-secondary education, by and large, has been a provincial government responsibility, but in the era of fiscal stimulus programming by the federal government, we think this would be a brilliant move, and one that would not only deliver advantages to Canadians individually—

**Mr. Massimo Pacetti:** Yes, I understand that, and I think we've heard it in our deliberations across the country. I don't think there's a dispute on that.

I'm just wondering about this from your perspective as a group that represents business interests. We've heard from different parts of the country where there is just not enough skilled labour, and in certain parts of the country it is for specific training or specific sectors.

I'm just wondering if that is the case in Saskatchewan, or is it just a blanket approach where you just need better qualified and more skilled people? Is it a question of labour skills or is it more one of intellectual capacity? That's basically what I'm asking. Where is the investment most important for your membership?

**Mr. Steve McLellan:** We would suggest that it's both. We need both the degree programs that would give us engineers and we need the apprenticeship, and in some cases we need the short courses. One of the challenges we face in this province is the entry-level folks, referenced earlier, regarding the work around mines. In the mining sector you have to have grade 12 in order to be employed in most cases. If you live in a northern community, you want to stay in that community, and you don't have grade 12, you can't get a job that will pay \$70,000 and allow you to stay in the community you choose.

Post-secondary facilities are now being forced or encouraged or on their own are training people to that grade 12 type of program, that skill enhancement. We need it from the completion of grade 12 in the post-secondary facility all the way to the engineering post-grad programs and so on. It's literally across the board in this province.

**Mr. Massimo Pacetti:** Would you see your membership evolving somehow in terms of trying to help that along?

**Mr. Steve McLellan:** Absolutely. We have examples right now where Cameco and a provincial-federal government partnership are putting \$30 million, I believe, towards training northern community individuals. In our post-secondary institutions now we see many of the corporations—EnCana, I'm sure, is a good example—partnering with programs, assisting with curriculum, assisting with equipment upgrades. We'd be there in a heartbeat, and we are today and we would be tomorrow.

**Mr. Massimo Pacetti:** Thank you.

Quickly, Mr. Marsh, is the existing distribution network that exists with traditional gas companies not an area of interest that would be able to be utilized today?

• (1110)

**Mr. Eric Marsh:** Absolutely. You would utilize the existing network. And when we talk about infrastructure, we would talk about tying in from those pipelines that exist, perhaps to local truck stops and gasoline stations.

**Mr. Massimo Pacetti:** Is there an interest from traditional gas companies to sell natural gas?

**Mr. Eric Marsh:** Yes, there is. We've met with virtually all the utilities in Canada, and they're all very keen on this idea.

**Mr. Massimo Pacetti:** Thank you.

**The Chair:** Thank you, Mr. Pacetti.

We'll go to Ms. Block.

**Mrs. Kelly Block:** Thank you, Mr. Chair. My questions will be for SUMA in this round.

I truly do believe that our government has done a good job in balancing criteria and process versus getting money out the door with our Building Canada fund, and in fact I made an announcement, which Mr. Pacetti will be interested to know about, that 90% of funds have been committed.

**Mr. Massimo Pacetti:** Shovel-ready?

**Mrs. Kelly Block:** We know that all municipalities are not equal. There are small villages and towns and then large cities that are vying for these funds. How can the federal government improve our programs and access to those programs for well-staffed cities and single-employee villages alike?

**Mr. Allan Earle:** Thank you very much, Ms. Block. I would like to first apologize that my colleague had to leave. He had a previous commitment.

Certainly I think there is considerable distress in some of the smaller communities, as I mentioned earlier, to try to come up with their third of the program. I can take you into numerous communities where the need is great and the dollars are few, so they just fall off the table.

I think the easiest way would be to look at the gas tax transfer model, where a per capita transfer would be made. In that instance, very similar to what the Province of Saskatchewan did a year ago with their enhancement program of \$100 million, it was a single-page application and no need for a matching contribution.

**The Chair:** Mr. Wallace.

**Mr. Mike Wallace:** Thank you very much.

Very quickly, to the urban municipalities, the request is for money to develop a strategy, not what comes out of the strategy. Am I reading that correctly?

**Mr. Allan Earle:** Once again, there's a huge need, and we have communities that don't qualify for that eligibility because they don't have the—

**Mr. Mike Wallace:** I'm not talking about the infrastructure money—well, I guess it actually has to do with creating a strategy for long-term infrastructure development. But the money you're asking for in today's proposal is for an organization, or for groups to get together to create the strategy. Is that correct?

**Mr. Allan Earle:** Yes.

**Mr. Mike Wallace:** I have a question for EnCana. You talked about the environmental benefits of burning natural gas instead of regular gasoline. What's the difference in environmental impact between producing a litre of natural gas and producing a litre of gasoline? I'm talking on the production side, before the gas gets into an engine.

**Mr. Eric Marsh:** It's less impactful to produce a litre of natural gas than it is to produce a litre of oil, which is turned into gasoline. One technology that I refer to is horizontal drilling—it's a footprint technology that allows you to drill 8 to 16 wells from one central location. So you'll build a location that might be two to four acres in size, and you might drill as many as 16 wells on that one site. It's the lowest full-cycle footprint we have found. We looked at all the different energies.

**Mr. Mike Wallace:** I found it interesting that you've come here as a natural gas producer asking us to fund a distribution network. When the gasoline engine was introduced and cars were starting to be built and people were starting to buy them, was the federal government south of the border or the federal government of Canada involved in producing an infrastructure program for the distribution of gasoline?

• (1115)

**Mr. Eric Marsh:** I don't know the answer to that question, so I'll choose not to answer. It was quite some time ago, in the early 1900s.

**Mr. Mike Wallace:** I know, but it has happened before.

**The Chair:** Thank you, Mr. Wallace.

Mr. McKay.

**Hon. John McKay:** Mr. McLellan, you have an item in your note about the negotiations between the Government of Saskatchewan and the federal government. It looks like you don't think the \$180 million to the Government of Saskatchewan is enough to take on a harmonized sales tax. What do you think is adequate?

**Mr. Steve McLellan:** In rough numbers, I would say \$450 million.

**Hon. John McKay:** That's three times what they're offering.

**Mr. Steve McLellan:** Right.

**Hon. John McKay:** And what's the basis for that?

**Mr. Steve McLellan:** It's based on some of the models that have been established in other jurisdictions. I am not in a position to negotiate it. But I believe that fair treatment across the country is required. Our provincial government needs to believe they can convince the consumers and taxpayers of this province that it's a good deal for everybody. We haven't run specific numbers. It would depend on what was excluded. But in a nutshell it's in that \$400-million-plus range.

**Hon. John McKay:** My second question has to do with productivity. With respect to reduced debt, the previous Liberal government and this government have given the business community a great deal of what they asked for. We hear that the federal government is getting its financial house in order; we hear of reduced taxes, accelerated capital cost, and so on. But every year the productivity of Canadian business goes down, with some notable exceptions. The notable exceptions seem to be foreign-based companies. Can you tell me why your membership's productivity is going down?

**Mr. Steve McLellan:** That's a difficult question. The productivity in this province has in many ways increased and has in other ways declined. I think it's a problem of vision. We have a tendency in Canada to think too short term. We see consistent requests for strategic planning. I think that's what we need to do. In the business community we're trying to understand how cap-and-trade will affect the future. Companies are holding back on some of their investment opportunities. They need to know whether these initiatives will affect them positively or negatively. The same applies to environmental enhancements. You have to make sure that you're going to get a return on your investments.

**Hon. John McKay:** But there also seems to be this drive for profits today as opposed to investments for tomorrow. It's cultural, it's financial—it's everything. I'm not quite sure how business gets off that treadmill. It's a very destructive treadmill in terms of our overall national good, because if you're driving your profits today, you don't retain that machine that takes you to ten years. You throw out the dividends, and then the business is off to China.

**Mr. Steve McLellan:** There's no question. And I would argue that as much as our business community is starting to think more long term and are cognizant of the short-term issues of dividends, we're probably going to come into a period of time, because some of the challenges to dividends in this past year, where that rush towards enhanced dividends is going to come back to haunt us.

We're seeing challenges in this province where capital investment has not kept up with demand. Whether it's infrastructure or, in our province, energy supply, it's going to come back to bite us. That's where I think we need the difference between good strategic leadership from our federal and provincial governments and having our corporate community coming together to think about things that are longer term and not think about one-year grants and opportunities. If we all do that and that is the mantra across the country, our companies will get a little more in line. But we need a partner in that as well, I would suggest.

● (1120)

**Hon. John McKay:** Thank you.

My final question is to Mr. Earle. It basically boils down to whether you want your gas tax, which is your regular flow of money,

or you want these one-off, shovel-ready projects that have a time limit, when the only shovel-ready quality appears to be the capacity of Conservative cabinet ministers to say they're shovel-ready.

Pick your poison. Do you want the gas tax or these infrastructure projects?

**Mr. Allan Earle:** If I had my druthers I would pick the gas tax because it allows me the opportunity to budget.

**Hon. John McKay:** Thank you.

**The Chair:** Thank you, Mr. McKay.

I have two final questions for Ms. Doig. One is from our researchers and one is from me.

We did appreciate your comments about electronic health, and if there's anything further you have on that and you would like to submit it to the committee, even though it's not necessarily related to pre-budget, we'd certainly appreciate that.

The question from our analysts is what effect do provincial licensing bodies have on the supply of health care professionals in Canada? How does this affect health care costs such as salaries? What can the federal government do to alleviate the situation?

And for my question, if you recall the health care first ministers conference years ago where the agreement was signed, Gary Mar, the health minister of Alberta at the time, warned that it was certainly a good step forward but it was not a solution. He said the biggest challenge facing health care in Canada is that a greater proportion of provincial revenues each and every year is going to pay for health care, with our demographic challenges as we move forward. This is a problem that we're going to have to face as a nation, more at the provincial level than the federal level.

What is the CME's position with respect to a greater percentage of revenue going to delivery of those health care services? How do you answer his question over the long term?

I know that's a big question for five minutes, but if you can at least try to deal with both of those....

**Dr. Anne Doig:** Are you actually going to give me five minutes and not three?

● (1125)

**The Chair:** Well, three and a half minutes.

**Dr. Anne Doig:** Okay.

To your second question first, if I may, I think what you are really alluding to is the philosophical debate that has to occur. It has to occur in a non-partisan way, without party lines. I won't even say across party lines. We need our constituents, our public—my patients, your voters—to engage in the debate about whether or not we continue to expect to have in Canada a single-payer system that is 100% taxation based and that provides first dollar coverage for everything, because if we continue to have those three expectations and on the other side of the equation governments are telling the voters that we don't want to raise taxes, I'm sorry, we have a null equation; it doesn't work. We either have to say yes, these three elements are what we want and we're going to raise the taxes to pay for it, and who knows what our taxation level will get to, or we have to agree that there are other mechanisms that we need to look at, both in terms of funding and in terms of delivery that will address some of the escalating cost issues. Those are some of the proposals you've been hearing from my predecessors in this position over the last two to three years. We need to open our eyes, open our minds, and really think and talk about what it means to deliver health care in Canada.

That is the answer to how we can keep doing this and how we can keep it under 50% of provincial program spending. We're not going to keep it under 50% of provincial program spending if we don't answer those questions.

To the question of health human resources and specifically physician flow and the cost of physicians, the whole issue of licensure, as you know, is up for discussion under some of the changes that are being brought about under AIT. The Federation of Medical Regulatory Authorities of Canada, FMRAC, are looking at how we address the issues of licensure and how we make it more

possible for our medical human resources to be used across the country more effectively.

I spoke earlier about telehealth. Telehealth requires broadband capability and it requires physicians to have IT infrastructure. It also requires physicians to be able to work in provinces other than their own, so if I'm practising in Sioux Lookout, Ontario, and I need a telehealth opinion from a consultant in Winnipeg, that consultant in Winnipeg needs to be licensed in Ontario. Under our present model, that means individual applications by that physician to each province. It means individual adjudication by colleges of physicians and surgeons as to whether or not to grant that licensure, and it costs the physician money every year for annual licence fees. In today's world, where portability and a virtual reality of being able to exchange information and provide opinion, that's nonsense, in my opinion.

**The Chair:** Under AIT, are they working toward...? If say in Saskatchewan they are licensed, the other provinces would then accept that?

**Dr. Anne Doig:** The short answer is yes.

**The Chair:** Thank you very much. I appreciate those answers.

We appreciate all of your presentations and your responses to all of our questions. It was an excellent discussion this morning. If you have anything further you would like the committee to look at, please submit that to the clerk. I will ensure all members get it.

Thank you all for your time this morning.

The meeting is adjourned.

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