



**HOUSE OF COMMONS  
CANADA**

**A PROSPEROUS AND SUSTAINABLE FUTURE  
FOR CANADA: NEEDED FEDERAL ACTIONS**

**Report of the Standing Committee on  
Finance**

**James Rajotte, MP  
Chair**

**DECEMBER 2009  
40th PARLIAMENT, 2nd SESSION**

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# **THE STANDING COMMITTEE ON FINANCE**

has the honour to present its

## **SIXTH REPORT**

Pursuant to its mandate under Standing Order 83.1, the Committee has studied proposals in the budgetary policy of the government and has agreed to report the following:





# TABLE OF CONTENTS

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INTRODUCTION.....	1
CHAPTER 1: CANADA'S ECONOMIC AND FISCAL CONTEXT .....	3
WITNESS VIEWS .....	7
COMMITTEE RECOMMENDATIONS .....	8
CHAPTER 2: POSITIONING PEOPLE .....	9
I. CHILDREN AND YOUTH .....	9
WITNESS VIEWS .....	9
A. Child Care .....	9
B. Parental Leave .....	10
C. Aboriginal Education and Other Issues Related to Children .....	10
COMMITTEE RECOMMENDATIONS .....	11
II. STUDENTS .....	12
WITNESS VIEWS .....	12
A. Student Funding and Support Measures .....	12
B. Student Debt .....	12
C. Graduate Students .....	13
D. Aboriginal Education.....	13
E. Other Issues .....	13
COMMITTEE RECOMMENDATIONS .....	13
III. WORKERS IN AND OUT OF THE LABOUR MARKET .....	14
WITNESS VIEWS .....	14
A. Employment Insurance.....	14
B. Job Training.....	15

C. Job Creation .....	16
D. Those Not in Paid Employment .....	17
E. Taxation of Employees and Families .....	18
F. Those with a Disability or Chronic Disease.....	19
G. Foreign Credentials, Integration and Settlement of Immigrants.....	21
H. Other Issues .....	21
COMMITTEE RECOMMENDATIONS .....	21
IV. SENIORS.....	23
WITNESS VIEWS .....	23
A. Consultation.....	24
B. The Old Age Security Program.....	24
C. The Canada Pension Plan.....	25
D. Occupational Pension Plans.....	25
E. Tax-Assisted Private Savings .....	25
F. Plan Sponsor Insolvency .....	26
G. Simplification, Harmonization and Actuarial Deficits.....	26
H. Other Issues .....	27
COMMITTEE RECOMMENDATIONS .....	27
V. HEALTH.....	27
WITNESS VIEWS .....	28
A. Prevention and Treatment of Disease and Injury .....	28
B. Physical Activity.....	28
C. Vaccines and Immunization.....	29
D. Health Research.....	29
E. Electronic Health Information .....	30

F. Personal and Public Healthcare Costs .....	30
G. Health Infrastructure .....	31
H. Palliative Care .....	31
I. Other Issues .....	32
COMMITTEE RECOMMENDATIONS .....	32
VI. EDUCATION.....	33
WITNESS VIEWS .....	33
A. A Post-Secondary Education Act.....	33
B. Infrastructure at Post-Secondary Institutions.....	34
C. Distribution of Post-Secondary Institution Funding.....	34
D. Graduates and Government Programs.....	34
E. Information on Education.....	34
F. Other Issues .....	35
COMMITTEE RECOMMENDATIONS .....	35
CHAPTER 3: POSITIONING BUSINESSES.....	37
I. FINANCING .....	37
WITNESS VIEWS .....	37
A. Access to Bank and Non-Bank Financing .....	37
B. Tax Incentives to Increase Capital.....	38
C. Financial Market Regulation, Financial Services and Financial Literacy ....	39
COMMITTEE RECOMMENDATIONS .....	40
II. RESEARCH, DEVELOPMENT AND COMMERCIALIZATION .....	40
WITNESS VIEWS .....	40
A. Federal Research Programs and Tax Credits .....	40
B. Federal Granting Councils.....	42

C. Collaborative Research and Commercialization .....	42
D. Scientific Infrastructure .....	43
E. Intellectual Property .....	43
COMMITTEE RECOMMENDATIONS .....	44
III. INCOME TAX AND FISCAL MEASURES .....	44
WITNESS VIEWS .....	44
A. Capital Cost Allowance.....	45
B. Tax Credits for Specific Sectors and Industries .....	46
C. Capital Gains, Corporate Income Taxation and Business Expenses.....	46
COMMITTEE RECOMMENDATIONS .....	47
IV. DOMESTIC AND INTERNATIONAL TRADE .....	48
WITNESS VIEWS .....	48
A. Harmonization and Simplification of Regulations and Tax Systems .....	48
B. Unequal Tax and Regulatory Treatment.....	49
C. Imports, Exports and International Taxation .....	49
COMMITTEE RECOMMENDATIONS .....	51
CHAPTER 4: POSITIONING COMMUNITIES .....	53
I. HOUSING AND HERITAGE PROPERTIES .....	53
WITNESS VIEWS .....	53
A. Housing .....	54
B. Rental Properties.....	55
C. Heritage and Cultural Buildings .....	56
COMMITTEE RECOMMENDATIONS .....	56
II. ENVIRONMENT .....	56
WITNESS VIEWS .....	57

A. Energy Efficiency and Emissions.....	57
B. Alternative Energy .....	57
C. Energy Technology.....	58
D. The Natural Environment.....	60
COMMITTEE RECOMMENDATIONS .....	60
III. INFRASTRUCTURE .....	61
WITNESS VIEWS .....	61
A. Municipalities .....	61
B. Infrastructure Policy and Financing Mechanisms .....	62
C. Infrastructure Consultations and Research .....	63
D. Stimulus Measures .....	63
E. Projects, Sectors and Initiatives .....	64
COMMITTEE RECOMMENDATIONS .....	65
IV. RURAL AND REMOTE REGIONS .....	65
WITNESS VIEWS .....	66
A. A Rural Champion .....	66
B. Cellular and Broadband Networks .....	66
C. Specific Aboriginal Needs.....	67
D. Agriculture .....	68
E. Forestry .....	70
F. Fisheries .....	70
G. Oil, Gas and Mineral Resources.....	71
H. Other Issues .....	71
COMMITTEE RECOMMENDATIONS .....	71

V.	CHARITIES, VOLUNTEERISM AND FOREIGN AID .....	73
	WITNESS VIEWS .....	73
	A. The Role of Charities and Not-for-Profit Organizations .....	74
	B. Tax Incentives for Giving .....	74
	C. Access to Financing and Funding.....	75
	D. The Disbursement Rule .....	76
	E. Other Charitable Issues .....	76
	F. Volunteerism.....	76
	G. Foreign Aid .....	77
	COMMITTEE RECOMMENDATIONS .....	77
VI.	ARTS AND CULTURE .....	78
	WITNESS VIEWS .....	78
	A. Tax Measures.....	79
	B. Funding of Existing Governmental and Non-governmental Programs and Organizations .....	79
	C. Print and Audio-visual Media .....	80
	D. Tourism .....	81
	E. Cultural Infrastructure, Museums and Libraries .....	81
	F. International Marketing .....	82
	G. Other Issues .....	82
	COMMITTEE RECOMMENDATIONS .....	83
	CONCLUSION .....	85
	LIST OF RECOMMENDATIONS.....	87
	APPENDIX A: LIST OF WITNESSES .....	97
	APPENDIX B: LIST OF BRIEFS .....	121

MINUTES OF PROCEEDINGS.....	141
SUPPLEMENTARY OPINION: CONSERVATIVE PARTY OF CANADA.....	143
SUPPLEMENTARY OPINION: LIBERAL PARTY OF CANADA .....	147
DISSENTING OPINION: BLOC QUÉBÉCOIS .....	151
SUPPLEMENTARY OPINION: NEW DEMOCRATIC PARTY .....	157





# INTRODUCTION

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On June 10, 2009, the House of Commons Standing Committee on Finance (hereafter, the Committee) invited Canadians to participate in its annual pre-budget consultations. These consultations took place as the nation's economy was beginning to recover from the global financial and economic crisis, but following financial turbulence and economic difficulties worldwide that were unprecedented in recent history.

In response, a variety of fiscal and monetary stimulus measures were implemented by governments, central banks and other agencies around the world. At this point in time, while the extent to which these measures have been effective is not entirely clear, what is clear is that the global economic difficulties have affected, and continue to affect, our nation. To ensure continued economic recovery for Canadians and Canadian businesses going forward, decisions must be made about the measures needed to ensure a prosperous and sustainable future.

It was within this context that Canadians were asked to share their views with the Committee on the following questions:

- 1) What federal tax and program spending measures are needed to ensure prosperity and a sustainable future for Canadians from an economic, social and/or environmental perspective?
- 2) What federal stimulus measures have been effective and how might relatively ineffective measures be changed to ensure that they have the intended effects?

During public hearings in Ottawa, Vancouver, Edmonton, Yellowknife, Summerside, Quebec City, Regina, Winnipeg and Toronto, and in written briefs submitted to us, the Committee was privileged to receive input from almost 450 groups and individuals, who shared their views on the two questions posed by us but also on a range of other issues. As always, our deliberations about recommendations have been informed by the thoughtful suggestions made across the nation.

In reviewing the recommendations and suggestions made by witnesses, it is clear that most are designed with a view to ensuring that our people, our businesses and our communities are "positioned" for the future, and that policy changes are made with a view to putting in place the right tools—programs, policies and other measures—to provide Canadians, Canadian businesses and Canadian communities with a prosperous and sustainable future.

Consequently, this report summarizes the suggestions made by witnesses about the "positioning" of our people in Chapter 2, of our businesses in Chapter 3 and of our communities in Chapter 4. Because the decisions made today are affected by the economic and fiscal context in which Canada currently finds itself, the report begins with a brief examination of that topic in Chapter 1.



# CHAPTER 1: CANADA'S ECONOMIC AND FISCAL CONTEXT

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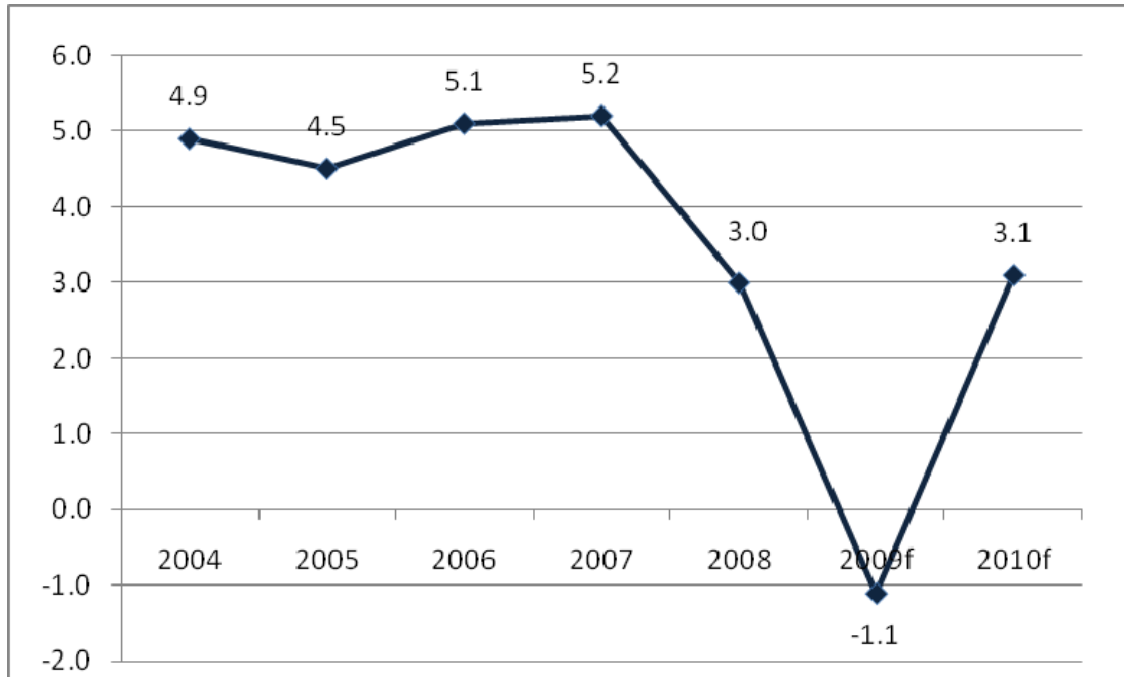
When the Committee released its most recent pre-budget consultation report in February 2008, the United States' economy appeared to be entering a mild recession, but the global economy was strong and Canada's real economic output for 2009 was expected to be 2.7%.

Until that point, concerns were focused on such issues as sub-prime mortgages, commercial paper, derivatives, shadow banking, interbank lending rates and the current account deficit in the United States. There was relatively less concern about the overall health of the US and global financial systems.

By early September 2008, Fannie Mae and Freddie Mac, the US government-sponsored entities that securitized mortgages to facilitate home purchases, were placed under government conservatorship. Later that month, Lehman Brothers filed for bankruptcy protection under the US Bankruptcy Code. Moreover, major US investment banks, including Goldman Sachs and Morgan Stanley, became bank holding companies that would be subject to greater government regulation and that would be able to take Federal Deposit Insurance Corporation-insured deposits.

Over time, it became clear that a global financial and economic crisis was under way and, in the last quarter of 2008 and the first half of 2009, global economic output experienced its largest contraction since the end of the Second World War. Even though the United States was at the centre of the crisis, global financial markets and international trade meant that the crisis quickly spread around the world, leading to reduced economic growth. The International Monetary Fund (IMF) expects a global real economic contraction of 1.1% in 2009, as shown in Figure 1.

**Figure 1 — Global Real Economic Growth as a Percentage of Gross Domestic Product, 2004-2010**



f=forecasts

Source: International Monetary Fund, *World Economic Outlook*, October 2009, p. 169, <http://www.imf.org/external/pubs/ft/weo/2009/02/pdf/text.pdf>.

In response to this global problem, a global solution has emerged. Major central banks have coordinated their efforts to provide monetary stimulus by lowering overnight interest rates and, in some cases, by introducing relatively unconventional monetary policy tools, such as “credit easing” and/or “quantitative easing.” Governments have responded with fiscal stimulus measures, both tax and program spending, and the IMF has sought coordinated fiscal stimulus equal to 2% of gross domestic product (GDP). The G7 finance ministers and central bank governors have made a commitment to prevent the failure of “systemically important” financial institutions; during the crisis, some of these countries’ governments purchased equity in their domestic financial institutions in an effort to prevent greater disruption in the financial system.

While current monetary and fiscal actions have been important in bringing about an economic recovery, it is believed that actions must also be taken to prevent the recurrence of such a crisis. The G20 countries have committed to making a number of regulatory changes, and countries have agreed to reduce their current account imbalances. With respect to monetary policy, the G20 countries have agreed that price stability and market-based exchange rates are desirable. It has also been agreed that capital standards for financial institutions will be strengthened and capital ratios will be countercyclical, increasing with economic growth while decreasing with lower growth and during recessions. The G20 countries have also agreed to prevent regulatory arbitrage, to regulate the shadow banking sector and to reform the securitization market by requiring

the issuer to hold a portion of the underlying assets, with implications for prudence and risk-taking behaviour.

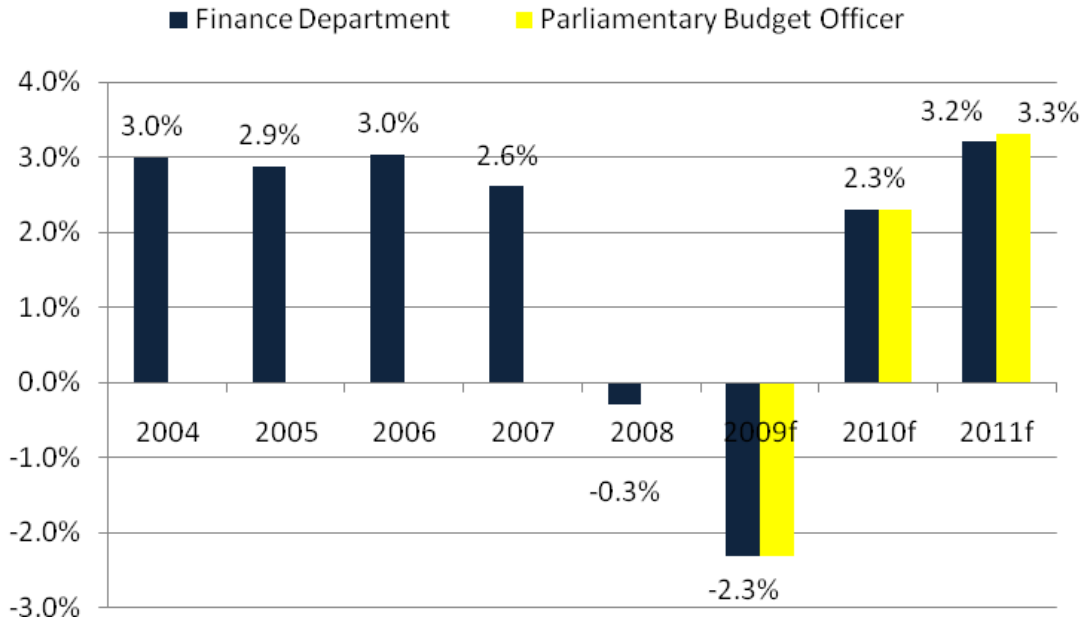
Within this global context, Canada—like many nations worldwide—has experienced a recession. According to the IMF, Canada’s federal, provincial and territorial governments have responded; over 2009 and 2010, federal fiscal stimulus is expected to equal 3.6% of the value of Canada’s GDP in 2007.

According to the 2009 federal budget, the government’s fiscal stimulus measures will total an estimated \$33.5 billion, excluding tax measures, over the 2009-2010 and 2010-2011 fiscal years. Spending will occur in five broad areas: the financial system (about \$174 million), consumer spending (about \$12.8 billion), housing (about \$5.3 billion), infrastructure (about \$10.8 billion), and businesses and communities (about \$4.5 billion). The federal government has also provided financial support totalling about \$11.8 billion, including loans and other measures, to communities and industries that include the automotive sector, as well as other capital spending, loan provisions and tax reductions.

For its part, the Bank of Canada has lowered its target for the overnight rate, introduced the term purchase and resale agreement facility, and broadened the range of acceptable collateral to access overnight funds. As of October 21, 2009, the target for the overnight rate was 0.25%, down from 4.5% in November 2007, and the inflation rate as measured by the All-Items Consumer Price Index was -0.9% in September 2009. The outstanding value of the term purchase and resale agreement facility peaked at \$37 billion in December 2008.

The Department of Finance and the Parliamentary Budget Officer expect real GDP to decline by 2.3% in 2009, as shown in Figure 2. In 2010, positive real economic growth is expected to resume in response to the stabilization of financial markets and the global monetary and fiscal stimulus.

**Figure 2 — Growth in Real Gross Domestic Product, Canada, 2004-2011**

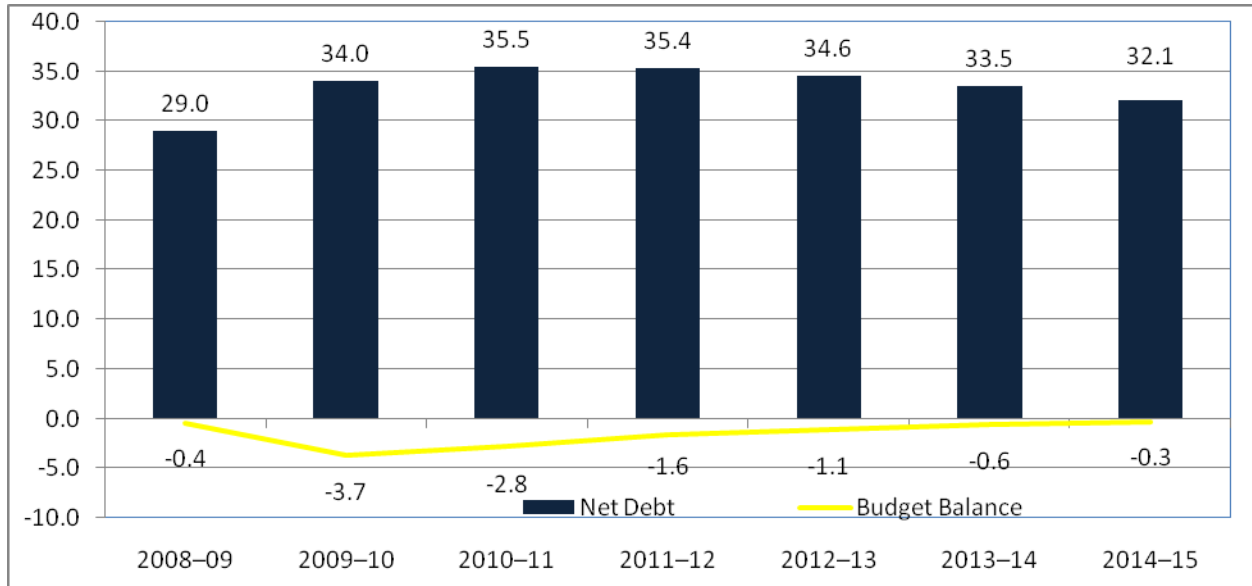


f=forecasts

Source: Statistics Canada, Table 384-0002; Department of Finance, *Update of Economic and Fiscal Projections*, September 2009, p. 15, <http://www.fin.gc.ca/ec2009/pdf/bac-eng.pdf>; Parliamentary Budget Officer, *Economic and Fiscal Assessment Update*, 2 November 2009, p. 10, [http://www2.parl.gc.ca/Sites/PBO-DPB/documents/EFAU\\_November\\_2009.pdf](http://www2.parl.gc.ca/Sites/PBO-DPB/documents/EFAU_November_2009.pdf).

Recent tax reductions, a decline in federal tax revenues and the fiscal cost of stimulus measures have contributed to current and expected federal budgetary deficits from 2009-2010 to 2014-2015, as shown in Figure 3. For the 2009-2010 and 2010-2011 fiscal years, both the Department of Finance and the Parliamentary Budget Officer have projected relatively large federal budgetary deficits as a proportion of GDP, although deficits are expected to decline once the current federal fiscal stimulus measures expire at the end of the 2010-2011 fiscal year. According to the Department of Finance, federal budgetary deficits are expected to be 3.7% of GDP in 2009-2010 and 2.8% of GDP in 2010-2011; comparable figures for the Parliamentary Budget Officer are 3.6% and 2.7% respectively. Both the Department of Finance and the Parliamentary Budget Officer expect that net federal debt as a percentage of GDP will continue to rise until 2010-2011 before declining for the 2011-2012 to 2014-2015 fiscal years. Canada is expected to retain its position as the country with the lowest net debt-to-GDP ratio among the G7 countries.

**Figure 3 — Projections of the Federal Budgetary Balance and Federal Debt as a Percentage of Gross Domestic Product, 2008-2009 — 2014-2015**



Source: Department of Finance, *Update of Economic and Fiscal Projections*, September 2009, p. 9, <http://www.fin.gc.ca/ec2009/pdf/bac-eng.pdf>.

### WITNESS VIEWS

Within the context of the nation’s fiscal situation, some of the Committee’s witnesses spoke about the need for the federal government to avoid a structural deficit, and to develop—and communicate to Canadians—a viable plan for a return to balanced budgets at the earliest opportunity. In the view of a number of witnesses, short-term deficit financing should not be allowed to continue, and program spending—which should be reviewed regularly—must not rise at a rate that exceeds the rate of population growth and inflation. Moreover, witnesses said that spending should be “productive,” with documented value for the money spent and public accountability, and should not support industries that would fail in the absence of taxpayer support or be in areas that most Canadians do not want; a number of specific suggestions were made. In their view, tax increases should be avoided, and tax reductions were favoured over higher government spending. Witnesses also highlighted the need for the federal government to spend in a manner consistent with its constitutional jurisdiction, yet provide the provinces and territories with the support that they need.

Other witnesses commented on the need to let the current stimulus spending “run its full course,” and to spend the funds in a timely and efficient manner directed to those most in need. From this perspective, additional stimulus spending should not be considered until the impact of the current spending has been measured, evaluated, reported to Parliament and subjected to public debate. Some argued that stimulus spending should be focused on short- to medium-term policies to alleviate job losses

and/or declining output or cash flow, be based on empirical evidence and not add unduly to the complexity of the tax system or the compliance burden on taxpayers.

The Committee was also told that net domestic product, rather than GDP, should be used when reporting economic growth or decline, and that measurable indicators of social health and citizen happiness should be used alongside economic growth as “generators of prosperity.” It was also suggested that pre-budget submissions should include a social impact study as well as a plan to mitigate negative social consequences.

As well, the Committee was informed that the federal bureaucracy should be reduced in size. A number of specific suggestions were made: reduce the size of the Prime Minister’s Office and the Cabinet, in part by eliminating minister of state positions; combine federal departments and agencies, as appropriate; and reduce the size of the federal public service. On the other hand, some witnesses urged an end to excessive federal outsourcing, which presumably would be inconsistent with reducing the size of the public service.

## **COMMITTEE RECOMMENDATIONS**

The Committee agrees with those witnesses who advocated debt management, expenditure restraint, and transparency and accountability as the nation continues to recover from the global financial and economic crisis. In our view, Canada entered the crisis from a relative position of fiscal strength and sound financial regulation. Consequently, when the crisis occurred, the nation was able to implement the tax and spending stimulus measures needed to assist the economy recovery. However, as in other countries, the stimulus spending that has occurred was meant to be temporary in duration, and we support its short-term nature. Once the economic recovery has been assured, we believe that positioning the nation for the future will require a focus on sound fiscal management and on debt reduction. We also feel that Parliamentarians will need to have independent information with which to assess the extent to which these priorities are being met. From this perspective, the Committee recommends that:

**The federal government continue with full implementation of current stimulus measures, pay close attention to debt management, engage in meaningful expenditure review and prepare long-term debt reduction plans to be implemented once the global economic recovery is fully entrenched.**

**Moreover, the government should ensure that the Library of Parliament’s Parliamentary Budget Officer has timely and accurate information related to federal tax revenues, program spending and departmental program objectives, provide the Parliamentary Budget Officer with the necessary resources to carry out the mandate of the office effectively, and—as part of the legislation to implement the next federal budget—propose the legislative amendments needed to establish the Parliamentary Budget Officer as an independent officer of Parliament.**



## CHAPTER 2: POSITIONING PEOPLE

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As noted in the Introduction, if the nation is to continue its economic recovery and ensure a prosperous and sustainable future, our people must be “positioned” to contribute to, as well as to take part in, that future. To that end, governments must ensure that children, youth and students—who are our future—people of working age—who are our present—and seniors—who are both our past and our present—have the tools that they need in order to be a part of Canadian society, whether in their home, in the labour market or in their communities. Those tools include high-quality health and education systems as well as other measures that provide the right supports and incentives.

### I. CHILDREN AND YOUTH

In 2008, there were more than 7.8 million individuals aged 19 years or younger in Canada, representing more than 23% of our population. For these individuals and their families, important considerations include federal benefits for children, early childhood development and parental leave.

#### WITNESS VIEWS

Although witnesses provided their thoughts about a number of topics related to children, much of the discussion centred on child benefits and child care. They spoke to the Committee about the government’s tax credit and benefit programs for children and families, including the Canada Child Tax Benefit (CCTB), the National Child Benefit Supplement (NCBS) and the Universal Child Care Benefit (UCCB), parental leave through the Employment Insurance program, First Nations children and the rights of children.

#### A. Child Care

The Committee’s witnesses provided a range of views about child care: what exists and what is needed. Some argued for a “*re-imagining*” of the federal role with respect to child care. According to a number of witnesses, the market has failed to supply accessible and affordable child care: wait lists are long, fees are high and wages in the sector are low. Additionally, witnesses noted that tax credit and benefit programs related to children do not oblige the recipient to purchase or provide child care, that a small proportion of the funds dedicated to child care have conditions attached and that the value of the monthly UCCB is less than the cost of child care.

In proposing changes related to child care, witnesses made a variety of suggestions: a *national, universal child care strategy* that would increase the number of child care spaces, with funds for both operating and capital costs; *greater federal transfers* to the provinces and territories that are conditional on the provinces and territories spending these funds on the provision of child care; and implementation of a *Quebec-style child care model* across the country.

Some witnesses noted the importance of providing *funds directly to public and not-for-profit child care centres* under any child care strategy, while others recommended that the government introduce a *refundable tax credit*, perhaps called the universal child benefit, that would pay an average full-time wage to the family for each child under the age of 18, for up to two or three children.

Witnesses also urged the government to increase the *maximum amount of the national child benefit*, which includes the CCTB and the NCBS, for low-income families. In their view, the increased cost could be financed by elimination of the UCCB and non-refundable child tax credits, which provide a relatively greater benefit to higher-income families. As well, it was recommended that the amount of the *CCTB* be increased gradually over time. A number of witnesses commented that the amount of the *UCCB* is too low and noted the benefit's non-means-tested nature. It was also suggested that the UCCB should be increased in amount, made non-taxable, be indexed to inflation and be integrated with the CCTB. *Multi-year maternity benefits* and payment of a *birth bonus* were urged as well.

## **B. Parental Leave**

The issue of maternity and paternity leave was addressed by a number of the Committee's witnesses. They argued that the current parental leave provisions in the Employment Insurance program provide an insufficient number of weeks of benefits and have a replacement rate that is too low; they advocated a program with a *longer period of leave* and a *higher replacement rate*. The Committee was also told that benefits should be enhanced for *modest-income families*, and that individuals who are *self-employed* should be allowed to participate in the Employment Insurance program and—with an appropriate delay—be eligible for parental leave. The Committee was also reminded that since parental leave is administered under the program, parents are eligible for parental leave only if they meet the program's eligibility criteria. It was recommended that parental leave be *administered separately from employment insurance*, much like the Quebec Parental Insurance Program, in order to provide parental leave to a greater proportion of working parents.

## **C. Aboriginal Education and Other Issues related to Children**

Witnesses made comments about *First Nations children*, urging that spending on them occur at the *same rate* as for non-First Nations children and suggesting that the government provide funding to purchase a *laptop* for every Aboriginal child between the ages of six and twelve. As well, they highlighted the importance of the *Aboriginal Head Start (AHS)* program for both urban and northern communities in order to provide early childhood development programs for First Nations, Inuit and Métis children and their families with a view to promoting Aboriginal culture, general health and education. They shared their view that the government should renew, and increase its support for, the AHS program. It was also argued that the government should promote its programs for Aboriginal education and students. Lastly, the government was urged to remove the funding cap on First Nations core services, recognize that education is a treaty right, and

cover educational costs related to language training, education facilities, technology, skills development and recreation.

Additionally, witnesses requested more funding for *educational facilities, language training and skills development*. It was also suggested that more funding should be made available for community-based *crime prevention programs* for children and youth, for *after-school programs*, and for measures that assist youth who face *barriers to employment*, such as the Skills Link program. The Committee was told that the maximum net family income level below which families are eligible to receive the *Family Supplement Benefit* should be increased, and that the level should be indexed to inflation. An increase in the amount of the *Child Disability Tax Benefit* was also urged. Finally, witnesses encouraged Canada to fulfill its obligations under the *United Nations Convention on the Rights of the Child*, which would ensure that children would be involved in the decision-making process with respect to relevant policy issues and to budgeting for education, health, child welfare and youth justice.

## COMMITTEE RECOMMENDATIONS

The Committee believes the often-repeated phrase that “children are our future.” Certainly, this reality is recognized by governments and by a variety of individuals, including parents and other family members, teachers and health care professionals, among many others. At the federal level, recognition of the importance of children and youth is provided through a number of tax and program spending measures that benefit them either directly or indirectly. Nevertheless, we feel that additional federal actions could—and should—be taken to support our children and youth, and thereby position them, their communities and the nation for a prosperous and sustainable future. For these reasons, the Committee recommends that:

**The federal government, recognizing the jurisdiction of the provinces and territories as well as the need to compensate those provinces and territories that decide not to participate in a country-wide measure, implement a national child care plan providing high-quality, affordable and inclusive child care services. This goal should be achieved through federal transfer payments to participating provinces and territories, and the plan should include measurable targets and timelines.**

**Moreover, the government should increase and streamline existing funding for federal “at risk youth” programs, with a view to creating a centralized initiative that would better engage such youth in their communities. The government should also increase funding for Aboriginal friendship centres for the benefit of Aboriginal youth in cities.**

## II. STUDENTS

Post-secondary education helps young people acquire the academic, social and other skills that will help them enjoy a high quality of life and make a meaningful contribution to their community and society, and that will help Canada ensure a prosperous and sustainable future. In 2005-2006, the latest year for which comparable data are available, more than one million students were enrolled in universities in Canada, and almost 614,000 students were attending community and trade colleges.

### WITNESS VIEWS

Witnesses told the Committee about several issues affecting students, including tuition costs and student debt. They spoke about the government's tax measures, grants and loans for students, and made particular mention of the needs of graduate and Aboriginal students, among other issues.

#### A. Student Funding and Support Measures

In the view of some of the Committee's witnesses, the benefits of the government's *post-secondary education tax measures* for students—including scholarship or bursary exemptions, tuition credits, monthly allowances for full-time enrolment and registered education savings plans—accrue disproportionately to students from families with higher incomes. Consequently, witnesses shared their view that the fiscal cost of educational tax credits could be better used by allocating the tax savings from the elimination of these credits to the Canada Student Grants Program (CSGP) or the Canada Student Loans Program (CSLP); alternatively, it was suggested that these tax credits could be made refundable. Also, it was argued that support for students should be means-tested and targeted to underrepresented groups in order to increase access to post-secondary education.

Witnesses requested additional funds for the *CSGP* in order to forgive debt owed to the government, to increase the number of grants available and/or to increase the maximum size of the grant to an amount that equals the national average undergraduate tuition cost. Moreover, it was argued that the income threshold for the *CSLP* and the *CSLP*'s in-study work exemption level should be increased so that students can work while receiving a loan for their studies.

#### B. Student Debt

Witnesses told the Committee that student debt is problematic. A variety of proposals designed to alleviate student debt were expressed, including postponed repayments on the *principal* of the student loan and/or partial or complete relief from *student loan interest payments*, an extension of the *interest-free period*, an increase in *income thresholds* for student loan interest relief, greater student debt relief in the *CSLP*, and elimination of *post-secondary tax credits* with a reallocation of the tax savings to address student debt.

### **C. Graduate Students**

Recognizing the higher cost and duration of certain graduate programs, such as medicine, witnesses advocated an *increase in the weekly lifetime limit* for student loans, in the absence of which students might seek financing from the private sector, which may be relatively more costly for a variety of reasons. A number of witnesses noted that Canada Graduate Scholarship funding has lagged graduate school enrolment, and argued that this issue should be addressed. They supported making Canada Graduate Scholarships *permanent* and *increasing the funding*. Finally, a rebalancing of the number of graduate scholarships for students in the *humanities and social sciences* was urged.

### **D. Aboriginal Education**

According to witnesses, post-secondary education for Aboriginal Canadians needs more support in order to reduce socioeconomic disparities between *non-Aboriginal and Aboriginal Canadians*. In arguing that funding for Indian and Northern Affairs Canada's *Post-Secondary Student Support Program (PSSSP)* should reflect the increasing demand from eligible students and the increased cost of post-secondary education, witnesses advocated *removal of the cap* on funding increases to the PSSSP as well as *increased funding* of the program. Witnesses also requested that *Métis and non-Status First Nations* be eligible for this program.

A number of witnesses requested additional *financial support* for Aboriginal students, post-secondary programs and services that support Aboriginal students, as well as a pilot project that would fund partnerships between post-secondary institutions and Aboriginal communities to help raise public school graduation rates.

### **E. Other Issues**

A variety of other student-related proposals were presented to the Committee, including: continuation of the *Canada Summer Jobs* program; creation of a *national work study program* to help post-secondary students find work and obtain career-related experience; funding to promote Canada's post-secondary institutions to *foreign students*; creation of a *tax credit* for the purchase of learning materials; and a *renewed mandate* for, and *funding* of, the Canadian Council of Learning and the Canada Millennium Scholarship Foundation.

## **COMMITTEE RECOMMENDATIONS**

In order to position them and the country for future prosperity, the Committee feels that students—whether children, youth, teenagers or adult learners—need to be supported in their studies and in their transition to employment. While federal support currently exists in the form of transfers to the provinces and territories, as well as a variety of tax and program spending measures, we believe that additional assistance would be desirable, particularly for graduates to locate in areas of the country that may have difficulties in recruiting and retaining employees. Thus, the Committee recommends that:

**The federal government create a refundable tax credit for new graduates. The proposed tax credit should be available to those who move to designated regions and engage in employment in their field of study.**

### **III. WORKERS IN AND OUT OF THE LABOUR MARKET**

Like the businesses for which they work, employees are critical to the nation's prosperity, and their efforts will be instrumental in helping the Canadian economy continue its recovery. In order to be fully productive and efficient workers, employees need to be trained and compensated adequately. They also need to have some assurance that they will be able to support themselves and their family in the event that they lose their job. As well, work incentives are affected by the design of a nation's tax system.

Moreover, the labour market contributions of Canada's immigrants are enhanced by settlement and integration programs, as well as by recognition of their foreign credentials, while the contributions of those with a disability or a chronic disease occur best where required supports are given and accommodations are made. Finally, those who are not in the labour market make contributions to the nation through community, charitable and other involvements.

#### **WITNESS VIEWS**

Witnesses spoke to the Committee about a number of issues affecting employees at this time, including employment insurance, job training, job creation, the personal taxation system, accommodations for those with a disability or chronic disease, and recognition of foreign credentials, among others. They also discussed supports for those who are not involved in paid employment.

#### **A. Employment Insurance**

A number of the Committee's witnesses spoke about the Employment Insurance (EI) program. Some proposals were general in nature, such as the need for reform and simplification of the program, while others were quite specific. In highlighting what they considered to be some of the inadequacies of the current program, and with a view to enhancing the program for those who are unemployed and to making it available to more individuals, witnesses recommended changes to several of the design features of the EI program.

In respect of EI *eligibility and benefit amounts*, witnesses recommended that the federal government: reduce the entrance requirement, with some proposing a uniform number of hours of work regardless of area of residence and others suggesting a somewhat higher number than that proposed wherever the unemployment rate is 10% or less; ensure that benefits are available in all regions for a longer period of time; calculate weekly benefits on the basis of fewer of the best weeks of insurable earnings prior to a layoff; implement a higher replacement rate; eliminate variable benefit rates for part-time employees; give extended benefits on an emergency basis or provide an additional year of

special extension benefits if the national unemployment rate exceeds 6.5%, depending on the witness; remove, or refrain from removing, the two-week waiting period, depending on the witness; eliminate the timeline associated with the claimant's report; end the benefit repayment requirement; expand the definition and categories of just cause for voluntarily leaving a job; extend benefits provided under Part 1 of the program while a worker is involved in approved training; move the social-program aspects of EI from the regular structure to general program spending; enhance the program without increasing the employer's contribution rate; and ensure that benefit entitlements are not reduced or delayed as a result of severance payments.

Suggestions related to the *financial aspects* of the EI program were also made, with witnesses urging the government to: amend the EI rate-setting formula so that EI account deficits are funded over a business cycle of up to ten years; phase in an employer-based experience rating system; reduce the employer premium rate to equal that paid by employees; implement a system to refund employer over-contributions; operate the program as a true insurance program; review the program to ensure that it is self-financing over the longer term; develop a new financing scheme that draws down over-contributions by employers and employees; undertake a review to determine how new benefits would be financed; and invest a portion of the EI surplus in better training and labour adjustment programs.

*Other* EI-related proposals were also identified. For example, the Committee was told that EI recipients should be able to access academic upgrading, as well as literacy and basic skills training, at publicly funded colleges without a reduction in their EI benefits. Comments were also made about EI and self-employment. In the specific context of direct selling, it was suggested that individuals making a transition from EI to self-employment should not be unduly penalized and should be eligible for some support, perhaps under the self-employment program, although a more general proposal that Human Resources and Skills Development Canada-funded programs not provide a disincentive from engaging in direct selling was urged. The government was also encouraged to create an EI Board of Referees for the Northwest Territories and Nunavut. Finally, expanded support for, and funding of, work-sharing arrangements under EI was advocated, as were links between work-sharing and training programs.

## **B. Job Training**

While some witnesses focused on training in the context of the EI program, others spoke about the issue more generally, urging more federal funding for *labour adjustment training opportunities*; if funding is transferred to the provinces and territories, these governments should be directed to allocate funds to improved training access and affordability, and should be held accountable to ensure these outcomes. Also advocated was the creation of a *refundable employers' training tax credit*, based on business investments in maintaining and upgrading workforce skills and abilities, to be applied against EI premiums payable or deducted from corporate income tax. A somewhat similar proposal for the creation of an *employee education and training credit* was presented to the Committee, as was the idea of a *learning account* into which a portion of EI contributions could be placed for use by employers in declining sectors.

Training challenges faced by *Atlantic Canadians* and skills training for *underemployed* workers, as well as the requirement for *needs assessments* and *trainers' salaries*, were also noted.

Witnesses also supported a broader *definition* of tax-deductible education and training expenses, and the creation of a *deduction or refundable tax credit* for personally acquired qualified education and training. They also commented on “meaningful” training offered in home communities, with jobs available where this training can be used. Furthermore, an *integrated, multidimensional approach* to providing training programs that focus on community development was encouraged. As well, it was requested that the government *subsidize* 50% of the costs incurred by businesses in training, consulting and certification.

The training that occurs *within the EI program* was also highlighted. Some witnesses urged reconsideration of EI funding and regulations in order to maximize incentives and opportunities for laid-off workers to upgrade their skills through training, while others advocated an increase in the funds available for training so that regular EI benefits are available for all forms of workplace training. In identifying the link between literacy and employability, the Committee was informed that, during review of the EI system, literacy and numeracy programs should be incorporated since, at present, literacy and basic skills upgrading are being classified differently across the country, with impacts on EI benefits. A *national literacy strategy* with program supports, practitioner skill development and increased awareness, as well as *workplace literacy training expertise and funding*, were also noted by witnesses. Regarding workplace literacy, they spoke about the creation of a tax credit and an online portal that would help employers to procure an initial needs assessment as well as to identify a trainer and funding sources. Moreover, it was argued that Canadians should be permitted to use the EI fund to pay for their post-secondary education, with these expenses reimbursed through a payroll or income deduction.

Specific training for “green jobs” was also brought to the Committee’s attention. Particular mention was made of opportunities in the “green sector” for training programs designed to enhance the traditional skills of architects, planners, developers and engineers in order to include emerging environmental practices.

### **C. Job Creation**

A number of the Committee’s witnesses spoke about job creation, which for some is of great concern as jobs continue to be lost. The federal government was urged to begin a major, multi-year *public investment program* to create jobs, perhaps in partnership with the provinces and territories as well as municipalities, depending on the witness. Specific mention was made of public infrastructure and services, energy and environmental technology, conservation and renewable energy projects, industrial restructuring, “green” industries and cultural industries. In this context, it was proposed that federal support be linked to “Made in Canada” procurement policies. “*Green jobs*,” perhaps targeted at youth and adults requiring retraining, were also highlighted, and the government was encouraged to invest in such areas as renewable energy and energy



efficiency, public transit, environmental remediation, and energy retro-fitting of homes and buildings. According to some, federal support could be matched by funding from other levels of government, not-for-profit organizations or other eligible partners, with funding conditional on the jobs having “decent pay and working conditions.”

As part of an effort that would result in Canadians attaining employment and good wages, witnesses requested that the government invest in job creation measures that ensure the effective use of the knowledge and skills of a *diverse workforce*. Investments to *diversify the Canadian economy* and to focus on the *development and encouragement of new and higher-value products and services* as well as their *commercialization* were supported.

Job creation was also identified in the context of a proposal to renew and expand the *Community Adjustment Fund*, which witnesses argued creates jobs at the community level. It was proposed that this fund receive more money, and that it contain a component that could work with the renewed *Co-operative Development Initiative* and be dedicated to community enterprises—including co-operatives and social enterprises—that are starting up or expanding. The co-operative sector was also discussed in the context of the proposal for a *co-operative investment strategy* to ensure the capitalization and financing of new and emerging co-operatives and co-operative sectors. The proposed strategy would consist of a co-operative investment plan providing a tax credit, which is noted in Chapter 3, and a co-operative development fund providing repayable loans. A *Canadian co-operative investment plan* was also encouraged, one benefit of which could be investment in rural communities, perhaps for rural development, which can lead to job creation.

Finally, the Committee was informed that Canada’s *youth* have been disproportionately affected by the global financial and economic crisis, and that the long-term impact of youth unemployment will be significant if action is not taken. Within this context, the government was urged to support existing programs, increase the number of communities in which particular programs operate and build an online learning community connecting programs with public-policy researchers.

#### **D. Those Not in Paid Employment**

There are a variety of reasons why people might not be involved in the labour market: choice, age, a lack of skills, skills that are not in demand generally or in a particular geographical location, disability, and barriers related to language or a lack of foreign credentials or Canadian experience, among others. To address the income needs of people who are not involved in the labour market, or who are involved in the labour market but earn a low income, witnesses made a range of proposals.

The Committee was informed about the need to protect the purchasing power of the poorest consumers and to adopt *income stabilization measures* that target the most vulnerable Canadians, particularly those living alone, seniors and children in low-income households. One proposal was for an income-tested basic income benefit for persons who cannot reasonably be expected to earn an adequate income from employment, while

another involved ensuring that all new or modified policies are assessed with respect to their impact on those whose incomes fall below the after-tax Low Income Cutoffs (LICOs) published by Statistics Canada. The goal would be to improve the well-being of these individuals and to minimize the income gap between them and both the median income of all Canadians and of the top 20% income group. Still another suggestion involved adequate and accessible income support for the non-employed, with a focus on those groups with relatively higher poverty rates.

A somewhat related proposal was the introduction of a universal guaranteed livable income, which would ensure that everyone, regardless of labour force status, would be able to access the basic necessities of life without stigma and with respect for dignity as well as enabled participation and community inclusion. Particular mention was made of income security for working-age adults and for older workers, since they do not benefit from the Old Age Security payments and Canada Child Tax Benefits that are similar in intent to the proposed guaranteed livable income.

Finally, witnesses urged the creation and adoption of a *federal strategy to eliminate poverty*, with the following elements: a long-term vision as well as measurable targets and timelines; an action plan and budget that coordinate initiatives within and across governments and their partners; accountability structures for ensuring results, measuring outcomes, and consulting with as well as reporting to Canadians; and a set of agreed poverty indicators that could be used to plan, monitor change and assess progress. The Committee was told that such a strategy should address many different aspects of poverty, including: income security; food security; housing and homelessness; children and early childhood development; education and training; labour standards; Employment Insurance; health and disability supports; and the particular needs of such specific populations as Aboriginal Canadians, immigrants and women living in rural communities, the last of whom need adequate support in meeting basic needs as well as in developing skills and capacities. The creation of a *designated transfer* to the provinces and territories in support of the development and implementation of poverty-reduction strategies was also encouraged.

## **E. Taxation of Employees and Families**

A number of general and specific comments about personal taxation were made by witnesses. For example, the implementation of a *flat tax* was advocated, which—according to witnesses—would simplify the tax system, make the nation more competitive in attracting residents, and reduce the time and other costs associated with preparing and reviewing tax returns. Other suggestions included: reducing the *lowest income tax rate*; allowing *income splitting* for all Canadian families through separate or joint tax filing in order to end the preferential treatment of certain family configurations; basing the tax system on the *family unit*; applying *full personal tax credits* to every Canadian, including dependent children; *removing tax obligations* from those living below the “poverty line;” indexing the *Working Income Tax Benefit*; and taxing *unearned income* in the same manner as earned income. Furthermore, the situation faced by a *mobile labour force*, which may involve work for more than one employer during a tax year, was highlighted, with a request that the tax system recognize the travel expenses for employment to

include the cost of travel, meals and lodging minus any money paid by the employer for these purposes. Substantial personal tax relief for *volunteer firefighting personnel* was also encouraged.

More general comments about taxation were also received by the Committee. For example, a number of witnesses highlighted the need to ensure that the tax system is both *fair* and *seen to be fair*, and argued that *simplification*—for example, by treating share options, capital gains, dividends, interest, salaries, hourly wages, commissions and bonuses in the same manner—would lead to fairness. The government was also urged to pursue a simple, *transparent* and fair system with low, *internationally competitive tax rates* as an important measure in supporting economic recovery and growth; specific mention was made of lowering brackets, increasing thresholds, and keeping tax bases both broad and neutral. Witnesses also favoured *prudent, modest and broadly based tax relief* rather than targeted tax measures, and advocated the appointment of a *panel of experts* to undertake a review of both domestic and international aspects of the tax system and their impacts on businesses and individual taxpayers, as mentioned in Chapter 3; in the view of witnesses, the proposed panel should consult widely in the context of a public forum. A *more progressive tax system* was also urged.

## **F. Those with a Disability or Chronic Disease**

The Committee was told that those with a disability or chronic disease may need particular supports to participate in the labour market. According to a number of witnesses, some individuals are unable to participate in the labour market at all, while others can participate on a full-time, part-time or periodic basis, depending on the nature and extent of the disability or disease as well as on the supports provided. They indicated that current policies and legislative measures are disincentives for those with a disability who can participate in the labour force intermittently or on a part-time basis, as health permits.

Witnesses said that there is a need to *review*, on a regular basis, all new and existing government programs to ensure that they assist in the removal of barriers to what was characterized as “the elusive goal of full participation and equality” and to ensure that no new barriers are erected. While barriers may not always take a physical form, witnesses identified a need to ensure that all infrastructure projects are accessible to those with a disability.

Employment opportunities were one component of a *national economic strategy* for Canadians with a disability or chronic disease that was proposed by witnesses, some of whom advocated that the Prime Minister convene leaders from the provinces and territories, the business community, representatives of labour and representatives of community organizations representing the disabled to develop a strategy and others of whom supported the establishment of an advisory committee, reporting to the Ministers of Finance and of Human Resources and Skills Development, to explore options to address poverty, income reform and the federal role in income support for these Canadians. The notion of a working group to study, and to make recommendations to address, the poverty among disabled Canadians was also expressed.

In the view of witnesses, components of a strategy to assist those with a disability or a chronic disease should include efforts to enhance employment, reduce poverty and ensure improved access to the nation's infrastructure, with appropriate national standards. As a possible component of a strategy, the Committee was told that, within five years, a new income support program for long-term disabled Canadians should be developed and implemented, perhaps modeled on elements of the Old Age Security program and the Canada Pension Plan disability benefit. According to witnesses, the proposed program could provide a level of income similar to that provided by Old Age Security and Guaranteed Income Supplement benefits. Comments were also made about *registered disability savings plans* which, while helpful for people with disabilities and their families, were characterized as being problematic for those with intellectual disabilities; it was recommended that the assumption of legal capacity be foundational and that an individual be permitted to use support in financial decision making without that use affecting legal capacity.

Witnesses also supported the establishment of an *income-tested basic income benefit* for those who cannot reasonably be expected to earn an adequate income from employment, which would include those who have a severe and prolonged disability or chronic illness, have limited training, are of advanced age and/or have inconsistent labour market attachment. The recommended design and amount of the proposed benefit mirrored the suggested income support program noted above, and it was argued that the proposed benefit should be made available to those who earn income through episodic, short-term and/or partial labour market attachment. A higher-valued benefit for Northern and remote residents was urged as a means of recognizing their relatively higher living costs.

Furthermore, a *national dialogue* was advocated for such topics as the financial implications of including people with episodic disabilities in disability benefit programs, the development of a measure that would provide partial income support to those with episodic disabilities as a complement to earned income, and consideration of changing disability income support programs, including EI sickness benefits, to a unit system that would allow people to work part-time and/or intermittently while receiving partial benefits. A more general request for flexibility in respect of *EI sickness benefits*, to allow those who work part-time to receive partial benefits, was urged. According to witnesses, the financial situation of those with a disability would also be improved if the federal *disability tax credit* became refundable. Moreover, it was argued that *definitions* in respect of this credit should be harmonized with those for the Canada Pension Plan disability benefit, with eligibility for the latter automatically meaning eligibility for the former.

Finally, it was recommended that the Opportunities Fund for Persons with Disabilities and the Multilateral Framework for Labour Market Agreements for Persons with Disabilities be extended, that the federal government increase the labour market participation of persons with a disability in the federal public service and that a new Canada Pension Plan disability benefit be created to encourage labour force attachment. Witnesses also highlighted the need to include targeted representation of, and allocations for, persons with a disability within Labour Market Agreements, which could occur as part of an initiative to train people for new industries. Three specific measures were proposed

to assist employers in ensuring that workplaces are accessible: an accessibility bond, an accessibility tax credit and an accessibility tax deduction. The Committee was told that these proposed measures could be used to offset the cost of purchasing adaptive equipment, removing architectural or transportation barriers in facilities or vehicles, adapting information systems and/or producing accessible formats of printed materials, for example.

### **G. Foreign Credentials, Integration and Settlement of Immigrants**

A number of the Committee's witnesses highlighted the important role that immigrants now have, and will continue to have, in our workplaces and in our society as demographic change continues. They indicated that immigrants face challenges, including language barriers, an inability to obtain recognition for their foreign credentials and a lack of Canadian experience, and advocated assistance in addressing those challenges, which can affect physical, mental and emotional health and well-being. To that end, the government was encouraged to abandon the *Right of Permanent Residence Fee* for new immigrants, fund *integration and settlement services* as well as *cross-cultural supports*, collaborate with the provinces and territories in order to accelerate *recognition of foreign credentials*, and *support businesses*—particularly small and medium-sized enterprises—in recruiting, assessing, hiring, integrating and retaining skilled immigrants. Finally, it was recommended that *child and youth services* be included as part of federal agreements with the provinces and territories concerning immigrants and refugees, and that the government support language instruction, including language centres, self-paced modules and computer training.

### **H. Other Issues**

Witnesses also provided a number of other suggestions: attention to such *compensation issues* as minimum wages, pay equity and a national public safety officer compensation fund; higher *tax credits* for low-income workers; protection for the *basic employment rights* of cleaning workers who are employed in federally owned or leased buildings, or by those who contract with property management and services; reforms to *employment standards* in order to improve the “quality of precarious employment;” greater *social inclusion* and *income support* for families that are “being left behind” by the job market; *fair taxation* of wealthy Canadians; appropriate training and accreditation for federal public service employees responsible for the procurement of goods and secures and the management of the federal government's supply chain; and increases to provincial and territorial *income assistance payments* as well as the development of mechanisms for reporting and public accountability in order to ensure transparency and adherence.

## **COMMITTEE RECOMMENDATIONS**

The Committee is aware that not everyone engages in paid employment, and that a variety of considerations exist when individuals are deciding whether to enter the labour market and, if so, the nature and extent of that participation. For those in the labour market, a recession can lead to job loss that jeopardizes the ability of workers to support themselves and their families. We realize that this reality is a foundation of the

Employment Insurance program: the need to support oneself and one's family when unemployment occurs. Certainly, a great many workers faced—and continue to face—job loss resulting from the global financial and economic crisis. Extraordinary times often call for extraordinary measures, and we feel that the insurance system on which many rely, and which must be recognized as an effective countercyclical stimulus measure, should continue to support them. Consequently, and with a view to positioning those who are in and those who are out of the labour market for a prosperous and sustainable future, the Committee recommends that:

**The federal government, in respect of the Employment Insurance program, amend the *Employment Insurance Act* in order to:**

- **ensure that the program is administered in a manner consistent with the presumption of good faith on the part of applicants;**
- **implement uniform application of the program's regulations across the country;**
- **increase the benefit replacement rate provided by the program to 60% of maximum insurable earnings;**
- **eliminate the two-week waiting period for program benefits;**
- **establish a uniform eligibility threshold for program benefits of 360 hours of work;**
- **increase the level of annual maximum insurable earnings on which benefits are paid to an amount that exceeds that determined in accordance with the indexation formula specified in section 4 of the Act;**
- **calculate program benefits on the basis of the best 12 weeks of insurable earnings;**
- **establish an income support program for older workers;**
- **expand the right of program beneficiaries to receive benefits while undertaking training; and**
- **expand and adapt the program's work-sharing option.**

**Moreover, the government should identify the skilled labour needs of Canada's small and medium-sized businesses and ensure that Employment Insurance training measures facilitate the acquisition of those skills.**

**Finally, the government should fund job training initiatives that provide individuals with the skills needed to participate in the green economy.**

The Committee also feels that there are some workers and potential workers—whether they work in the home, in their community or in the paid labour force—who require additional federal assistance in order to support their activities. For example, we think that persons with a disability or chronic disease, as well as newcomers to Canada, may have particular needs. In our view, the federal government should take actions to facilitate their full participation in all aspects of Canadian society, and to position them for the prosperous future we all seek. Therefore, the Committee recommends that:

**The federal government amend the *Income Tax Act* in order to ensure that the disability tax credit is a refundable credit, and examine options to improve labour market supports for those who are disabled or have a chronic disease.**

**Moreover, the government should work with the provincial and territorial governments in the development of a plan to ensure that appropriate, properly funded and equitable immigrant settlement and integration services are available throughout Canada. As well, a plan should be developed to recognize and reconcile the educational and professional qualifications obtained by immigrants in foreign countries.**

**Finally, the government should continue to reduce the landing fee applicable to all new immigrants to Canada.**

#### **IV. SENIORS**

In Canada, in 2008, there were an estimated 4.56 million individuals aged 65 and older. Of these, 4.47 million were receiving benefits from the Old Age Security program, which includes three initiatives: the Old Age Security (OAS) benefit, the Guaranteed Income Supplement (GIS) benefit and the Allowance. Moreover, 3.52 million individuals received Canada Pension Plan (CPP) retirement benefits in that year, 2.93 million of whom were aged 65 years or over. These individuals make a variety of valuable contributions to Canadian society, including as workers and volunteers.

#### **WITNESS VIEWS**

While witnesses provided their thoughts about a number of issues that are important to seniors, most senior-related comments focused on pensions. They spoke about all aspects of retirement savings in Canada: occupational pension plans and the rules that govern them, the OAS program, CPP retirement benefits and private retirement savings. The Committee was told that many seniors have retirement savings and pensions that are inadequate, and that the maximum value of public pensions fails to replace the

50% to 70% of pre-retirement income needed to maintain living standards. In their view, the private pension system is in “crisis,” and a variety of changes were recommended.

### **A. Consultation**

Consultation about the future of the nation’s pension system was advocated by some witnesses, who urged the government to convene a *national pension summit*, with participants that include—depending on the witness—federal and provincial ministers of finance, federal and provincial government officials with responsibility for pensions, actuaries, employers, employees, unions and retirees. According to them, the proposed summit should address such topics as a concrete plan for pension reform in this country, reduced coverage by defined benefit pension plans, and harmonized legislative and regulatory reforms by the federal, as well as provincial and territorial, governments.

Witnesses also supported another mechanism for consultation—a *pension advisory group* with a sunset clause—to assist the government with its current *Pension Benefits Standards Act, 1985* (PBSA) initiative. Like the participants in the proposed national pension summit, it was recommended that actuaries, businesses and retirees, among others, be represented on the proposed group.

### **B. The Old Age Security Program**

The Committee also heard about suggested changes to each of the three components of the OAS program: OAS benefits, GIS benefits and the Allowance. Regarding OAS benefits, the Committee was told that immigrants should, after three years of residence in Canada as a Canadian citizen or landed immigrant, be eligible to receive benefits.

Particular recommendations about the GIS included an immediate increase in the monthly amount, perhaps financed through a reduction in the registered retirement savings plan contribution limit, which was described as “high.” Other suggestions involved removing the GIS reduction rate for casual earnings, and allowing a higher amount of income before GIS benefits begin to be reduced.

Some witnesses expressed the view that the combined amount of the OAS and GIS benefits should be increased to a level sufficient to ensure a guaranteed income that is at least as high as the LICO for urban centres, although an increase at least equal to the after-tax LICO for those without any other source of income was also mentioned, as was increased benefits commensurate with the pre-tax LICO. Indexation of the OAS and GIS to wages as well as to prices was advocated as well.

Witnesses also argued that the dividend gross-up in respect of the net-income calculation for income-tested OAS and GIS benefits should be amended, so that the calculation is based on actual dividends received rather than on the grossed-up amount of 125% for ineligible dividends or 145% for eligible dividends.



Regarding the *Allowance*, it was suggested that the benefit should be made available based on income, regardless of marital status.

### **C. The Canada Pension Plan**

Witnesses also advocated changes to the Canada Pension Plan, with some describing the Plan's retirement benefits as inadequate and advocating an increase in the Plan's *replacement rate*, perhaps phased in over a number of years. To finance proposed increases in benefits, some argued for an increase in the *upper limit of contributory earnings*, while others suggested an increase in the *contribution rate* for employers and employees. To protect low-income earners from the *effects of higher contribution rates*, two options were proposed: increasing the tax credit for CPP contributions or linking the value of the tax credit to income.

Finally, witnesses believed that *immigrants* could receive higher retirement income if their CPP contributory period were to start when they enter Canada rather than at age 18. It was also suggested that, for them, changes to ensure that *survivors* of recent immigrants are not penalized should also occur.

### **D. Occupational Pension Plans**

Although witnesses did not focus on employer-sponsored defined contribution plans, issues related to *defined benefit plans* were mentioned, with some highlighting the relatively higher levels of predictability and security as well as lower level of risk for members in such plans. Also noted was the role that these plans play in helping employers attract and retain employees, thereby stabilizing their workforce.

Witnesses also commented that these plans generate large pools of investment funds, with relatively higher returns and lower fees, and recommended such changes as an employer-sponsored *pension security trust*, a *target solvency margin for each plan* reflecting the level of risk of the plan's asset mix, and an *increase in the maximum allowable surplus* in a pension plan. Moreover, the need to *increase defined benefit contribution limits* alongside increases in defined contribution and registered retirement savings plan contribution limits was identified. Finally, the Committee was informed that the requirement for an employment relationship between plan members and the plan sponsor should be removed, which would perhaps be particularly beneficial for small employers and would permit self-employed and other "unconnected" individuals to participate in broadly based multi-employer plans.

### **E. Tax-Assisted Private Savings**

The Committee's witnesses made comments about a number of private savings vehicles, including *registered retirement savings plans* (RRSPs), which were characterized as "failures" that have not provided security or certainty for many Canadians. Witnesses also spoke about *registered retirement income funds* (RRIFs) and their rules, which were described as outdated because of their failure to recognize that Canadians are living longer, with a consequential need for retirement savings to last for more years, and to

realize that today's environment has relatively low interest rates. Depending on the witness, either a reduction in, or elimination of, the mandatory minimum withdrawal requirement that currently exists for RRIFs was advocated. Regarding RRSP contributions, the Committee was told that the income base on which contributions are calculated should be broadened to include such amounts as investment income in addition to earned income.

Moreover, witnesses said that the amount that can be *transferred* from defined benefit pension plans to RRSPs should be increased in order to recognize the inflation that has occurred since the limit was first established, with regular updates to the limit in the future.

## **F. Plan Sponsor Insolvency**

Some witnesses focused their comments on the situation that exists in the event of employer insolvency, which may be a particular problem for those in single-employer plans; a main concern was protection for plan members and their entitlements should the plan sponsor fail and the plan be underfunded. In the view of witnesses, the following changes would enhance protection for plan members in these situations: a *prohibition on contribution holidays* in order to ensure, to a greater extent, pension fund solvency; *enforcement of deficiency funding obligations* contained in pension standards legislation; amendments to bankruptcy and insolvency legislation to ensure that pension deficits are given *priority* in these situations; and creation of a *government-sponsored, plan-sponsor-funded insurance mechanism* to guarantee a monthly maximum per plan member, with initial establishment of the measure at the federal level to be followed by negotiations among the federal, provincial and territorial governments for a national system.

## **G. Simplification, Harmonization and Actuarial Deficits**

Witnesses also noted pension-related legislative and regulatory measures, and urged the federal government to *streamline* administrative and compliance activities required by the *Income Tax Act* and the PBSA, with possible outsourcing of these functions to regulated specialists.

According to some witnesses, in order to reduce unnecessary complexity which lowers competitiveness, the provinces should be encouraged to change their requirements in order to ensure *coordination and consistency* on a national basis.

Finally, the Committee was told that the rules in respect of *solvency deficits* have not kept pace with changes in global markets, are not sufficiently flexible to deal effectively with extreme volatility in financial markets and are too burdensome for plan sponsors. In the opinion of some witnesses, the maximum period over which a pension fund actuarial deficit must be financed should be increased, without any conditions. A change to the discount rate applied to the solvency funding was also proposed.

## H. Other Issues

Witnesses also made such suggestions as: a shift in *emphasis* for retirement saving from private pensions to public pensions; allowing the *dividend tax credit* to be claimed when eligible dividends are paid to registered retirement savings plans and income funds; establishment of a voluntary, supplementary *national retirement savings plan*; creation of a *universal pension plan*, modelled on the Canada Pension Plan, for those who do not participate in an occupational pension plan; a reduction in the age contained in the *definition* of “eligible pension income” in the *Income Tax Act*; the creation of a defined tax-assisted *lifetime pension allowance*, supplemented by retroactive Tax-Free Savings Account contributions, combined with elimination of the minimum annual withdrawal limits from RRIFs; a requirement that, each fiscal year, pension funds *publicly disclose* any environmental, social or governance factors considered during investing, with a copy of the report provided free of charge on request; re-introduction of a limited *net capital loss* to be applied against all sources of income; *equivalent treatment* of Goods and Services Tax/Harmonized Sales Tax among all retirement savings vehicles; and an obligation for the government to look first to *private-sector solutions* to public policy concerns.

### COMMITTEE RECOMMENDATIONS

In the Committee’s view, after a long life and a history of contributing to their family, employers and communities, Canada’s seniors should be able to live in dignity in their retirement. In the aftermath of the global financial and economic crisis, we are aware that some seniors are experiencing—or may soon experience—financial difficulties associated with reduced investment returns as well as pension plan losses associated with lower returns and employer insolvency. Believing that the federal government should take actions to ensure that seniors have adequate retirement income and incentives to save in order that they are positioned to continue their contributions to their families, their communities and the nation, the Committee recommends that:

**The federal government provide increased funding for Guaranteed Income Supplement benefits.**

**Moreover, the government, with provincial and territorial governments, should continue its comprehensive review of the Canadian retirement income system. The focus of the review should include incentives for saving and the extent to which these incentives ensure that the financial and other needs of current and future pensioners, as well as of labour force participants and those who engage in unpaid work, are being—and will continue to be—met.**

## V. HEALTH

A healthy population is essential to ensuring an effective economic recovery. Moreover, healthcare is an important source of GDP growth for Canada, since it is one of the few service-producing sectors that experienced increased GDP growth in 2008 when

compared to 2007. That being said, rising individual healthcare costs prevent some individuals from attaining full health. For example, Canadians spend a greater proportion of their own money on prescription drugs than on any other category of health expenditure. An aging population is also playing, and will continue to play, a major role in the overall level and availability of healthcare services. Finally, it is likely that adequate and effective delivery of healthcare will require greater coordinated action by all levels of government.

## **WITNESS VIEWS**

Comments and suggestions made by witnesses about health touched on various programs that they believe the government should implement or modify to improve the quality and efficiency of healthcare services, thereby decreasing healthcare costs and improving health outcomes. They ranged from funding for more advanced diagnostic equipment and improved treatment facilities to incentives to improve the integrated electronic health records system. Witnesses also highlighted various public health programs that could be improved or created to prevent disease and maintain the health of Canadians.

### **A. Prevention and Treatment of Disease and Injury**

Witnesses voiced concern about the threat of infectious diseases that could affect the well-being, prosperity and security of Canadians, and recommended improved *surveillance* of infectious diseases and *greater dissemination of collected information* to prevent pandemics. Increased funding for emergency preparedness budgets was also mentioned by witnesses and, since the socioeconomic background of the patient and his or her community influences the delivery of public healthcare services, increased funding for the *Public Health Agency of Canada* and the creation of a *national public health infrastructure fund* to assist public health units were recommended.

Regarding *medical technology*, witnesses highlighted the slow regulatory approval process for new medical devices, and suggested that additional human resources for the Medical Devices Bureau of Health Canada could alleviate the situation. They also argued for increased funding for *drug and natural health products approval* in order to expedite the approval process, and suggested an extension to the deadline for the approval of natural health products

To decrease out-of-pocket expenses for *diabetics* and to manage patients in the healthcare system effectively, witnesses proposed that a specific tax strategy be created.

### **B. Physical Activity**

A number of the Committee's witnesses mentioned increased physical activity by Canadians as a solution to the nation's growing obesity rate. They urged the government to allocate funds for physical activity throughout Canada. Particular mention was made of funding for *ParticipACTION*, *renewal* of all current federally funded programs, *direct funding* for all physical activity programs, and the allocation of a *portion of health funding* to

physical activity and amateur sport. To promote the creation of recreational infrastructure, witnesses proposed that the government renew funding for *Recreational Infrastructure Canada* and *Own the Podium* beyond 2011.

Moreover, witnesses recommended three specific changes to the *Income Tax Act* to increase physical activity: changing the *children's fitness tax credit* to a refundable credit, creating a 150% *tax credit for private-sector corporations* that sponsor amateur sport organizations, and including *amateur sport as a charitable purpose* for registered charities.

### **C. Vaccines and Immunization**

Since the use of vaccines to immunize the population against various diseases has been instrumental in improving public health, witnesses urged continued support for the Public Health Agency of Canada's *National Immunization Strategy*, and suggested a variety of improvements: continued financial support for the strategy; equal access for all Canadians to vaccines recommended by the National Advisory Committee on Immunization; funding for the strategy that is separate from Canada Health Transfer payments; harmonization of immunization schedules across Canada; and creation of a national vaccine registry. To ensure essential services during pandemics, witnesses suggested that emergency personnel should be given priority for vaccinations.

As well, witnesses called for the creation of a *national immunization trust fund* to facilitate the approval and adoption of new vaccines, and indicated that greater financial support is needed for the *National Advisory Committee on Immunization* to ensure the existence of a stable committee that can review and recommend vaccines in a timely manner. To prevent food-borne illnesses, the creation of a program to ensure the *removal of E. coli* from the Canadian food chain through the funding of innovative vaccines was encouraged.

### **D. Health Research**

Witnesses indicated that health research is important for the discovery of new and more effective treatments as well as for disease prevention and cures. To increase the amount of basic and applied health research conducted in Canada, they suggested *increased funding*, in varying amounts and percentages, for the Canadian Institutes of Health Research.

To allocate research grants efficiently and to set research priorities, witnesses argued for the development of a *Canadian health research strategy*, developed through a national task force with representatives from the academic, private and voluntary sectors. Moreover, they highlighted that research funding could be used to attract *foreign researchers* to Canada and to increase the number of *targeted research partnerships* between universities and hospitals. In their view, increased funding could also be used to *study* methods to increase the quality of care and to maximize the efficiency of the healthcare sector. On these two points, witnesses also recommended an investment in research on nursing practices.

## E. Electronic Health Information

Witnesses stated that standardized and accessible electronic health records could save the healthcare system billions of dollars each year, and stressed the importance of the *Canada Health Infoway* program for developing and implementing standardized electronic medical records that can be used by healthcare professionals throughout the healthcare system. They were concerned that funding for the program has not yet been made available, and recommended an immediate release of funds and renewal of the program for 2010. Witnesses also wanted to ensure that projects involving *information technology infrastructure* in home and community care would be eligible for current and future funding.

The temporary accelerated capital cost allowance (ACCA) for hardware purchases of *health information technologies* was highlighted, and witnesses proposed an extension of the ACCA for a period of time, removal of the 50% half-year rule on related software, and inclusion of electronic tools involved in transferring patient records from physicians' offices to laboratories and hospitals.

## F. Personal and Public Healthcare Costs

Good *oral health* for all Canadians was highlighted as an important goal, and witnesses indicated that the existing oral healthcare delivery system could be improved through a parliamentary consultation. Witnesses also mentioned the lack of affordable Aboriginal oral healthcare services, and suggested that changes to the policies and procedures within Health Canada's First Nations and Inuit Health Branch's (FNIHB)—Non-Insured Health Benefits (NIHB) program occur in order to enable dental hygienists in private business to provide services to NIHB clients on a fee-for-service basis.

A number of the Committee's witnesses indicated that an individual's drug costs may not be covered by his or her employer-sponsored insurance plan, and advocated a *national catastrophic drug plan* for all individuals or a *national pharmaceutical strategy* to increase access to drugs and to lower out-of-pocket expenses.

Witnesses identified increased operating costs for institutions as a major issue, and advocated a *100% Goods and Services Tax rebate* on eligible purchases made by publicly funded, not-for-profit institutions in the healthcare sector.

As well, witnesses noted that certain *employer-created health trusts* for retired employees are taxed at the highest personal income tax rate on reserves in excess of annual expenses. To promote the creation of more health trusts and as a possible solution to growing public healthcare costs, a lowering of the tax rate and equal tax treatment for all employer-created health trusts were suggested.

The potential for *private healthcare* to reduce use of the publicly administered system was highlighted by witnesses, and it was suggested that the *Canada Health Act* be amended to allow private delivery of healthcare services while maintaining the amount of time that practitioners spend treating patients in the public healthcare system. Moreover, to

decrease the wait times to see a primary care physician, and to assign a value to hospital visits, it was proposed that an *admission fee* to enter a hospital be charged for individuals who are not economically disadvantaged.

## **G. Health Infrastructure**

With witnesses defining “health infrastructure” to include buildings, equipment and personnel, concern was voiced about the exclusion of healthcare facilities from federal infrastructure funding. They argued for inclusion of *health facility construction* across all areas of the health services sector in federal infrastructure funding, and supported the creation of a *national health delivery infrastructure fund* to alleviate the infrastructure gap. Witnesses were concerned about outdated and inadequate diagnostic and other medical equipment, and also suggested the creation of a *medical technology fund* to help the provinces and territories in obtaining medical technology.

Regarding *healthcare professionals*, some witnesses identified the lack of physicians, nurses, medical laboratory technologists, personal support workers and others as troubling, and suggested a variety of solutions: a *national health human resources infrastructure fund* to improve coordination of healthcare professionals and to accelerate training capacity; a federal strategy to *recruit foreign-trained* professionals and to *repatriate* Canadian professionals; *incentives* for graduates to remain in Canada, especially in rural areas; a *study* to determine whether the role of nurses could be expanded when a physician is unavailable; and investment in a *health observatory* to facilitate pan-Canadian health human resources planning. To increase the supply of physicians, witnesses recommended that the federal government fund new *residency positions*.

## **H. Palliative Care**

In indicating that palliative care will become increasingly important as the population ages and in agreeing that caregivers are an important component of palliative care, witnesses suggested a number of changes to social programs and tax policies to help family caregivers financially when they temporarily leave the workforce. For example, they suggested an expansion of the *caregiver tax credit* in the *Income Tax Act* to include spouses as well as an increase in the value of the benefit and a change to make it refundable. It was also suggested that the *compassionate care benefit* under the Employment Insurance program be expanded by increasing the replacement rate, that the list of eligible recipients over the course of a year be expanded to recognize the chronic nature of care, and that a dedicated program be created.

In the view of some of the Committee’s witnesses, a working individual may provide more palliative care to a family member if changes are made to the CPP. Proposals included the introduction of a *caregiving dropout provision* analogous to that which currently exists in respect of child-rearing; this provision could be used by those providing unpaid care for older or disabled family members. It was also suggested that these caregivers should be able to *continue their contributions* to the Canada Pension Plan while they are out of the workforce in order to provide informal care.

Witnesses also made suggestions regarding the creation of a *palliative care fund* to be used to obtain public views on palliative care and end-of-life issues, and increased funding to the federal *granting councils* for studies designed to obtain accurate information on palliative and end-of-life care. Witnesses also recommended the creation of a *national caregiver strategy* to coordinate federal, as well as provincial and territorial, efforts.

## I. Other Issues

Witnesses mentioned certain diseases and illnesses that, in their view, should receive greater federal support. They identified preventable *vision* loss and other eye conditions as an area where a federal program is required in order to improve awareness. With long wait times being a concern, it was also suggested that all eye condition treatments should be included in the pan-Canadian healthcare wait time initiative. To help *diabetes researchers* with basic research and commercialization, witnesses recommended that the federal government enter into strategic partnerships to create a clinical trial network. Moreover, they encouraged the government to contribute to the *Spinal Cord Injury Network* to support spinal cord research and to provide increased funding for the *Federal Initiative to Address HIV/AIDS*.

Witnesses outlined the relationship between the cost of cigarettes and smoking rates, and suggested that high prices for cigarettes through high cigarette taxes can decrease the prevalence of smoking. They urged the government to strengthen its strategy against the sale and distribution of *contraband tobacco* in Canada.

Due to the risk of brain trauma during participation in sports, the creation of a national sports helmet standards certification program and of a national education program on helmet safety was recommended. Moreover, the establishment of a national registry of brain injuries that would facilitate the collection of brain injury statistics and the creation of a national concussion management program were urged.

Finally, to improve pediatric medicine research and to commercialize medical technology, the creation of a multidisciplinary *research centre for robotic microsurgery* was advocated.

## COMMITTEE RECOMMENDATIONS

The Committee believes that Canadians are better positioned to participate in the work force, their communities and their life at home—and thereby to contribute to a prosperous and sustainable future—when they are healthy. As well, while we agree that prevention is better than a cure, we also recognize that, in some cases, measures and supports beyond prevention are needed. While the federal government has a variety of tax and program spending measures designed to assure the health of the nation's residents that we feel should continue to be supported, we are also of the view that greater actions are required in certain areas, such as with respect to access by Canadians in all regions to healthcare professionals. From this perspective, the Committee recommends that:



**The federal government, in respect of both health and education, protect transfers to the provinces and territories.**

**Moreover, while recognizing the jurisdiction of the provinces and territories, the government should help to ensure that all elements of preventative programs designed to improve the health outcomes of Canadians are adequately funded. In particular, the government should continue to promote health prevention, physical fitness and amateur sports through renewed and increased support for initiatives such as Own the Podium and ParticipACTION.**

**Finally, consistent with the jurisdiction of the provinces and territories, the government should invest in health human resources, in particular to ensure access to doctors and nurses in Canadian communities and hospitals where they are most needed.**

## **VI. EDUCATION**

Education is a priority for Canada's federal, provincial and territorial governments and for Canada's citizens. According to the Organization for Economic Co-operation and Development (OECD), in 2006, Canada placed among the top five OECD countries with respect to post-secondary education expenditures. Additionally, in 2007, Canada was tied with Korea as the top-ranked OECD country with respect to the proportion of the population aged 25 to 34 years with a post-secondary education.

### **WITNESS VIEWS**

Witnesses discussed a variety of issues related to post-secondary education. In general, their comments were focused on affordability, accountability, the nature and amount of funding to the provinces and territories for post-secondary education, infrastructure for post-secondary education institutions, equity among post-secondary institutions and graduate students.

#### **A. A Post-Secondary Education Act**

In noting that the level of federal funds for post-secondary education through the Canada Social Transfer (CST) is currently below the 1992 level after adjusting for population growth and inflation, a number of the Committee's witnesses recommended that *funds allocated to the CST* be increased. They also suggested that the CST should be formally *divided into two portions*, one for social services and the other for post-secondary education. According to them, a *post-secondary education act*, modelled on the *Canada Health Act*, should be implemented in order to guarantee federal funding to the provinces and territories, establish a national strategy for post-secondary education and assure a minimum level of post-secondary education service delivery by the provinces and territories. Furthermore, the Committee was told that, under this proposal, increased funding to the CST dedicated to post-secondary education could be used to lower tuition costs for students and improve the infrastructure at post-secondary institutions. It was also

argued that CST funds for post-secondary education should be directed exclusively to *public not-for-profit educational institutions*.

## **B. Infrastructure at Post-Secondary Institutions**

In supporting the *Knowledge Infrastructure Program (KIP)*, a number of the Committee's witnesses recommended that the program continue to be funded at its current level until 2014-2015. Some also proposed annual contributions over time, and stated that the government needs to make a substantial and long-run *investment* in post-secondary infrastructure.

## **C. Distribution of Post-Secondary Institution Funding**

Witnesses informed the Committee that Canada faces a skilled worker shortage that could be addressed through more *funding for colleges*. In their view, there is a funding disparity between colleges and universities, and government financial support—especially research funding—is directed disproportionately to universities at the expense of colleges.

Additionally, the Committee was told that current *post-secondary funding arrangements*—such as granting councils, research chairs, scholarships, loans and infrastructure programs—disproportionately help well-endowed post-secondary institutions and regions at the expense of others. An *increase* in the CST dedicated to post-secondary education or a more *equitable distribution* of targeted funds to specific regions and institutions were seen as options for addressing these issues. Similarly, witnesses also asked for *KIP funds* to be shared equitably among colleges and universities.

A number of witnesses requested more funding for *specific institutions* and for *artistic programs*, programs *targeted* to Aboriginal Canadians, infrastructure, operations, information and communication technologies, research and development, and faculty. They also informed the Committee that *particular disciplines*, such as those in the humanities and social sciences, are underfunded in relation to student demand.

## **D. Graduates and Government Programs**

With a focus on informing post-secondary education graduates and young entrepreneurs about government programs available to small and start-up businesses, the Committee was told that the government should encourage the Canada Small Business Financing Program, the Business Development Bank of Canada, the Small Business Finance Centre and the Canadian Youth Business Foundation to provide *seminars* to these graduates and young entrepreneurs. In addition, or alternatively, Industry Canada could provide a *model curricula* for students and entrepreneurial graduates.

## **E. Information on Education**

In respect of information on education, witnesses encouraged the government to construct a comprehensive national *dataset* on research, productivity, the labour market and post-secondary education to improve accountability and to facilitate comparisons

among the provinces and territories, as well as against other countries and jurisdictions. The Committee was told that a *learning information platform* should be created for the sharing of local and national information with users. Furthermore, it was recommended that the government fund *surveys* related to post-secondary education.

## **F. Other Issues**

Witnesses also made a variety of other suggestions related to education, and urged the government to: address the education and training challenges faced by *Atlantic Canadians*; establish a nationally *integrated system of post-secondary learning* among tiers and across provinces and territories; utilize *technology* to the greatest extent possible for distance learning; reduce the *cost of distance learning* for students and institutions by subsidizing the purchase of computers and the price paid for high-speed internet access; and increase the *proportion of economic output spent on education*, with a certain proportion of that funding directed to adult education and literacy.

## **COMMITTEE RECOMMENDATIONS**

Earlier, the Committee expressed the view that healthy Canadians are better positioned to contribute to prosperity and sustainability. From a similar perspective, we believe that Canadians who are well- and adequately educated are in a better position to make the contributions needed to assure prosperity and sustainability for themselves and their family, their employers and community, and the nation. We also feel that our education system is stronger, educational outcomes are better, and everyone benefits, if foreign students are welcomed into our education system and Canadian educational institutions have a foreign presence. For this reason, the Committee recommends that:

**The federal government, in partnership with the provinces and territories, explore the development of a national strategy to promote greater emphasis on Canadian education services exports.**



## CHAPTER 3: POSITIONING BUSINESSES

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Businesses are an important part of the Canadian economy, and a business-friendly regulatory and tax environment is critical for the nation's continued economic recovery as well as for the creation and existence of high levels of business activity in the longer term. Consistent with the discussion in Chapter 2, in addition to the jobs that they provide to "properly positioned" people, businesses are drivers of the innovation and productivity that are essential for increasing the standard of living of all Canadians. The continuing economic crisis has led to extraordinary measures in Canada and in other countries to ensure the viability of businesses, and changes must continue to occur in order to "position" our businesses for a prosperous and sustainable future.

### I. FINANCING

Access to financing and capital is important for all businesses and at all phases of the business cycle. During the current financial and economic crisis, businesses in a number of sectors had difficulty accessing sufficient financing at an affordable price. These types of difficulties hinder economic recovery, and limit the extent to which businesses can attain the level of productivity needed to be prosperous and globally competitive in the future.

#### WITNESS VIEWS

In speaking to the Committee about the role that businesses have played – and will continue to play – in Canada's economic recovery, witnesses focused on the accessible and affordable financing and capital needed to sustain and grow their operations, the research and innovation that enables them to be efficient and globally competitive, business taxation, and other taxation and regulatory measures related to trade and export markets.

#### A. Access to Bank and Non-Bank Financing

With businesses facing difficulties in accessing affordable financing and capital due to the financial and economic crisis, witnesses told the Committee that there was a significant decrease in both short- and long-term financing during the crisis in 2008. They observed that businesses with unproven and novel business models or products were finding it especially difficult to obtain capital of any kind, and generally proposed that tax measures and other government policies to increase the availability of business credit be expanded.

The Committee was informed that one method to alleviate the liquidity problems of businesses still developing their products is to change the *lending practices of government agencies*, including the Business Development Bank of Canada (BDC), in order to increase the number of loans to firms that focus on innovative processes and technologies. In the view of witnesses, new lending practices could include increased loan limits to small businesses, streamlined application processes, tailored repayment terms

and collateral requirements, and an increase in the total venture capital funds made available to the BDC.

In speaking about the *Canadian Secured Credit Facility* administered by the BDC, witnesses noted that funds are not directly available to retailers that do not have an affiliated finance company; they argued that the list of eligible participants should be expanded and that the financing terms should be lengthened. As well, they suggested that other credit facilities, such as those for *insured mortgages and term asset-backed securities*, should be reinforced. Witnesses also proposed that the government provide a guarantee for *lines of credit* for businesses in the early stages of product development, and that a *national fund* be created to help automobile purchasers obtain financing. The notion of *interest-free secured loans* that would later convert to a bond was also suggested.

As noted by witnesses, private equity investors—or *angel investors*—are an important source of financing for new companies and certain federally regulated entities. Witnesses proposed the creation of an angel community development initiative to foster domestic angel investors, and argued that federally regulated ports should be allowed to access greater amounts of venture capital. In order to decrease the investment risk for angel investors, they suggested that an innovation and productivity tax credit as well as a national co-investment fund should be created.

Moreover, witnesses stated that *co-operatives* have historically faced difficulty in raising capital since they are unable to issue common shares to the public. As indicated in Chapter 2, they continue to have difficulty in raising capital, and witnesses called for a specific government lending program for eligible co-operatives.

## **B. Tax Incentives to Increase Capital**

In order to increase capital investment in businesses at the *early stages of product development* through direct investment by business owners or by third-party investors, witnesses suggested new tax policies and government spending initiatives, including: corporate tax rebates for individuals who start their own business subsequent to termination by their employer; a tax credit for individuals who invest in venture capital entities; a tax deduction for members who purchase shares in a co-operative; specific tax credits for those who invest in eligible industries; and a national strategy to improve the supply of risk capital, with coordination of federal, as well as provincial and territorial, programs.

According to witnesses, *taxes on capital*, such as foreign investments and pools of capital held by an institution, can increase the cost of borrowing. Consequently, they advocated the removal of withholding taxes on foreign investment in Canada and of capital taxes on large financial institutions.

In an effort to increase *business liquidity* in “business families” with losses in certain affiliates and profits in others, witnesses recommended that the *Income Tax Act* be changed to allow affiliated companies to file consolidated income tax returns, which would

allow tax losses to be shared among them. It was also suggested that Canadian businesses should be allowed to repatriate profits made by foreign affiliates on a tax-free basis.

Finally, the Committee was told that *federal loans and grants to businesses* that utilize established technologies that do not have an environmental benefit, that are not accountable to the Auditor General of Canada, and that are not accessible by Canadians through access to information legislation should be eliminated. It was also proposed that General Motors not receive further federal aid.

### **C. Financial Market Regulation, Financial Services and Financial Literacy**

Witnesses noted that inadequate financial regulation may have contributed to the financial and economic crisis in 2008, and focused their comments on measures to limit excessive risk-taking by large institutions in order to protect businesses from a future credit collapse. For example, they argued that the *investment and lending activities of Canadian banks* should be separate, and suggested that the *deposits* in financial institutions should not be insured through the Canada Deposit Insurance Corporation since it promotes risky behaviour by deposit-taking institutions. In order to prevent short-term risky behaviour by *employees of investment entities*, witnesses recommended that compensation be based on the long-term performance of investments.

Securities regulation was also a concern of witnesses. In an effort to improve regulatory efficiency and to facilitate internal trade, witnesses suggested that a *common securities regulator* be created, perhaps with the ability to supervise financial reporting and provide auditor oversight in order to increase the accountability and transparency of security issuers. On this last point, witnesses mentioned that private contracts based on a future event—“derivatives” contracts—should be more transparent, and that financial institutions and other entities should disclose the monetary value of their derivatives.

With witnesses indicating that the financial services industry is important to Canadians and Canadian businesses, it was proposed that the federal government partner with provincial and municipal governments, the private sector and educational institutions to create an *improved institutional infrastructure*. Moreover, with increased complexity of financial products and recognizing the role that some of these played in the global financial and economic crisis, witnesses advocated government programs to increase *financial literacy*, as well as *clearer language* for financial products sold to consumers.

Finally, witnesses highlighted that *payment systems*, such as the debit card network, play an essential role in the Canadian retail market and that increased competition from US-based payment card networks may increase costs for both consumers and retailers. From this perspective, they shared their view that pricing of all debit card payment services should be cost-based, and that US-based payment card networks should abide by Canadian payment system rules and voluntary codes of conduct.

## COMMITTEE RECOMMENDATIONS

In the Committee's opinion, financing is critical for organizational success: businesses must be able to access adequate capital when they need it, and the financing must be available at a cost that is affordable. We are aware that, during the global financial and economic crisis, a number of Canadian businesses had trouble accessing an adequate supply of reasonably priced financing; while this situation was new for some businesses, it was the continuation of a problem for others. In our view, the federal government has a role to play in ensuring that businesses can access the tools that they need, including financing, in order that they are positioned for future prosperity. Consequently, the Committee recommends that:

**The federal government work with the venture capital industry to identify new sources of financing and examine the effectiveness of existing tax incentives related to financing. Moreover, the government should review the feasibility of increases to the Labour-sponsored funds tax credit to 20% of eligible investments, to a maximum eligible investment of \$20,000.**

## II. RESEARCH, DEVELOPMENT AND COMMERCIALIZATION

The "knowledge industry" plays an important role in the discovery of solutions to current and future problems, and research and development efforts can lead to new goods and services, thereby providing consumers with more choices and business with greater prosperity. That being said, commercialization must occur in order to bring these new products to the domestic and international marketplaces.

### WITNESS VIEWS

Providing the goods and services that consumers want is critical if businesses are to maintain their competitiveness in the marketplace. Consequently, witnesses focused their comments and suggestions on existing and proposed federal programs that aid businesses wishing to develop and commercialize new goods and services. They also noted that the government could fund various scientific endeavours, and help protect new and existing creations through intellectual property laws.

#### A. Federal Research Programs and Tax Credits

Witnesses generally indicated that there is a need for government programs and incentives that foster entrepreneurship and investment at early stages of business development and growth in order to ensure global competitiveness and the identification of Canada as a desirable place to do business. In discussing the *Industrial Research Assistance Program* (IRAP), they suggested that funding for the program should be increased; depending on the witness, amounts from \$100 million to \$350 million annually were suggested. As well, it was proposed that the IRAP receive additional funding for third-party technical support and the hiring of recent graduates to develop export strategies, and that an IRAP commercialization fund, perhaps called the technology



acceleration program, be created. Moreover, the establishment of a three-year federal commercialization voucher program, administered through the IRAP, was suggested as a method by which small and medium-sized businesses could obtain inexpensive research, product testing, prototyping and other development services from a college, university or other research facility.

Witnesses also commented on the *Scientific Research and Experimental Development* (SR&ED) investment tax credit, and generally held the view that the reporting requirements for the credit should be streamlined in order to decrease administration costs for eligible small businesses and increase the use of the credit. In respect of the filing deadline related to mining investments, it was suggested that the proposed changes should not be implemented; instead, the Minister of National Revenue should have the discretion to extend the deadline. Witnesses were concerned about unclear eligibility requirements, which result in disputes with the Canada Revenue Agency (CRA) and delay the processing of claims. In their view, the CRA should share personnel with Industry Canada, the National Research Council Canada and the private sector in order to increase the technical knowledge within the CRA as well as to standardize eligibility throughout Canada for government grants and tax incentives. Witnesses also suggested that the program should be expanded to include expenses for social science research, research and development in a non-laboratory location, and resource conservation.

The Committee was told that the SR&ED investment tax credit is worth less to companies that do not earn sufficient income to utilize its full value, which may decrease the incentive to initiate research and development. Consequently, witnesses suggested that the SR&ED investment tax credit should be fully refundable in order to help businesses facing liquidity problems as well as to provide an increased incentive for private research in general and for collaboration with entities that have low taxable income, such as the not-for-profit research sector. In order to provide liquidity, it was also proposed that the government buy back investment tax credits from recipients. According to witnesses, the monetary restrictions on the refundable portion of the credit, the annual R&D expenditure limit and the taxable capital threshold should be increased; as well, eligible expenses should include equipment primarily used for research, fees associated with obtaining intellectual property protection and amounts paid to third parties to obtain the tax credit.

Witnesses also proposed the creation of a temporary “super-deduction” or a deduction that is greater than 100% of the value of eligible SR&ED expenses in order to provide increased liquidity for businesses by decreasing their tax payable. Moreover, they suggested that projects related to the storage of greenhouse gas emissions should be eligible for an investment tax credit that is similar in operation to the SR&ED investment tax credit, since they are not yet economically feasible.

Finally, witnesses noted that investments in *geo-science research*, such as geological data and maps, promote new exploration activity, and proposed that the government maintain a long-term commitment to the *Geo-mapping for Energy and*

*Minerals program*. As well, it was recommended that the federal government complete a *geo-mapping* of the country's energy and mineral resources.

## **B. Federal Granting Councils**

Witnesses spoke to the Committee about the three federal granting councils, and generally believed that the government should increase *funding* to the Canadian Institutes of Health Research (CIHR), the Natural Sciences and Engineering Research Council of Canada (NSERC) and the Social Sciences and Humanities Research Council of Canada, and ensure that all grants include funding for operating costs. The suggested amount of the increase ranged from 5% of current funding for all granting councils to increased funding for all basic and applied research to 3% of GDP; increased funding for grants in respect of applied research was also advocated.

Regarding the *operating costs* of grant recipients, it was recommended that the government increase support to the Indirect Costs Program, with a goal of eventually providing 40% of the value of indirect research costs. As well, in the view of witnesses, *grant applications* for the granting councils should require goals and milestones for eventual commercialization of the research. Furthermore, it was argued that the granting councils should issue grants for *general industrial design research*.

Finally, witnesses shared the view that granting council support for *post-doctoral researchers* is important for the creation of innovative business strategies and for new technologies. They suggested that the government should fund additional Canadian and foreign-born post-doctoral researchers.

## **C. Collaborative Research and Commercialization**

Witnesses supported increased funding for collaborative research financed by the granting councils and conducted jointly by educational institutions and businesses. Suggestions included increased support for the *NSERC College and Community Innovation Program*, for such *collaborative programs* as Genome Canada and the *CIHR Rx&D Collaborative Research Program*, and for the creation of a *framework to facilitate multijurisdictional collaborations*, such as the Canada-California Strategic Innovation Partnership.

Some witnesses believed that Canada does not support commercialization sufficiently, and proposed such solutions as: the creation of tax credits; an investment to develop *industry engagement opportunities* for Canada's universities; funding for *Sustainable Development Technology Canada* to provide additional investment support to businesses at the early stage of development and commercialization; federal matching funds for such *provincial commercialization initiatives* as the Ontario Emerging Technologies Fund; specific support for colleges to upgrade their facilities to include industry-standard equipment; additional support for *Western Economic Diversification Canada* to finance or co-finance large-scale research and commercialization with industry partners; *coordinated provincial, territorial and federal funding initiatives*; *integration of the IRAP with the NSERC Centres of Excellence* program; and the creation of a pan-

Canadian network of *centres for commercialization and technology transfer* that would provide technical assistance services, product testing, and training for company personnel and students.

Finally, to promote *entrepreneurship at the post-secondary level*, the Committee was told that the government should invest in Canadian universities so that they can develop and promote training programs that inspire the spirit of entrepreneurship in students, faculty and staff.

#### **D. Scientific Infrastructure**

A number of witnesses mentioned specific scientific infrastructure projects that should receive funding from the government to help defray *construction costs*, such as the Canadian Neutron Centre, a telescope funded jointly by Canada and the US, the McMaster Innovation Park and Canada's National Laboratory for Particle and Nuclear Physics (TRIUMF). As well, witnesses recommended that the government and the private sector work together to develop, adopt and implement a *long-term space plan* and a *defence industrial strategy*.

Witnesses also highlighted specific *government programs or government-supported entities* that should receive additional funding, and identified the need for new programs in certain disciplines, including the Canadian Foundation for Climate and Atmospheric Sciences, the Public Infrastructure Engineering Vulnerability Committee, the Canadian Foundation for Innovation, the NSERC Major Resources Support Program and the NSERC Discovery Grant program for basic research.

#### **E. Intellectual Property**

The Committee was informed that tax measures related to income from intellectual property should be created in order to increase research and development conducted in Canada. Suggestions included a *tax exemption for royalty income* earned on patented products developed in Canada and a *“super-deduction” for eligible research and development expenses*, with the federal government receiving a royalty for a period of time on marketable products and services developed after utilizing the deduction.

In light of concern over the relatively weak protection granted to name-brand pharmaceuticals and increased litigation by the generic pharmaceutical industry, it was argued that *regulatory changes* are needed in order to restore balance.

The Committee was also told that intellectual property protection should be *aligned with other jurisdictions*, and it was suggested that the new approval regime for drugs produced in animals should be consistent with other countries.

Finally, witnesses stated that intellectual property rights can promote innovation, and proposed that the government play a role in establishing a legal framework that vigorously protects *copyrights and trademarks*, and that strongly enforces *intellectual property laws* by preventing counterfeiting and piracy of intellectual property.

## COMMITTEE RECOMMENDATIONS

The Committee believes that an important element of a prosperous future is investment in the research and development as well as commercialization activities that will make Canada, its employees and its businesses world leaders. In the same way that students and workers are provided with incentives to acquire the leading-edge skills needed by businesses, educational institutions and corporations are provided with tax and spending measures designed to support research and development, both generally and in particular fields. However, in our view, the outcomes of research and development efforts must be commercialized, and the federal government has an enhanced role to play in this regard as well. Recognizing that research, development and commercialization must occur if the nation is to be positioned for prosperity and sustainability, the Committee recommends that:

**The federal government simplify the administration of the Scientific Research and Experimental Development investment tax credit, and expand the range of expenditures eligible for the credit to include, for example, the costs of patenting and training employees to work on innovative projects.**

**Moreover, consistent with the jurisdiction of the provinces and territories, the government should increase its support to research through federal granting councils and research agencies as well as for the indirect costs of research. As well, the government should encourage universities and colleges to partner in complementary areas of research and as well as commercialization of research.**

**Finally, the government should, recognizing the jurisdiction of the provinces and territories, create a specialized fund for medical research for children's health.**

## III. INCOME TAX AND FISCAL MEASURES

The *Income Tax Act* contains rules that govern the calculation of income and the amount of tax payable in a given taxation year. It also contains specific tax credits that can be used to reduce the tax payable for the taxation year, which may increase the working capital of businesses claiming the credit. Overall, through eligibility rules, tax credits may be targeted in order to provide an incentive for businesses to engage in certain types of activities or to provide tax relief for certain sectors or industries.

### WITNESS VIEWS

Witnesses generally believed that specific tax incentives related to the depreciation of income-generating property—known more generally as capital cost allowances—and to mining operations should be modernized in order to reflect new markets and technology in Canada and abroad. They also focused on overall business taxation and on eligible expenses.

## A. Capital Cost Allowance

A number of the Committee's witnesses proposed changes to the temporary 50% straight-line *accelerated capital cost allowance* (ACCA) for manufacturing and processing machinery and equipment purchases. In general, they advocated: making the temporary measure permanent or extending it for five years, depending on the witness; expanding the list of eligible manufacturing and processing equipment and machinery, such as to include environmental technologies, equipment used in the upstream petroleum industry and certain leased inventory; and allowing companies to carry back any tax losses incurred as a result of the ACCA for a period of seven years.

Some witnesses expressed concern over *unequal capital cost allowance treatment* for goods with similar business or consumer use, and have advocated harmonization and modernization of the capital cost allowance classes. For example, they commented that the two types of consumer-use broadcasting decoders have different depreciation rates for decoder box distributors. Moreover, it was argued that the modernization of *agricultural equipment* justifies moving certain agricultural equipment to class 10 from class 8, and increasing the depreciation rate of class 10 to 40%.

Regarding the class 41 special capital cost allowance regime for *oil sands* projects, the Committee was told that the regime should be renewed for five years to offset decreased business profits resulting from lower commodity prices.

Witnesses commented on *other aspects of energy-related capital cost allowance classes* as well, specifically classes 43.1 and 43.2, which address energy conservation equipment and renewable-energy-generating assets respectively. It was suggested that a review of the types of machinery and equipment that are "eligible" energy conservation equipment should occur, that carbon capture and storage equipment and machinery should be included in class 43.1, and that the capital cost allowance should be available to future parties of joint ventures with the original recipient.

Regarding class 43.2, witnesses mentioned that carbon capture and storage equipment used in the electricity generation industry should be eligible for class 43.2 depreciation. Moreover, they believed that the capital cost allowance deduction should be transferable to third-party financiers, since the renewable energy companies may not have sufficient income to utilize the full deduction. Finally, they advocated the repeal of specified energy property rules in the *Income Tax Regulations* to allow for transferability of the deduction.

Witnesses also voiced concern over *inadequate capital cost allowances* for other classes and types of equipment and machinery. For example, it was argued that the depreciation rate for classes 10, 16 and 38 should be accelerated by changing the calculation of depreciation to a straight-line depreciation basis instead of the declining-balance method of calculation. They also recommended an accelerated capital cost allowance for specific equipment, such as broadband network equipment and machinery, mining machinery and application software.

## **B. Tax Credits for Specific Sectors and Industries**

With a view to increasing private funding for *mining operations*, witnesses advocated changes to the Mineral Exploration Tax Credit (METC) in order to provide greater tax relief to individual investors in eligible mining operations. Suggested changes ranged from increasing the value of the tax credit for a period of time to making the METC permanent. It was also suggested that the Minister of National Revenue should retain the power to extend the filing deadline for the tax credit, that the list of eligible expenses should be expanded and that the total amount of expenses that can be flowed-through to shareholders should be increased.

Witnesses also proposed the creation of other tax credits: a refundable tax credit to encourage small and medium-sized businesses to invest in *information and communications technologies*, including both equipment and training; a tax credit to encourage modernization of *mineral processing facilities* in order to increase productivity and to provide environmental benefits; a refundable tax credit for investment in *alternative energy* solutions; an investment tax credit for projects related to the storage of greenhouse gas emissions; a tax credit for businesses that *renovate their storefronts and sales rooms* that would be similar in operation to the Home Renovation Tax Credit for individuals; and a tax credit for winery infrastructure, as noted in Chapter 4.

## **C. Capital Gains, Corporate Income Taxation and Business Expenses**

Regarding *capital gains* taxation, witnesses argued for deferral of the capital gains tax on the transfer of a small business between an owner and his/her children, for a reduction in or elimination of the 50% tax rate on capital gains, and for taxation of capital gains at the same rate as other forms of income.

A number of witnesses spoke about the *corporate income tax rate*; depending on the witness, they proposed that the rate be reduced, that the rate be 15% in 2010 instead of in 2012 as legislated or that the rate be raised to its pre-1980 level. A flat tax, which would decrease the administrative burden on both the government and the taxpayer, was also highlighted.

Fair tax treatment of *small businesses* was a concern of some witnesses, who wanted a lower tax rate through changes to the small business tax rate reduction regime. They suggested raising the capital threshold for the full rate reduction or repealing the threshold altogether.

To decrease the overall administrative burden on small businesses, and to provide a financial incentive to hire additional employees, it was proposed that the monetary amount of *employee source deductions* be transferred to the small-business employer for employees hired in the current year, with the proportionate amount of the transfer decreasing in value over time. It was also suggested that *tax refunds* should be directly applied to mandatory employer payments, such as for Canada Pension Plan and Employment Insurance contributions, and that the income threshold for *Goods and Services Tax (GST) registration* be increased.

Finally, witnesses highlighted issues specific to certain industries that raise the cost of doing business, and recommended that changes occur. For example, suggestions included: exempting *energy and infrastructure trusts* from mandatory conversion to a corporation; exempting investment income earned on certain *reserves held by an insurance company*; allowing deductions under the *replacement property provisions* of the *Income Tax Act* for expenses related to the replanting of plant species, regardless of the similarity between the original and replacement plant; allowing “super-deductions” for expenditures in the *construction industry*; and repealing the income tax rules regarding deductibility of expenses related to *depreciable railroad equipment* with special Canadian Transportation Agency-approved accounting treatment.

## COMMITTEE RECOMMENDATIONS

The Committee is of the view that, in order to ensure the prosperity of our businesses and—by extension—our nation, Canada’s corporate tax system must be competitive with other jurisdictions, provide the right incentives for hiring and investment, and be as simple as possible. From this perspective, and recognizing the importance of such a tax system to ensure that our businesses are positioned for success, the Committee recommends that:

**The federal government undertake a comprehensive review of capital cost allowance rates in Canada. Moreover, the accelerated capital cost allowance for manufacturing and processing machinery and equipment should be extended.**

**As well, the government should continue to implement all planned corporate tax rate reductions as scheduled to 2012, ensure that all relevant thresholds related to corporate taxation are changed annually in accordance with increases in the Consumer Price Index, ensure that federal regulations are as simple and modern as possible, and review the federal fiscal implications of allowing consolidated tax reporting.**

**Finally, the government should improve tax fairness and combat tax evasion by strengthening the Canada Revenue Agency’s underground economy initiatives, and should adopt international tax agreements consistent with the Organization for Economic Co-operation and Development’s tax haven initiatives.**

Finally, the Committee believes that particular sectors in our economy require special examination of their taxation regime, the certainty provided by longer-term measures to facilitate planning, or specific tax assistance if they are to be in a position to prosper as they should. For that reason, the Committee recommends that:

**The federal government review the *Excise Tax Act* in order to ensure that domestically produced beverage alcohol is taxed appropriately, extend the Mineral Exploration Tax Credit, and create tax incentives to stimulate investment and growth in the manufacturing industry.**

## IV. DOMESTIC AND INTERNATIONAL TRADE

Canada is a small and open market in the global economy, and a large proportion of the nation's production is exported to foreign markets, particularly the United States. Trade within Canada is also important for businesses, and it is essential to eliminate barriers to interprovincial and interterritorial trade in order to ensure the efficient movement of goods and the mobility of labour. Regulatory differences, both within Canada and between Canada and the countries to which goods are exported, can increase compliance costs and hinder fair competition.

### WITNESS VIEWS

Fair and equitable regulatory and tax regimes were the focus of comments and suggestions made by witnesses, who generally supported harmonization, simplification and equity. To promote international trade, witnesses mentioned specific changes to excise taxes and international taxation policies in the *Income Tax Act*.

#### A. Harmonization and Simplification of Regulations and Tax Systems

Proposed harmonization of provincial retail sales taxes with the federal GST in two of the largest Canadian provinces was an issue for witnesses, and they voiced differing opinions on the potential effects of the proposed harmonization. Some shared their view that harmonization would *help exporters and manufacturers*, and urged the federal government to work toward harmonizing the GST with the remaining provinces that have a retail sales tax. Others were concerned that harmonization would *increase operating costs* for financial service businesses and *decrease business* for restaurants.

Moreover, a number of witnesses were concerned that if a harmonized tax were to be "hidden" in the price of the good or service, large businesses would have *different advertised prices* throughout Canada, thereby disrupting pre-pricing policies in the manufacturing supply chain where products are priced prior to shipment to the retailer. The Committee was also told that provinces with lower tax revenue after harmonization due to tax rate differences prior to harmonization should be *compensated* for the shortfall, and that eligibility for the *input tax credit* should be reviewed.

To reduce the costs for businesses with activities throughout Canada, review and harmonization of regulatory regimes were also suggested. For example, witnesses highlighted uneven provincial, territorial and municipal regulations for *environmental services and assessments* and for potential *greenhouse gas reporting requirements*, and recommended harmonization. A case-by-case review by federal authorities of provincially approved environmental assessments was proposed, and witnesses advocated a moratorium on new environmental and security regulations for *airports* until a proper review can be conducted. As well, the Committee was informed that the Natural Health Products Directorate of Health Canada and the Canada Organic Office of the Canadian Food Inspection Agency should implement appropriate systems to ensure a fair, predictable and consistent regulatory environment for *natural health and organic products*. Regarding automobile manufacturing, witnesses advocated a reduction in government



regulation and conditions. In general, witnesses supported a *holistic approach to regulatory refinement*, and suggested that similar regulations in more than one jurisdiction should be simplified and modernized based on outcomes and risks in order to decrease the administrative burden on businesses.

Witnesses also had specific concerns about various regulations and tax policies, including: the removal of certain *broadcasting fees* and a reduction in *telecommunication fees* in general; allowing certain entities to be eligible for both specific ship building and repair funding under the Structured Financing Facility and the accelerated capital cost allowance in order to promote *commercial ship repairs, conversions and construction* in Canada; an expansion of the definition of “*substantial renovations*” for GST rebate purposes; a *reduction in the GST rate to 2%*; *annual indexation* of relevant thresholds related to corporate taxation; and a repeal of *airport rents*, as noted in Chapter 4.

It was proposed that reduced *tax complexity* could lower the administrative burden on businesses, and witnesses highlighted specific examples, such as the tracking of eligible dividends for the dividend tax credit, and filing errors due to complicated and inconsistent tax forms. Moreover, as indicated in Chapter 2, some witnesses said that the government should appoint a panel of experts to undertake a *fundamental review* of the tax system in order to determine how the system affects businesses and individual taxpayers, and with a view to simplifying and streamlining the provisions of the *Income Tax Act* as well as the Goods and Services Tax provisions in the *Excise Tax Act*.

## **B. Unequal Tax and Regulatory Treatment**

Some witnesses highlighted specific cases of what were characterized as unequal tax treatment for competing businesses in certain sectors. For example, the Committee was told that providers of *funeral goods and services* are not treated similarly for GST purposes, since certain providers operate as exempt charities; equal treatment for all providers was requested. A requirement for all firms and individuals in the *construction industry* to register for a business number, regardless of whether the entity is a small business and thereby not required to register for a GST number, was urged. Finally, it was suggested that fees charged by the Competition Bureau for merger reviews are too high for *commercial real estate transactions*.

## **C. Imports, Exports and International Taxation**

Witness comments about customs duties/tariffs and excise taxes, which can increase the retail price of imported goods or goods made in Canada respectively, were focused on modifications in respect of four specific products: ships, automobiles, domestic fuel and wine. Witnesses called for elimination of the customs duty on *new foreign-built ships*, retention of the duty on *imported used ships* for a period of time and retention of the duty on *ships imported into Canada after being repaired outside the country*. Regarding *automobiles*, witnesses proposed elimination of both the green levy excise tax for fuel-inefficient vehicles and the excise tax on air conditioners, repeal of all taxes on Canadian-made vehicles for the purchase of two vehicles per person if one vehicle is purchased before and the other vehicle is purchased after the age of 40, and—in order to

harmonize rates with the US—reduction in the finished vehicle tariff on imported vehicles. In respect of *domestic fuel*, the Committee was informed that the excise tax should be repealed or reduced. Finally, witnesses argued for repeal of the excise tax applied to the Canadian content of *blended wine*.

Since tariffs can increase the price of Canadian goods in foreign markets, and recognizing that other countries have implemented zones where tariffs and excise taxes are not applied, witnesses recommended: the creation of *free trade zones*; an ability for international travellers to purchase *duty-free goods upon arrival*; the renewal of *wood export programs*; and the conclusion of multilateral and bilateral *trade agreements* in order to reduce tariffs and increase market access. They also spoke about the importance of ensuring that Canadian businesses are integrated into global supply chains.

Witnesses indicated that it is difficult for businesses to *market their goods and services abroad* in an effective manner. Coupled with this difficulty are challenges in *developing partnerships with foreign entities* to produce certain cultural works, such as movies and dance productions. To broaden the market for Canadian goods and services, witnesses advocated assistance for *international marketing* and for *improved trade relations* with countries, such as China, and with regions, such as the European Union. To rebalance trade deficits with certain countries, they urged *renegotiation* of certain treaties and agreements. Finally, witnesses supported *securing access* to the US government procurement market, the negotiation of a reciprocal procurement liberalization agreement, a Canadian exemption to “Buy American” provisions and the conclusion of a comprehensive, multilateral agricultural trade agreement at the World Trade Organization.

Witnesses noted that transportation of goods across the Canada-US border is inefficient, since it requires duplicate information to be sent to customs officials by the transporting entity; they recommended that *information* be sent only once to customs officials. They also suggested that *new technologies*, such as radio frequency identification, should be used by border officials to expedite border crossings for transport vehicles. To provide more information about *wait times at the border*, witnesses proposed that computerized and automated systems be installed. To facilitate the movement of people, they noted that *aviation security* is an essential service and advocated continued funding for the Canadian Air Transport Security Authority.

Moreover, witnesses were concerned about various aspects of the current system of international taxation in Canada. They indicated that the *withholding of Canadian taxes by Canadian entities* increases the cost of services performed by foreign entities. They suggested that a disclosure form be used to identify foreign entities that perform services in Canada so that taxes may be paid by the foreign entity instead of the Canadian resident. To reduce the tax burden on non-residents and to increase direct foreign investment in Canada, witnesses argued for an exemption from withholding taxes after the sale of shares of private corporations by non-residents. They also recommended that *dividends and other forms of foreign income* from investments be exempt from taxation, and indicated that the government should implement the recommendations in the report of the *Advisory Panel on Canada’s System of International Taxation*.

Finally, the Committee was told about barriers to interprovincial and interterritorial trade in goods and labour mobility. In expressing the need for open and efficient movement of trade and services both within and outside the country, the elimination of barriers and the establishment of an effective dispute-resolution mechanism in respect of internal trade disputes were supported.

### **COMMITTEE RECOMMENDATIONS**

In the Committee's view, businesses should compete—both domestically and internationally—on a level playing field. Such an approach, in our opinion, requires that barriers to trade, whether internal or external, be lowered or removed. In some sense, it also requires that certain sectors be provided with particular assistance and/or the supports needed to compete in the global marketplace. Recognizing the importance of free and fair trade across provincial, territorial and international borders if our businesses and the nation are to be positioned for growth and prosperity, the Committee recommends that:

**The federal government encourage the provinces and territories to remove internal barriers to trade. In doing so, priority should be given to reaching agreement concerning a national securities regulator.**

**Moreover, the government should continue to support supply management and all other agricultural exporters during the Doha Round of World Trade Organization negotiations.**

**Furthermore, the government should implement the notion of duty-free purchases for individuals arriving in Canada.**

**Finally, the government should develop and implement proactive policies to expand key sectors of the economy and to support targeted high-value activities.**



## **CHAPTER 4: POSITIONING COMMUNITIES**

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As noted in Chapter 2, our people must be properly “positioned,” with the right skills, supports, incentives, health and education, in order to contribute to the economic recovery under way as well as to the prosperity and sustainability of the nation in the future. As employees, they contribute to the success of businesses; as residents, they contribute to the vitality of communities. In Chapter 3, “positioning” our businesses for the current economic recovery as well as for future prosperity and competitiveness was highlighted, and the importance of the right regulatory and tax environment as well as financing, research, innovation, trade agreements and other supports was identified.

To realize their potential, both people and businesses require the communities in which they live and work to be “positioned” for economic recovery, prosperity and sustainability. For example, people need high-quality and affordable housing, and may benefit from charitable organizations as a recipient, a donor or a volunteer. For their part, businesses need adequate and well-maintained infrastructure, in part for the purpose of transporting their goods to domestic and international markets. As well, people may find it more enjoyable to reside in, and businesses may find it relatively easier to attract and retain employees in, communities that are—and that are perceived to be—desirable.

Consequently, as the economic recovery continues, and as decisions are made today in preparation for tomorrow, attention should be paid to the actions needed to “position” our communities. From that perspective, adequate and affordable housing, preservation of heritage buildings, a safe and clean environment, reliable and adequate infrastructure, the particular needs of rural and remote communities, the contributions made by charities and volunteers, and the value added to a community by the artistic and cultural sectors merit consideration.

### **I. HOUSING AND HERITAGE PROPERTIES**

Housing is important for the emotional, social and physical health of its occupants, and thereby for the health of the nation, regardless of whether the housing is rented or owned, new or heritage. Moreover, some buildings in particular—those that have heritage significance—are part of the country’s history, and particular efforts and incentives may be required to safeguard their existence and ongoing maintenance for the benefit of Canadians and foreign visitors.

#### **WITNESS VIEWS**

Witnesses provided the Committee with their thoughts about a number of issues related to housing and heritage properties. For example, they spoke about the Canada Mortgage and Housing Corporation and its programs, strategies and initiatives as well as about the particular needs of low-income households. Considerations in respect of heritage properties were also highlighted.

## A. Housing

A number of the Committee's witnesses indicated that Canada is the only industrialized country without a *national housing strategy*. In their view, millions of Canadians are precariously housed, which may be particularly problematic for low-income Canadians. They urged consideration of a long-term national housing strategy that incorporates *all three levels of government* and that ensures safe, healthy, dignified and affordable housing for all Canadians. Witnesses felt that there should be more funding for, as well as a greater supply of, affordable housing, and shared their belief that the government should initiate policies to *reduce significantly or end chronic homelessness*. They encouraged more direct financial *support* for certain organizations in the affordable housing and homelessness sector, particularly those that are not-for-profit and community-based. However, the private sector was also encouraged to develop affordable housing, with witnesses supporting new affordable housing models such as land trusts, co-operatives, housing corporations, life-leases and housing trusts, among other initiatives.

It was also argued that violence against women is the leading cause of homelessness among women and children in Canada, and witnesses said that a national housing strategy should not rely on social housing alone; *emergency shelters* as well as *second-stage and permanent housing* are important elements in a comprehensive and coordinated national strategy.

The Committee was informed about the link among poverty, poor mental health, substance addiction, and inadequate housing and homelessness, with inadequate housing and socioeconomic problems sometimes resulting in a situation where problems in one area cause problems in another; *income support* for low-income individuals was offered as a solution. Furthermore, witnesses advocated *investments* in social housing that could lower the costs of other social program spending, particularly on healthcare.

Financial support directed to *rental households*, which have disproportionately low income when compared with those who own their homes and may be "priced out of" homeownership, was urged. It was also recommended that the *Home Buyers' Plan* be extended temporarily to all homebuyers who have investments in their registered retirement savings plan, that the Plan be indexed to inflation and that the *Home Renovation Tax Credit* be extended by one year. Moreover, it was requested that the maximum threshold for the Goods and Services Tax/Harmonized Sales Tax (GST/HST) *New Housing Rebate* be indexed to inflation.

The Committee was told that low-income individuals and families need more *affordable loans* since they cannot access mortgage financing, and that some low-income individuals who own their home—including retirees—may not be able to afford their *property taxes*, which has implications for their ability to remain in their home. In the view of a number of witnesses, *financial security* can be assured more easily with homeownership.

Witnesses made recommendations related to the *Canada Mortgage and Housing Corporation* (CMHC), particularly its role and its capacity. For example, the CMHC was urged to invest its surpluses in social housing, and to increase its Direct Lending Program in order to assist in the development of social housing projects.

Some witnesses urged renewal of federal and CMHC *housing agreements* so that low-income households can continue to be accommodated. A number of witnesses were concerned that the CMHC's *Emergency Repair Program* takes too long to provide services, and asked that wait times for home repairs be reduced. As well, witnesses supported the *Affordable Housing Program* (AHP), the *Residential Rehabilitation Assistance Program* and the AHP's *Homelessness Partnership Strategy*, and recommended that these measures be made permanent.

Witnesses indicated that any *national social housing policy* should recognize the particular needs of those with a *disability* and ensure that they are adequately housed. The Committee was told that funding of the Residential Rehabilitation Assistance Program should be increased, that continued investments in federal and provincial housing agreements are needed, and that a certain proportion of federal investments in social housing should be directed to units that are designed in a manner that makes them accessible to persons with a disability.

Witnesses highlighted the lack of affordable rental housing for urban Aboriginal Canadians, and urged the government to fund affordable rental housing in addition to previously announced federal on-reserve housing commitments. They also recommended that steps be taken to help recent immigrants acquire adequate housing, particularly those without funds for a down payment or a credit history.

Noting that the government lacks adequate *data on housing and homelessness*, witnesses told the Committee that better data are needed if the government is to have accountability in spending and is to be able to set targets and timelines with respect to social housing.

## **B. Rental Properties**

A number of witnesses made recommendations to the Committee with respect to rental property taxation. For example, they suggested that rent should be *zero-rated* for the purpose of the GST/HST, which would mean that property owners would not have to pay the GST on rent revenue; should zero-rating not be possible, it was recommended that owners of rental buildings pay GST on a "*cost plus*" basis, effectively lowering the GST paid by them. Witnesses supported efforts to increase the *stock of rental properties*.

Moreover, witnesses shared their view that rental property owners should be allowed to roll over or defer the *recaptured capital cost allowance* and *capital gains tax* on property sales if they invest the proceeds in another rental property. They also requested that *small business deductions* apply to rental property owners.

Housing for seniors was mentioned in terms of nursing homes, which are classified with hotels as non-qualified property with respect to *real estate investment trusts* (REITs) in the *Income Tax Act*. It was recommended that the rules regulating REITs be changed.

Finally, it was suggested that rental properties in communities with *low vacancy rates* should receive favourable tax treatment in order to increase the supply of rental units.

### **C. Heritage and Cultural Buildings**

Witnesses were concerned about the condition of Canada's heritage and cultural sites, and made recommendations designed to preserve them. Suggestions included: more funding for Canada's *cultural sites*; creation of a *national conservation endowment fund*; establishment of a multi-year capital program for investments in *cultural and recreational facilities* nationwide; and creation of tax incentives for the *renovation, conservation and rehabilitation* of heritage properties, perhaps limited to those on the Canadian Register of Historic Places. A request was made for increased funding to support activities and materials that would assist in the interpretation of Canada's national historic sites.

As well, witnesses requested funds for *science centres and related organizations*, with some mentioning particular projects and others speaking more generally about the nation's science centres.

### **COMMITTEE RECOMMENDATIONS**

The Committee, in Chapter 3, noted the importance of health and education in positioning people and ensuring their prosperity as well as the prosperity of the businesses for which they work, the communities in which they live and—ultimately—the country. We believe that the same principle is important in respect of housing: people must be adequately housed in order to prosper. For this reason, the Committee recommends that:

**The federal government investigate the feasibility of repayable loans, through the Canada Mortgage and Housing Corporation's Direct Lending Program, for affordable housing repair and new affordable housing development.**

## **II. ENVIRONMENT**

In 2009, leaders of the G8 countries agreed to limit global warming to 2 degrees Celsius above the average temperature that existed prior to the Industrial Revolution. The United Nations Intergovernmental Panel on Climate Change estimated that, by 2005, the average global temperature had increased by about 0.76 degrees Celsius relative to the pre-Industrial Revolution level. Since the Kyoto Protocol was adopted in 1997, Canada's greenhouse gas emissions have continued to increase and, in 2009, the Auditor General of Canada estimated that, by 2012, the country is expected to be 31.3% above its greenhouse gas emission target established under the Kyoto Protocol.



## WITNESS VIEWS

Witnesses spoke to the Committee about a variety of environmental issues, but often focused their comments on global warming and greenhouse gas emissions, as well as on fiscal and regulatory measures that might help to achieve the country's climate change goals. These measures were identified as including energy efficiency, alternative energy, energy technology and protection of the natural environment.

### A. Energy Efficiency and Emissions

Although there was a general consensus among the Committee's witnesses that global warming is caused by carbon dioxide and other greenhouse gases (GHG) emitted by human activity and industrialization, that position was not held unanimously. Among those who agreed that global warming is an issue, there was some concern that a cap-and-trade or carbon pricing mechanism would have negative economic effects and could reduce the effectiveness of the federal fiscal stimulus measures. That being said, a number of witnesses supported efforts to reduce GHG emissions, and made recommendations about how to accomplish this goal. Their recommendations included a range of legislative, regulatory and fiscal tools.

Some witnesses supported *carbon pricing*, while others argued for a *cap-and-trade mechanism*. Regardless of the methods chosen, there was a general consensus that any proposal is likely to have costs, benefits and behavioural consequences.

The Committee was told that the government should *negotiate* honestly with other countries regarding reductions in GHG emissions and that Canada should "*do its part*." It was also suggested that the government should: *align* Canadian GHG emissions regulations with the US; introduce a transparent and predictable *cap-and-trade permitting process*; impose *tariffs* on non-signatory countries to a global emissions reduction agreement; set rules and regulations that make the emissions-reduction regime *accountable and transparent*; and favour *public-private partnerships, conservation technology* and *energy efficiency* as the best methods to reduce GHG emissions.

In the view of witnesses, in order to accomplish the nation's GHG emissions goals, better *data collection* and *research* will be needed. It was noted that Canada's meteorological monitoring efforts north of the 56<sup>th</sup> parallel do not meet minimum guidelines set by the World Meteorological Organization.

### B. Alternative Energy

A number of the Committee's witnesses supported initiatives to increase alternative or renewable energy production, and provided a number of methods by which this increase might occur. For example, they advocated extension and expansion of the *ecoENERGY for Renewable Power Program* or, alternatively, replacement of the *ecoENERGY for Renewable Power Program* with a *capital grant program*, a *refundable tax credit* or a "*feed-in-tariff*" mechanism similar to that used in Europe and in Ontario.

Witnesses also requested that *solar cells* used in commercial buildings be zero-rated for the purpose of the GST, that *green energy bonds* be created, and that the accelerated capital cost allowance for *wind, solar, wave and tidal energy capital* be extended to energy-efficient building equipment.

The Committee was told that Canadian authorities have not fully explored and assessed Canada's *geothermal resources* for energy development, and witnesses noted the lack of a comprehensive national geothermal data system, resource assessment and classification system. Recommendations made by witnesses included: funding for an *assessment and fiscal mechanisms for geothermal energy* production, such as through an extension to the ecoENERGY for Renewable Power program; the creation of a production grant equal to the net present value of the current payment schedule; or the implementation of a feed-in-tariff mechanism for geothermal energy. An extension of the capital rebate for solar heating systems to geothermal energy through the ecoENERGY for Renewable Heat program was suggested.

Witnesses made a variety of suggestions about oil as well as about carbon capture and storage. For example, reduced subsidies for *oil extraction* and for the *oil sands* were encouraged, and the government was urged to support *carbon capture and sequestration* through a variety of measures: an accelerated *capital cost allowance* and other tax incentives; the management of *carbon sinks*; efficient *resource extraction*; and a "*tail pipe to tail pipe*" analysis of the environmental impact of Canadian oil extraction compared to global oil extraction. As well, it was requested that vegetable oil-based *biodiesel* investments be eligible for the ecoENERGY program. Lastly, *regional development agencies* were seen as an appropriate tool to encourage the adoption of green technology in Canada's industrial capacity.

### **C. Energy Technology**

Since witnesses felt that Canada could reduce GHG emissions by applying the best available commercial technology in buildings and automobiles, they advocated fiscal measures to promote the utilization of leading technologies with respect to transportation, buildings and infrastructure.

Witnesses provided the Committee with a number of ideas in relation to energy technology and *transportation*, including: a *natural gas for transportation policy*; *fiscal measures* that would encourage *automobile, heavy truck and vehicle operators* to switch to fuels with lower GHG emissions, such as natural gas; support for GHG-reducing technology development for the transportation sector in the *early stages*; strengthened *vehicle emission standards*; support for the *enviroTruck initiative*; and financial measures for farmers to *retrofit and replace diesel engines* in order to reduce GHG emissions.

The Committee was also told about variations of a "*cash for clunkers*" program. One suggestion involved the creation of a tax credit for individuals who retire a vehicle that is at least ten years old and who purchase a new light-duty vehicle, while another proposal would zero-rate the purchase of a new vehicle for the purpose of the GST, provided the

purchaser transfers a car “in good working order” to a low-income individual, who in turn retires his/her “clunker.”

Regarding energy technology and *buildings*, the Committee was informed that fiscal measures, such as tax credits, reductions in the GST rate or funding for public buildings, could be used to encourage the construction of environmentally friendly buildings. Witnesses also advocated extension of the Home Renovation Tax Credit for an additional year, provided that the focus would be energy-efficiency initiatives, and supported energy-efficiency renovations for low-income homeowners and landlords. Tax credits for green buildings, as well as tax credits, grants or loans with favourable terms for the purchase of green capital and equipment, were encouraged. Moreover, witnesses argued for the introduction of best practices and technologies in the National Building Code, and LEED certification was suggested as an appropriate mechanism for assessing the environmental impact of particular buildings; tax incentives for LEED-certified buildings were supported.

The establishment of an energy-efficient or “*net zero*” *energy subdivision* was suggested as one way by which to improve the environment and reduce emissions, and support for the implementation of such subdivisions was encouraged.

With respect to *environmental assessments*, the Committee was informed that greater collaboration among relevant provincial and federal authorities should occur in order to reduce the cost of assessments and expedite the process. As noted in Chapter 3, it was argued that, ideally, only one approval process for environmental assessments should occur.

In terms of energy technology and *infrastructure*, witnesses spoke about the need for a *lifecycle GHG emissions analysis* in planning public infrastructure investments along with an analysis of initial construction costs, long-term maintenance costs, environmental impacts and societal benefits.

Witnesses also recommended the creation of a *technology fund* for the construction of natural gas pipelines to communities in order to facilitate the switch away from higher-emissions fuels.

As well, there was support among the Committee’s witnesses for *environmental solutions at the municipal and community levels*. They proposed such measures as federal transfers to communities for the development and implementation of integrated energy projects, perhaps through an extension of the Clean Energy Fund.

In order to generate revenue from gas shippers so that other stakeholders share a portion of the costs associated with pipeline abandonment, the creation of a *proscribed trust*, managed in a tax-effective manner by natural gas pipeline companies, was encouraged.

## D. The Natural Environment

In an effort to minimize disruptions to local ecosystems, a number of witnesses supported the expansion of Canada's *national parks system* and limitations on the ecological "footprint" in these parks. Support for *oceans* was also brought to the Committee's attention, with a recommendation for the establishment of large ocean management areas within Canada's marine ecosystems, functionally equivalent to an ocean national park. As well, witnesses argued for more funding to fulfill the mandate of the *Species at Risk Act*, and indicated that more funds will have to be made available to protect our nation's *wetlands* and *forests*. Additionally, witnesses were concerned about the ecology in the St. Lawrence River and the Great Lakes, and advocated funds for the *rehabilitation of sensitive areas in these waters*. Finally, they requested funding to improve the environmental condition and impact of *landfills* by reducing landfill leakage, improving storm water management, supporting landfill cover systems, and introducing landfill gas capture and energy projects.

### COMMITTEE RECOMMENDATIONS

The Committee believes that the physical environment is a key contributor to our current and our future health, prosperity and sustainability. Like many Canadians—indeed, like many citizens of the world—we feel that a portfolio of energy sources will be needed for a secure energy future. While traditional energy sources are likely to continue to be part of the energy mix, we are of the view that attention must be paid to renewable energy sources, including those that use such products as forest waste, if we are to be positioned for the future. We also feel that electric cars should be encouraged because of their environmental benefits. Consequently, the Committee recommends that:

**The federal government examine the possibility of expanding current traditional and alternative energy programs to include production from forest waste.**

**Moreover, consistent with the jurisdiction of the provinces and territories, the government should implement initiatives designed to encourage the use of electric cars. Initiatives that could be considered include:**

- **implementation of an investment program for research on electric mobility, intelligent transportation and new, lighter materials;**
- **direct investments in basic and pre-market research, especially the development of batteries;**
- **installation of charging stations in federal buildings;**

- the creation of a tax credit for installing charging stations on business premises and plug-in stations on private residential premises;
- the establishment of a trust for the provinces and territories to encourage municipalities to install charging stations;
- reintroduction of incentives for purchasing energy-efficient vehicles in addition to a special incentive for the purchase of electric vehicles and rechargeable hybrids; and
- support for taxi owners, courier services and those who operate car-sharing businesses.

### III. INFRASTRUCTURE

According to Statistics Canada, in 2007, Canada had infrastructure assets of about \$286 billion in the following categories: highways and roads (59%), bridges and overpasses (8%), sanitary and storm sewers (21%), and water supply systems (11%). In that year, the average age of Canada's infrastructure was 16.3 years, down from a peak of 17.5 years seven years earlier. On average, Canada's wastewater treatment facilities were the closest to the end of their natural lifecycle.

#### WITNESS VIEWS

Witnesses expressed their views and provided their suggestions about Canada's infrastructure as well as about the mandate and sources of revenue of municipal governments. Issues discussed by witnesses included Canada's approach to infrastructure policy, funding mechanisms and research.

#### A. Municipalities

A number of witnesses informed the Committee that Canada's national infrastructure deficit is \$123 billion, and that municipal infrastructure is underfunded. In their view, since municipal revenues account for only 8% of total government revenues, the issue cannot be solved without *cooperation* among all levels of government and *new sources of revenue* for municipalities. Witnesses were concerned that federal and provincial governments are down-loading their responsibilities to municipal governments without providing them with the funding needed to deliver an expanded mandate, and urged the development of a *long-run, national infrastructure strategy* to address the infrastructure deficit.

Witnesses also noted that municipal governments need an *expanded Gas Tax Fund* or *sources of revenue* other than the Fund, such as *a portion of the revenue from the GST*. In an effort to address concerns that the Gas Tax Fund fails to grow with the economy, witnesses requested that the Fund be *indexed* to inflation.

While increased sources of revenue are one means by which the fiscal situation of municipalities might be improved, another suggestion was also presented: *cost reductions*. To that end, witnesses suggested that the federal government *waive applicable taxes* on local infrastructure projects and/or provide *interest-free loans* for municipal infrastructure.

In light of concerns about the *cost of regulatory changes* imposed on municipalities, witnesses suggested that a regulatory authority that is imposing changes should be required to finance the cost of those changes on public-sector stakeholders, particularly municipalities. They also requested spending on specific municipal programs and infrastructure, such as *public transit* as well as fire and police departments. Regarding *fire departments* and Canada's *emergency preparedness plans*, witnesses supported more funding for the Joint Emergency Preparedness Program and identified the need for funds to be provided to volunteer fire departments, which are facing recruitment and retention challenges. Moreover, it was recommended that the government create a *national office of fire statistics*, which would promote a greater understanding of fire-related safety issues. Assistance for *police departments* was encouraged through long-term support for the Police Officers Recruitment Fund and through policies intended to increase the number of police officers "on the streets."

A number of witnesses advocated a national *public transit strategy*. In order to finance public transit, they supported the allocation of a *portion of the Gas Tax Fund* for public transit, the creation of a permanent *public transit funding program* and changes to the *Building Canada Fund* that would make public transit an eligible investment. Witnesses asked that the government renew its spending on public transit, and informed the Committee that accessible transportation is essential for Canadians with a disability.

As well, witnesses requested long-term funding for municipalities to modernize their *wastewater facilities*, and urged the development of programs to direct infrastructure spending and to support the servicing of *industrial- and commercial-use land*, which should provide opportunities for long-term employment and development. To meet the infrastructure needs of *urban Aboriginal peoples*, witnesses recommended that infrastructure funds be provided to Aboriginal Friendship Centres without the requirement that funds be matched by the recipient.

## **B. Infrastructure Policy and Financing Mechanisms**

Some of the Committee's witnesses were concerned about the government's approach to national infrastructure development and recommended a number of policy changes. For example, they said that *program-based funding* is preferable to project-based funding for particular infrastructure initiatives, and that a *direct transfer of funds* to the provinces, territories and municipalities is generally preferable to federal programs that require provincial and municipal spending. To provide municipalities with an additional source of funding, witnesses suggested that a federal *municipal infrastructure bond* program should be created.

A number of witnesses discussed *public-private partnerships*, and *PPP Canada* was mentioned. Some criticized public-private partnerships because of cost-overruns, a

loss of control and more costly borrowing rates than those on public debt. Others said that because such partnerships may involve alternative funding mechanisms, more projects can be implemented than would otherwise be the case.

The issue of *waste and product disposal*, and the rules and regulations associated with disposal, were also discussed by witnesses. They urged the government to provide guidelines to help harmonize complex and uncoordinated provincial and territorial laws, as well as municipal by-laws, in respect of waste disposal in an effort to facilitate and streamline the functioning of businesses.

### **C. Infrastructure Consultations and Research**

According to some of the Committee's witnesses, research and preparation must occur before a *national, long-term infrastructure strategy* is developed. They highlighted the *National Round Table on Sustainable Infrastructure* as the appropriate forum and requested that the government fund a number of its costs. Furthermore, the government was also urged to invest in an *infrastructure simulation platform* to analyze and model potential projects and to facilitate their planning and design; the Roundtable was identified as the appropriate entity to manage the platform.

Witnesses were concerned about how climate change may affect Canada's infrastructure in the future, and requested that the government support more detailed *national climate change research* and *gather information regionally* in order that infrastructure design can be tailored to changing climatic conditions in particular regions. To accomplish these goals, it was recommended that the government provide funding and support for the *Public Infrastructure Engineering Vulnerability Committee*. The government was urged to have expected *intensity-duration-frequency* (IDF) curves with respect to future rainfall so that engineers can tailor Canada's infrastructure to expected conditions over the lifecycle of particular types of infrastructure.

### **D. Stimulus Measures**

In supporting the federal infrastructure-related stimulus measures to date, a number of the Committee's witnesses requested an *extension or expansion* of the current measures, perhaps for one year.

Those who believed that the current stimulus measures should be extended were supportive of a *comprehensive, long-term infrastructure stimulus spending plan* with a focus on: roads, sewers and basic municipal infrastructure; health and educational facilities; mass transit; passenger rail; affordable housing; energy conservation through building retrofits; and renewable energy. In the view of some witnesses, infrastructure-spending priorities should be health and safety; for others, the focus should be public transportation, clean water and sanitation.

Some witnesses commented on the manner in which the current infrastructure stimulus measures are being *administered*. They argued for such changes as a longer timeline for applications, the ability to "bundle" requests for funding, improved

communications between the government and applicants, reduced program complexity, relaxed deadlines for project completion and strengthened monitoring.

Witnesses asked that any *future funding programs* have clear and consistent rules nationwide, and believed that the details and processes of a funding program should be available online within 60 days following the program's announcement. As well, they argued for a more efficient and effective project approval process, a priority for new projects over upgrades in the context of stimulus spending, and a more transparent application process. Infrastructure upgrades also received support.

Furthermore, witnesses told the Committee that the focus of the infrastructure-related stimulus spending on "shovel-ready" projects is too restrictive. In their view, long-term strategic planning is required for further infrastructure projects, and "*pencil-ready*" projects—such as those involving architectural design, which is considered to be an essential part of the development of any infrastructure project—should be considered as well.

A number of witnesses advocated a "Buy Canadian" clause in order that the government's spending occurs domestically, and supported the employment of local trades people in infrastructure construction and maintenance whenever possible.

### **E. Projects, Sectors and Initiatives**

Witnesses spoke to the Committee about a variety of infrastructure projects that they believed should receive federal support, a number of which were related to *transportation*. The projects included: dredging of the primary and secondary channels of the Fraser River; long-term strategic national highway infrastructure with appropriate funding; expansion of an airstrip at Baker Lake in order to accommodate jet aircraft, such as the 737, as well as improvements to the dock and barge off-loading facilities; completion of the extension of Circle Drive and South Bridge in Saskatoon; creation of a Fort McMurray bypass route with an associated bridge; creation of an east-west highway from Saskatchewan through Wood Buffalo to Peace Country; twinning of Highway 63; maintenance of the Crown-owned dry-dock in St. Catherine; creation of a deep water port in the Rankin Inlet; creation and implementation of a new *rural road and infrastructure program*; construction of roads to remote regions that may have mineral resources; replacement or upgrading of the Fraser River Training Infrastructure; replacement of the New Westminster Rail Bridge; electrification of Highway 37 in northern British Columbia; work on the Phase 2 expansion of the Fairview Container Terminal; and efforts in respect of the proposed Ridley Island road, rail and utility corridor.

Requests were also made to increase British Columbia's railroads and Vancouver's port capacity, introduce high-speed rail in Canada's major population centres, replace the Coast Guard's icebreaker fleet and invest in Canada's Coast Guard more generally. As well, witnesses made comments about airports, airport rents and air travel. Some requested abolition of airport rents, arguing that Canada is one of a limited number of countries that charge such rents. Also, the Committee was informed that, with a number of shovel-ready small airport projects that have not received funding, the government



should develop a permanent program to fund small National Airport System (NAS) and non-NAS airports. Furthermore, it was noted that airlines are regulated federally while travel agencies are provincially and territorially regulated. The Committee was told that Ontario, Quebec and British Columbia have established funds to reimburse travellers if their travel agency ceases to operate and cannot guarantee services, but that—since airlines are federally regulated—travellers are not eligible for compensation from the federal, or the provincial or territorial, governments if an airline cannot provide its services. It was recommended that a federal travel compensation fund be created that could work in concert with existing provincial funds. Moreover, it was thought that Emirates Airline should be permitted to make more than three flights each week to Canada, which is the current limit under the Canada-United Arab Emirates Agreement on Air Transport.

Finally, witnesses spoke to the Committee about *transportation safety*, and highlighted the need to increase Transport Canada funding in this regard. There was some concern among witnesses that the US Department of Transportation will require commercial transport vehicles to have on-board recorders and vehicle stability systems, and they advocated changes to Canada's commercial transport vehicle safety regulations to bring about consistency with US regulations. Furthermore, fiscal measures were requested to assist commercial transport vehicle operators in their adoption of the new systems.

#### **COMMITTEE RECOMMENDATIONS**

The Committee realizes that much of the current federal stimulus spending has been allocated to the nation's infrastructure. That being said, once all such spending has occurred, there will continue to be an infrastructure deficit, and municipalities may lack the resources needed to meet infrastructure needs. We believe that eradication of this deficit may be unrealistic, but that governmental efforts should be directed toward the development of a plan in this regard. In our view, action is needed if our infrastructure is going to help residents, businesses and communities be positioned and achieve their goals for a prosperous future. From this perspective, the Committee recommends that:

**The federal government work with provincial, territorial and municipal governments in order to develop a strategic approach to resolving the nation's long-term infrastructure needs.**

**Moreover, the government should augment the existing program for the sharing of a portion of the federal gasoline excise tax revenues with municipalities.**

#### **IV. RURAL AND REMOTE REGIONS**

All regions contribute to the nation's gross domestic product and all regions—urban, rural and remote—have a role to play in safeguarding the nation's economic recovery and its future prosperity. According to Statistics Canada, while Canada's rural population has been fairly stable since 1981, relatively stronger population growth in larger urban centres has resulted in the rural population representing a smaller

share of the nation's total population. Moreover, Canada's rural population is aging relatively more quickly than the urban population in terms of the share of senior citizens.

Northern regions also face challenges. The cost of living is often relatively higher and, while globalization has created economic opportunities for sectors such as the primary resources that are relatively abundant in Canada's north, Statistics Canada has indicated that the economy of some regions relying on these sectors is vulnerable to population and employment declines.

Finally, many communities in the country's rural and remote regions are resource-dependent, which presents challenges for them when particular resources are under strain. As the nation continues its economic recovery and attention turns to sustained prosperity, consideration should be given to the rural and remote regions of the country as well as the particular challenges and needs faced by them and the resource-dependent communities within them.

## **WITNESS VIEWS**

Witnesses presented the Committee with a wide range of ideas designed to ensure that Canada's rural and remote residents and communities can participate fully in the nation's prosperity and growth, and enjoy a standard of living and access to services that mirror urban centres. Some suggestions were specific to rural areas, while others focused on northern regions. Often, given the dependence of some rural and remote communities on resources, comments were made about the needs of the agricultural, forestry, fisheries, and oil and gas industries.

### **A. A Rural Champion**

Witnesses presented the Committee with a variety of suggestions for improving the prospects in Canada's rural regions. Among these was a proposal to increase federal consideration of rural issues through the creation of a federal *rural affairs department* with a minister who would champion rural issues in Cabinet and who would work with other federal departments in a coordinated approach so that all government programs and directions would be analyzed through a *rural lens*. In the view of witnesses, the proposed department should also lead the development of a *long-term vision* for rural Canada that would promote economic development while appreciating the unique challenges that exist. Adequate resources for, as well as greater influence on government priorities by, the federal *Rural Secretariat* were also encouraged.

### **B. Cellular and Broadband Networks**

A number of witnesses commented on *cellular coverage and broadband access* in rural regions, and urged a levelling of the urban-rural playing field. One proposal involved the creation of a one-time *tax credit for households* that would reduce the costs of digital connectivity equipment—personal computers as well as broadband internet connection equipment—and/or its installation, regardless of service provider or technology. It was argued that such a credit would “drive” competition and innovation as well as provide

significant benefits to the rural labour force. Witnesses also spoke about a *national rural broadband adoption strategy* that would, in part, have health, education, government-service-delivery and economic development benefits. As well, a federal campaign to encourage demand for, and adoption of, rural broadband was requested.

The Committee was also told that the government should consider a “public good” model in awarding *spectrum licences* in rural Canada. According to this proposal, the government should auction rural and urban licences separately. In arguing that a limited number of subscribers and current policies that promote facilities-based competition in rural areas have led to wasteful duplication of infrastructure investment and restricted affordability, it was recommended that the government examine actions by foreign governments in assisting the construction of a single, strong network in rural and northern areas for cellular and broadband. Such an approach would, according to witnesses, stimulate competition regarding services rather than facilities, since a single advanced optical and wireless broadband network can accommodate a number of competing services. Finally, witnesses said that *public-private partnerships* may be particularly useful for rural and remote areas.

### **C. Specific Aboriginal Needs**

Witnesses spoke to the Committee about the need to improve the quality of life of both urban Aboriginal peoples as well as those who live in rural and remote areas. They suggested that the government should consult Aboriginal organizations and then establish national targets, as well as renew and increase support for the Department of Canadian Heritage’s Urban Multipurpose Aboriginal Youth Centre initiative. Other suggestions included support for Service Canada’s Youth Employment Strategy programs, the urban-based Aboriginal Friendship Centre programs, the Chiefs Atlantic Economic Development Strategy and the Aboriginal Visual Culture Program in Ontario.

As well, witnesses indicated that the treaty negotiation process needed improvement and urged the government to recommit to it. In their view, the mandate of federal negotiators should be expanded to include tax and own-source revenue, recognition of Aboriginal languages, a change to self-governance and fish resources. Other witnesses suggested that the government should limit rights to those detailed in the treaties.

Witnesses were concerned about the level of direct transfers to First Nations, and proposed removal of the funding cap on core services, as well as the introduction of guaranteed funding escalators linked to revenues collected by all levels of government on a regional basis. They also supported a non-discretionary and secure system for fiscal transfers to ensure adequate, accountable and sustainable funding to First Nations governments. Moreover, they recommended adoption of a First Nations property act for those who want to opt out of the *Indian Act* reserve land system, and replacement of the *Indian Act* with direct treaty-based funding agreements negotiated between First Nations governments and the federal government. These measures could help to address Aboriginal poverty, which was noted by a number of witnesses. They suggested that the

government support provincial, territorial, municipal and Aboriginal governments in their efforts to solve poverty and help to create a pan-Canadian strategy.

#### **D. Agriculture**

The Committee was told about the problems and crises in a number of the nation's agricultural sectors. Regarding the *hog and pork sector*, witnesses described the current situation as a "perfect storm" of factors that are affecting the sector as well as packing plants, feed companies, equipment dealers and veterinarians, among others. In suggesting that the current support programs have not met the needs of the sector, witnesses advocated the creation of an ad hoc rescue program and support for the sector's strategic transition plan. They also encouraged the development and implementation of a campaign to increase consumption of Canadian pork, with proper product identification in stores. Finally, witnesses requested that a firm, independent of the government and the pork sector, be funded to conduct a study of the competitiveness of the nation's pork industry compared with that of other countries.

The *cattle and beef sector* was also highlighted by witnesses, who—in respect of particular provinces—advocated a cost-shared program of direct assistance for the sector, leading to long-term sustainability. A per-head payment contingent on, or aimed specifically at, long-term sustainability ideas, such as water well development or specified-risk-material disposal, was noted.

Mention was also made of the enhanced *ruminant feed ban regulations* that exist in Canada. Witnesses urged support that would offset the cost of these regulations, which make Canadian producers relatively less competitive. In their view, this assistance should continue as long as Canadian and American regulations in this regard are different. Federal support for slaughterhouses, which face increased costs in managing specified risk materials, was also encouraged.

Comments were also made about *grains*. For example, the Committee was told about a proposed centre of excellence for grain crops, which would bring together leading university and government scientists, as well as coordinate academic, government and industry science, in order to position Canada as the international centre of excellence in cereal grains and the supplier of the highest-quality grain products in the world. Federal support for the proposed centre was advocated.

With increasing demand for food that is grown using environmentally responsible practices, witnesses urged the government to reward farmers for producing food in a sustainable manner, specifically through reduced production insurance premiums for those who currently use "*green*" *agricultural practices* that tend to reduce production risks. Similarly, consumers are demanding safe food and, in this regard, witnesses advocated federal support for *improved food safety technologies*. Finally, recognizing that *control of microbial activity* is crucial for the hog and pork sector as well as for public health, witnesses encouraged federal support for stakeholders and producers. They indicated that stakeholders should be commissioned to compile a regional disease profile where there is

a higher incidence of health issues, and suggested that producers should implement measures to reduce microbial activity within their region.

Initiatives related to *agricultural land* were also proposed by witnesses. The Committee was told that an agricultural gifts program, modelled on the Ecological Gifts Program, would provide incentives to donate productive farmland or agricultural easements/covenants/servitudes. Moreover, it was suggested that the Home Buyers' Plan should be amended to permit young farmers to withdraw funds from their registered retirement savings plan for a one-time, tax-free purchase of a farm, land and/or capital.

A number of the Committee's witnesses spoke about the role played by *federal research, development and innovation* in the agricultural and agri-food industries. In arguing that Canada is uniquely positioned to be a "global leader" in agri-food innovation but—at present—appears to be a "reluctant follower" because of the current regulatory system, witnesses suggested *regulatory changes* that would allow new products and traits to move smoothly and predictably into commercialization. In particular, witnesses said that reforms to variety registration, resourcing and refining for plants with novel traits, novel foods and novel food regulations are critical, and advocated a modernized regulatory system that—while in no way compromising Canadians' access to safe and healthy food—is more responsive, predictable and efficient. Support for federal departments to ensure the needed modernizations to the regulatory system was encouraged.

Enhanced federal support for *basic public research* in agriculture—in some cases specific to the production conditions in particular provinces or to certain agricultural products—was advocated, as was a broadly based tax incentive—such as a tax credit—for farmers who purchase *certified seed*, since there is no incentive to invest in the development of new varieties if farmers do not regularly buy certified seed. The need for a succession plan to replace *retiring federal public service scientists* was also highlighted.

As noted in Chapter 3, the Committee was also told about a proposed non-refundable *vintners investment tax credit*. The proposed credit would provide Canadian wineries with an incentive to invest in their operations, which would create jobs and support economic development. The proposed credit could be carried backward and forward in time, be based on a proportion of eligible infrastructure and capital asset expenses, and be applied against federal income tax payable for the taxation year during which the investment is made.

*Other* suggestions related to agriculture were also made: an amendment to the *Income Tax Act* to ensure that all large farming organizations are treated fairly and that all *Hutterite colonies* are able to sustain their way of life; linking *advance payment program rates* to farm input costs and adjusting them with reference to Statistics Canada's Farm Inputs Price Indices; an end to *meat products inspection fees* associated with federally registered meat processing facilities; and elimination—or, if not, a significant increase in the cap—of the *restricting farm loss regulation*. Witnesses also supported: agricultural *programs* that are responsive and sufficiently funded; opening up the *Agricultural Flexibility Fund* to business risk management programs, with additional block rather than ad hoc funding as well as sufficient flexibility to respond quickly to emerging regional priorities as

well as to fund projects from agricultural producers and associations; *single-desk buying and selling* of Maritime-grown feed grains for Maritime-grown hogs and cattle; diplomatic efforts to ensure that Canadian agricultural products are not excluded from markets as a consequence of country-of-origin labelling requirements in the United States; a better-funded *Agricultural Flexibility Fund* that is truly flexible and permits the use of funds for provincial income security programs; and improvements to the *AgriRecovery* program, including coverage of short-, medium- and long-term losses.

## **E. Forestry**

Witnesses told the Committee about the current difficulties in the forestry sector, and made suggestions related to the sector. For example, the creation of a financial incentive for *woodlot owners* to complete silviculture treatments and conduct sustainable harvests was suggested through proposed amendments to the eligibility and earnings criteria for federal income supplements, allowances and benefits, with conditions that would have to be met.

An extension to the deadline for the *Pulp and Paper Green Transformation Program* was encouraged by witnesses, who argued that the current deadline risks the program's effectiveness as companies give preference to smaller projects that can be completed by the deadline rather than the large-scale projects that may have the greatest energy, environmental and competitiveness benefits.

Finally, in arguing that a two-year funding cycle creates uncertainty, the Committee was told that certain programs should be funded on a five-year basis in order to ensure that decisions are made with a long-term vision. The programs identified were the Canada Wood Program, the North American Wood First Initiative, the Value-to-Wood Program, the LEAF Initiative and the FPInnovations Transformative Technologies Program.

## **F. Fisheries**

Most comments received by the Committee in relation to fisheries focused on British Columbia wild salmon, which is declining in supply and—in the view of some—may be in danger of extinction. Witnesses advocated additional funding for the Pacific Region within the Department of Fisheries and Oceans (DFO) in order to expand and revitalize the *Salmonid Enhancement Program* (SEP) and to develop a “*salmon master plan*.” In their view, additional funds should be controlled by the regional office and should be earmarked for the stated initiatives. Furthermore, they believed that a *stakeholder advisory committee* should work with and advise the regional office on the best projects to undertake; the committee should also review all proposed projects and make recommendations on their viability in achieving the goals of an expanded SEP. A more general request for increased funding for the *DFO*, in part to ensure the continued survival and sustainability of British Columbia's wild salmon population, was expressed. Particular mention was also made of salmon fishery enforcement, habitat protection, stock assessment and stock enhancement.

Federal support to retire *gillnet licences*, which would reduce pressure on salmon stocks and ease tensions between native and non-native fishers, was also encouraged. Witnesses suggested that support should be sufficient to cover the value of the licence, lost revenue, and devaluation of boats and gear.

### **G. Oil, Gas and Mineral Resources**

Witnesses spoke to the Committee about northern oil and gas issues. For example, a *public review of the resource revenue regime* related to oil and gas development in the Northwest Territories was urged. In the view of witnesses, the proposed review should provide an avenue for *input from youth* as well as three independent review bodies: a *citizen's assembly*, an *expert resource revenue reform committee* and an avenue for *public input*. Four principles for reforming the resource revenue regime were provided: citizens first, meaningful public input, timeliness and transparency, and neutrality. Other elements of the proposal included broadly based input with stakeholders, public education materials, consideration of a non-renewable permanent fund into which a portion of revenues from oil and gas developments could be placed, and contemplation of the full range of issues, including devolution, employment, environmental and social issues, and infrastructure needs.

### **H. Other Issues**

In the context of rural and remote communities, witnesses highlighted public services, transportation access and systems, economic development, tourism and living costs, among other issues. For example, they noted that certain *public services* may be provided differently in rural and remote regions. For example, *firefighting services* are often provided by volunteers, and witnesses urged federal funding for the development of a plan to ensure that Canadians who reside in rural and remote communities have access to basic fire protection services. They also advocated increased funding for the Royal Canadian Mounted Police to provide *policing* in rural communities, and highlighted that it is not safe to have one-member stations.

The Committee was told that *tourism* is essential to maintaining people, and a commercial presence, in rural and remote communities. Since small communities may not be able to afford matching funds, witnesses requested tourism development funding that does not require the community to contribute financially.

Because of the relatively higher costs associated with living and working in Canada's North, some witnesses urged an increase in the value of the *Northern Residents Tax Deduction*, which had the same value for almost 20 years until a recent 10% increase. As well, a change from zone B to zone A was advocated as a means of increasing the value of the deduction for particular Northern residents.

## **COMMITTEE RECOMMENDATIONS**

The Committee believes that, increasingly, Canada's rural and remote regions are experiencing challenges that must be addressed if these regions and their residents are

going to contribute fully to a prosperous future. In our view, the federal role in positioning our rural and remote regions can be varied, encompassing the technological and other resources needed to ensure that rural and remote residents, businesses and communities enjoy a level of service equal to their urban counterparts, as well as the specific measures needed by sectors that are often found in rural and remote regions. Therefore, the Committee recommends that:

**The federal government continue to ensure increased broadband availability in rural and remote regions of Canada.**

**Moreover, the government should examine measures that could be taken in order to encourage young Canadians to enter the agricultural sector, enhance the Growing Forward Framework, and increase income support for agricultural producers.**

**As well, the government should implement a co-operative investment plan that would include the creation of a tax credit for members or employees of agricultural and employee-owned co-operative businesses that invest in their co-operatives. The government should also establish a \$70-million repayable co-operative loan fund.**

**Furthermore, the government should introduce an economic diversification program, similar to the measure eliminated in 2006, in order to support regional economies that have been adversely affected by the forestry crisis. As well, in order to assist companies in modernizing and in surviving the current crisis, the government should implement a loan guarantee program for the forestry sector modelled on the efforts of Investissement Québec.**

**Additionally, the government should introduce a support plan for the fishing industry that would include assistance to the lobster and shrimp industry, assistance for repairs to small-craft harbours and a long-term plan for the fisheries sector.**

**Finally, consistent with the jurisdiction of the provinces and territories, the government should increase the funding available to fire departments through the Joint Emergency Preparedness Program and should ensure that 50% of the funding is used by volunteer fire departments for the purposes of training and the purchase of equipment.**

The Committee recognizes that a great many—although certainly not all—of the nation's Aboriginal peoples reside in rural and remote communities. In addition to the difficulties that exist in some regions, Aboriginal peoples and communities often face additional challenges. We believe that the federal government should address these challenges in order to ensure that our Aboriginal peoples can contribute to our prosperous future. From this perspective, the Committee recommends that:



**The federal government ensure that programs for Aboriginal Canadians are designed and delivered in a manner that addresses their health, education, housing, infrastructure, early childhood development and care, and other needs. These programs should respect their rights and governance concerns, be delivered consistent with the Canadian Constitution, be sufficiently flexible to meet their diverse needs, and permit funding allocations that reflect the relatively small population base as well as the size and geographically large and remote nature of their communities.**

**Moreover, the government should revise applicable programs and procedures within Health Canada's Non-Insured Health Benefits Program for First Nations and Inuit to allow independent dental hygienists to receive payment for the services provided to beneficiaries of these health benefits.**

**Finally, the government should reaffirm its commitment to the British Columbia treaty process, to timely implementation of the West Coast Fisheries Review, and to updated mandates for Canadian negotiators on specific issues hindering treaty completion.**

## **V. CHARITIES, VOLUNTEERISM AND FOREIGN AID**

Charities and volunteers make an invaluable contribution to our country, providing assistance to those in need as an alternative or supplement to government services. According to a recent report by Statistics Canada, in the 12-month period covered by a 2007 survey, 84% of the Canadian population aged 15 and over—about 23 million people—made a monetary donation to a charitable or other not-for-profit organization. Canadians donated \$10 billion in 2007, with religious organizations being the largest beneficiaries, followed by health organizations and social services organizations. Moreover, about 12.5 million Canadians—46% of the population aged 15 and over—volunteered during that same 12-month period, with almost 2.1 billion volunteer hours in 2007, often in order to organize or supervise events, raise funds, sit on committees or boards, and teach, educate or mentor. Finally, in 2008, Canada contributed US\$4.73 billion in Official Development Assistance.

### **WITNESS VIEWS**

The Committee's witnesses commented on a variety of issues related to charities, volunteerism and foreign aid, including the important role that charities play and measures that are needed for them to continue their work, initiatives that could lead to more charitable giving and to more volunteerism, and to the role that Canada plays in providing foreign aid to needy nations.

## A. The Role of Charities and Not-for-Profit Organizations

In speaking about the role that charities and not-for-profit organizations play in society and about their potential as engines of economic growth, particularly during times such as these, a number of the Committee's witnesses advocated *federal policies and programs* that provide not-for-profit organizations, social enterprises and co-operatives with a greater role in economic development. Suggestions involved the development of mechanisms to include social enterprises and social economy organizations in all industrial development strategies, and recognition that communities may be best positioned to identify needs at the local level.

Witnesses also argued for the adoption of a federal *procurement strategy* that would give an advantage to community-based businesses, including a legislative initiative to facilitate purchasing from social enterprises and a *communications strategy* to increase awareness of the benefits of such procurement.

## B. Tax Incentives for Giving

A number of witnesses spoke about *donations of publicly listed securities* to charities, in respect of which comments were made about a possible enhanced charitable tax credit that would include a 42% rate on the adjusted cost base of the security and the existing 29% rate on the capital gain.

In the view of some witnesses, charitable giving would be enhanced if the current tax treatment for donations of publicly listed securities were to be extended to *donations of real estate and land* as well as to *donations of private company shares*. Regarding real estate donations, the Committee was told that real estate could include vacation, industrial, commercial and residential investment properties; principal residences, which are already tax-exempt, would not be covered. Two measures for charities to receive donated land were presented: the qualified donee would receive all or part of the cash proceeds from the sale of the property and the donor would be exempt from capital gains tax on that portion of the real estate sale which he or she donated to the charity, or the donor could make an in-kind real estate donation that would enable the qualified donee to retain the property for use within its mission.

In an effort to attract new donors and to increase the level of donations by existing donors, a number of the Committee's witnesses supported the creation of a "*stretch tax credit*." The proposed credit would have a higher rate than that currently legislated, would be applied to incremental donations from year to year, and would have \$200 and \$10,000 of giving as relevant thresholds; charitable giving in 2008 would be used as a baseline. Witnesses believed that the government should proactively publicize the proposed credit in collaboration with charities, and undertake a five-year review to ensure that the proposed measure's stated goals were being met. A *more general* request for an increase in the tax credit in respect of charitable donations was also made, as was a specific request for an increase for donations of cash over the current \$200 threshold.

Finally, the Committee was told that the effectiveness of tax incentives for individual charitable giving would be enhanced if *complemented by other initiatives* to increase access to investment capital.

### **C. Access to Financing and Funding**

Witnesses indicated that access to capital is a particular problem for charities, social enterprises and similar organizations, since they are unable to access investment capital through traditional stock offerings and need fiscal or other measures—such as *capital development funds* with federal seed money—to access “patient,” or long-term, capital and financing. Also advocated was federal/provincial/territorial/municipal/donor cooperation in establishing *community investment capital funds* for patient capital, as well as the creation of a *registered retirement savings plan-eligible tax credit* for Canadians who wish to invest in community economic development investment funds operated by local not-for-profit organizations.

The Committee was informed that while debt capital is available from commercial financial institutions, smaller organizations with multiple and unpredictable revenue sources cannot access it easily, which results in a need for unsecured debt in smaller amounts for operating and growth. It was suggested that the government should develop a *regulatory framework* that would encourage the growth of investment vehicles for social investors and should review the regulatory framework for charities. The provision of *grants* to support charities was also identified as a means of support.

Charitable *foundations* were also mentioned by witnesses, who urged the government to review the current regulatory framework with a view to developing options that would enable foundations to use their assets in the service of donors, charitable organizations and communities. In their view, consideration should be given to the manner in which income tax and regulatory frameworks can be made more accessible and flexible for foundations without compromising the trust relationship between donors and community foundations.

Witnesses also highlighted the need to extend the *Business Development Bank of Canada's* loan guarantee program to co-operatives and not-for-profit organizations, as well as to review existing programs for small and medium-sized businesses to ensure that they are accessible to co-operatives and not-for-profit social enterprises.

A number of the Committee's witnesses urged full and expedited implementation of the recommendations made by the *Blue Ribbon Panel on Grants and Contributions*, particularly those related to multi-year funding, full-cost recovery, and reduced administrative burden when applying for, and accounting for, grants and contributions. Moreover, the government was encouraged to *enhance support* for grants and contributions programs that are best-positioned to help Canadians during the economic recovery.

Witnesses highlighted the need for government departments to develop *coordinated approaches* in order to ensure access to sustained government funding and to

initiate proactive measures that would significantly increase *capital investment* in the not-for-profit sector. As well, they proposed the expansion of investments in *place-based poverty reduction initiatives* operated by not-for-profit organizations.

Finally, the government was urged to create an *economic recovery fund* to provide short-term support for public and private not-for-profit agencies and organizations, to be cost-shared with the other levels of government. According to this proposal, funding for a *recession relief fund* would prevent spending cuts to agencies serving vulnerable people, and increase assistance for settlement programs and the Homelessness Partnership Initiative.

#### **D. The Disbursement Rule**

In arguing that the disbursement rule for charities is confusing, requires an “inordinate” amount of time to understand and implement, is unduly complex, makes arbitrary and excessive capital disbursement demands that ignore the realities of the investment market, and imposes a costly administrative burden on charities, particularly those that are small or rural, some witnesses urged *elimination* of the rule. In their view, following elimination, consultations with charities would then occur with a view to developing a new regulatory approach that would strike a better balance between public accountability for tax expenditures and flexibility for donors and charities to advance their charitable work effectively. Witnesses also supported a review of the regime in order to *simplify* it and make it more *flexible*. Moreover, the Committee was told that the rule should be eliminated for charitable organizations but retained for foundations. The problematic nature of the disbursement rule was mentioned by witnesses, both generally and in the context of the ability of *land trusts* to build land stewardship accounts.

#### **E. Other Charitable Issues**

Particular comments were made to the Committee about: the need for government assistance to facilitate the development of a strong, *national network/partnership of disability organizations* that can set collective national goals; difficulties associated with a requirement for the not-for-profit or voluntary sector to provide *matching funds* in order to access federal funds; the need to amend the *Income Tax Act* in order to clarify the situation of donations to *Charitable Remainder Trusts*; the barrier faced by *US residents when donating ecologically sensitive lands or conservation agreements*; the benefits of extending the carry-forward provision for *ecological gifts* in Canada to ten years; and the need for *bridge financing*, as well as *employment and training programs* funded through departments, to recognize the contributions of not-for-profit and charitable entities as well as their employees.

#### **F. Volunteerism**

Witnesses provided the Committee with a range of ideas to increase volunteerism. Suggestions included providing post-secondary education *tuition relief* in return for volunteerism, increasing opportunities in the education system to demonstrate the *value of*

*volunteering* and encouraging *innovative leadership* for new forms of volunteering. Furthermore, it was suggested that individual tax credits should be created for *coaches and officials* in order to offset a portion of the costs incurred for their training and certification.

Also, the need for *knowledge transfer and capacity building* to recruit and retain volunteers was acknowledged, with a suggestion that the government invest in a Canadian *volunteer support system* for training, knowledge sharing, innovation and basic volunteer management resources for those at the grassroots level. Finally, a *national goal* of increasing the rate of volunteerism by a specified percentage over time was supported.

## **G. Foreign Aid**

Witnesses brought a number of foreign aid-related issues to the attention of the Committee. Some identified the requirement for federal spending in order that Canada can meet the *goal of 0.7% of gross national income allocated to Official Development Assistance* by 2015; an interim goal of 0.5% by 2010 was suggested. To reduce global poverty, witnesses recommended that Canada take the lead in promoting the creation of a tax on international financial transactions. Mention was made of the *Official Development Assistance Accountability Act* and its requirement that development assistance be *transparent, rights-based and poverty-focused*. As well, witnesses noted the need for *debt cancellation* and “more just” *trade rules*, and urged Canadian leadership in the Organization for Economic Co-operation and Development (OECD) Development Assistance Committee in promoting a greater role for *civil society* in delivering development assistance.

Other witnesses urged the government to use its role as president of the G8 in 2010 in order to take concerted and coordinated actions in respect of *reproductive, maternal, newborn and child health*. Specific mention was made of the need for increased funding for, and an expanded scope of, the *Initiative to Save a Million Lives*. Witnesses also proposed that increased and sustained government funding occur for the *Global Fund to Fight AIDS, Tuberculosis and Malaria*.

Finally, elimination of *maternal mortality and morbidity* worldwide was also identified as a goal, as was the creation of a Canadian *international centre of excellence for women’s leadership* in order to develop the skills needed for women to assume leadership positions in poverty-eradication initiatives in developing countries.

## **COMMITTEE RECOMMENDATIONS**

The Committee believes that the country’s not-for-profit organizations and volunteers are valuable, both for individuals who need assistance and for people who are seeking to support their communities. We know that the need for charitable assistance is particularly high during times of crisis, and believe that the federal government has a role to play in encouraging charitable giving and in supporting charitable organizations. In our view, this support is needed in order to position charities and volunteers for the future role

that they can play in society and the contribution that they can make. Thus, the Committee recommends that:

**The federal government examine incentives that would have the effect of increasing the level of charitable giving by businesses and individuals. In particular, the government should consider:**

- **an increase in the charitable tax credit rate to 39% for incremental annual increases in giving, provided that annual giving is more than \$200 and less than \$10,000;**
- **the creation of a corporate structure for not-for-profit organizations that would allow the issuance of share capital and other securities; and**
- **the elimination of the capital gains tax on donations of real estate and land to public charities.**

Additionally, the Committee is cognizant that, from the perspective of many in other parts of the world, Canada is considered to be a wealthy nation. For moral reasons, if no others, we believe that we have an obligation to help those in other parts of the world who are in need. Recognizing the suggestions made by such organizations as Results Canada, the Committee recommends that:

**The federal government make a commitment to providing increased and sustained funding for the Global Fund to Fight AIDS, Tuberculosis and Malaria. The government should also provide significant assistance to developing countries, with a view to achieving the Millennium Development Goal of 0.7% of gross national income devoted to Official Development Assistance.**

## **VI. ARTS AND CULTURE**

Vibrant artistic and cultural sectors contribute to communities, improving the quality of life of residents and making it easier for businesses to recruit and retain employees. In addition to the domestic contribution that is made, artists are also ambassadors, and play a role in promoting Canadian arts and culture abroad, which can have tourism benefits.

### **WITNESS VIEWS**

Witnesses provided the Committee with their views about a range of artistic and cultural issues, and spoke about both existing and proposed program spending and tax-related measures. Their observations addressed a range of artistic and cultural forms as well as tourism and international marketing efforts.

## **A. Tax Measures**

Like the existing tax credit for film and television production, witnesses advocated a *tax credit for live performance*, including theatre, dance and opera. Moreover, in the same way that film and television production tax credits operate in conjunction with such other support mechanisms as the Canadian Television Fund, it was suggested that the proposed live performance tax credit should be compatible with such other funding sources as the Canada Council for the Arts. Film and television tax credits were also mentioned in their own right. For example, the creation of a *tax credit for films shot in Canada*, applicable to full production costs, was supported. As well, changes were advocated for the *Canadian Film or Video Production Tax Credit* and the *Production Services Tax Credit*, including an increase in their value, broadened eligibility criteria, and the elimination of certain provisions and requirements.

In urging tax fairness for artists, the Committee's witnesses advocated a variety of changes, including reintroduction of *income averaging* over a period of time and a limited or full tax exemption for professional artists in respect of *revenues earned on copyright and residual payments*. Moreover, while a complete tax exemption in respect of *grants and awards* received by artists was urged by some witnesses, in the event that a complete exemption is not given, others advocated a limit similar to that which exists for royalty income. The Ministers of Finance, Industry and Canadian Heritage were urged to commission, and fund, an *in-depth study of the benefits and costs of tax reform* for artists.

Furthermore, the Committee was told that the *basic personal exemption* should be increased to at least \$30,000, that *Employment Insurance and Canada Pension Plan benefits* should be extended to self-employed artists, that incentives similar to the registered education savings plan top-up should be developed to encourage contributions to *registered retirement savings plans* and that artists should be permitted to deduct payments for an *extended health plan* from their income tax.

Finally, to encourage the purchase of Canadian art, the creation of *individual tax credits* and the extension of *interest-free loans* were encouraged.

## **B. Funding of Existing Governmental and Non-governmental Programs and Organizations**

A number of the Committee's witnesses expressed their support for increased, indexed and/or permanent funding and status for a number of existing governmental and non-governmental entities and program. In this regard, particular mention was made of the Canada Council for the Arts, the Canadian Television Fund/Canada Media Fund, Telefilm Canada, the Canada Feature Film Fund, the Community Radio Fund of Canada, the Book Publishing Industry Development Program, the Library Book Rate, the National Archives Development Program, the Public Lending Right Commission, the Initiative for Equitable Library Access, the Museum Assistance Program, the Cultural Spaces Program, the Canadian Arts Presentation Fund, the Canada Music Fund, the National Film Board and the Department of Canadian Heritage.

Finally, a permanent increase in its base budget and a long-term memorandum of understanding in respect of its appropriation were urged for the Canadian Broadcasting Corporation/Radio-Canada. It was also mentioned that the corporation's board of directors should be appointed without political patronage, and that the board should be responsible for hiring and firing the corporation's president.

### **C. Print and Audio-visual Media**

Witnesses supported the *publishing sector* in terms of targeted funding to ensure the short-term viability of as many existing titles as possible and to help the sector through a period of transition; digitization support similar to that provided in respect of multicultural newspapers was also requested. In order to recognize the unique circumstances of business publishers, it was suggested that eligibility for the Canadian Periodical Fund should be expanded and that the Fund should be separated into five categories, each with unique criteria: consumer, business to business, community newspapers, scientific and religious.

As well, digitization and dissemination of the nation's *documentary heritage* were urged through support for the Canadian Council of Archives. Moreover, a more general request was made for a *national digital strategy* that would include support for new media production.

Print media was supported in the context of a *national reading strategy*, and witnesses advocated a federal role in the second and third reading summits, which are expected to be held in November 2010 and November 2011. The availability of print materials in *alternative formats*—braille and audio—were supported by a number of witnesses, who noted that Canada is the only G8 country that does not provide annual support for the production of alternative-format library materials. Furthermore, support for a *nationwide accessible public library network* for those with print disabilities, as well as training and materials for librarians, were encouraged. It was noted that such a network could occur through a private/public partnership involving the Canadian National Institute for the Blind and federal, as well as provincial and territorial, governments. Mention was made that Library and Archives Canada could coordinate various elements of the proposed network.

The Committee was also told about the *strategic review of the Canada Post Corporation*, and witnesses urged implementation of the resulting recommendations. In particular, it was indicated that the corporation should modernize its network, that its rates for letter mail should not be capped at two-thirds of inflation as measured by the Consumer Price Index, that it should review its approach to distance-related pricing for publications mail, and that its universal service obligation should be defined in a contractual relationship with specific terms included regarding the delivery of Canadian content magazines.

Moreover, according to the witnesses, the new *Canadian Periodical Fund* should be implemented over a transition period rather than on April 1, 2010, and responsibility



and funding for *small press art and literary magazines* should be transferred to the Canada Council for the Arts.

As well, witnesses advocated assistance for all eligible *community radio stations* in order to support their continued presence. Particular mention was made of coordination and shared resources among Francophone community radio stations in minority communities as well as of radio stations in Atlantic Canada.

Finally, in order to support international co-production, share risks and promote Canada's brand on the world stage, the Committee was told that a fund dedicated to *international feature film and television co-productions* should be created, and that key international trade and promotion programs should be reinstated or created.

#### **D. Tourism**

The Committee received a number of proposals designed to promote travel and tourism in Canada. For example, a *tourist card for foreigners* was proposed. The proposed card, which could be purchased at border crossing points and airports, would permit the purchase of tax-exempt goods and services and would have a built-in lottery. As well, in order to promote *travel in Canada by Canadians*, the creation of an allowance that would defray the costs of transportation, accommodation, meals, etc. was encouraged; the allowance would be available for one trip annually.

#### **E. Cultural Infrastructure, Museums and Libraries**

Witnesses noted that much of the cultural infrastructure built in connection with the nation's centennial in 1967 needs to be repaired, and shared their view that Canada's *sesquicentennial* in 2017 would be an appropriate occasion to address the issue. In arguing for a *coordinated policy and funding effort* to maintain accessibility to cultural sites, the creation of a special, multi-year program for the country's cultural and recreational facilities was urged.

Cultural infrastructure was supported in the context of a *national museum policy*, which the Committee was told requires funding as well as a stable policy commitment. In arguing for funding for such a policy, witnesses noted that support for the *Museum Assistance Program* has been reduced and that the *Exhibition Transportation Services* initiative has been cancelled. Some argued for a revitalized Museum Assistance Program with revised and updated objectives, streamlined delivery and access to multi-year support. The creation of a *Canadians supporting their museums fund* was also proposed, with federal dollar-for-dollar matching of private-sector contributions of cash or securities, to a maximum amount and with a charitable tax receipt.

Witnesses made a number of comments about *public libraries*, some of which were focused on the buildings themselves. For example, the Committee was told that there is a need to increase access for those with disabilities, to become more energy-efficient, and to incorporate the latest information and communication technologies. They argued for regulatory changes to encourage long-term sustainable infrastructure funding for heritage

and cultural institutions through the Building Canada Fund; public libraries should be included in the initiative.

Finally, in respect of new museums, restoration of historic buildings, and new cultural and performing arts facilities, a requirement to achieve at least a *LEED Gold rating* was mentioned. The Committee was also told that arts centres contribute to urban revitalization and economic development; a performing arts/cultural centre for a particular city was mentioned.

## **F. International Marketing**

A number of the Committee's witnesses spoke about the marketing efforts that are needed to support artistic and cultural endeavours, both domestically and internationally, in order to publicize the nation's distinctive cultural brand. In noting that international activities can be a vital component of a sound business strategy for artistic and cultural organizations, some witnesses supported a *market access and development program*, while others advocated a *market access or development and innovation program*. The particular expertise of the *audience and market development activities* of the Canada Council for the Arts was highlighted by witnesses, who also advocated cooperation by the Council with the Department of Foreign Affairs and International Trade in respect of cultural activities abroad.

## **G. Other Issues**

In an effort to assess the growth and nature of Canada's creative economy, the Committee was told about the need for a partnership between the Department of Canadian Heritage and Statistics Canada in order to develop *new statistical tools*. The former department was also urged to *collaborate* more closely with the Canada Council for the Arts. Witnesses argued that *management of arts promotion and distribution support programs* should be given to the Canada Council for the Arts.

As well, witnesses suggested that a number of initiatives should not be subject to *strategic program review*. In their view, these initiatives should include Library and Archives Canada and the Canadian Broadcasting Corporation/Radio-Canada.

Moreover, in the context of the *broadcasting sector*, the removal of specific industry fees—notably, Part II fees and broadcast transaction fees—was supported, as noted in Chapter 3. As well, with the mandated *shift from analog to digital technology*, government support was requested.

Finally, it was argued that a long-term vision is needed to prepare for a *new generation of talent*. In that regard, the creation of a *mentorship/internship program* for the cultural sector was advocated as a complement to a pan-provincial approach to arts education in primary and secondary school.

## **COMMITTEE RECOMMENDATIONS**

In the Committee's view, artistic and cultural undertakings enrich people's lives and communities, and act as a recruitment and retention tool for employers. The contribution that such endeavours make have benefits both domestically and internationally. In positioning those in our artistic and cultural sectors for a prosperous future, we believe that efforts must be taken to support artists as well as such cultural infrastructure as museums. From this perspective, the Committee recommends that:

**The federal government make a significant investment in culture, for example by enhancing the Canada Feature Film Fund and the feature-length documentary fund, eliminating the Goods and Services Tax on books, providing a tax exemption for copyright royalties and increasing the budget of the Canada Council for the Arts.**

**Moreover, the government should work with non-national museums with a view to developing a funding strategy for their long-term sustainability.**



## CONCLUSION

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Many would agree that Canada's residents—and, indeed, residents worldwide—are living in an economic environment that prompts thoughts of the Great Depression. While some commentators are referring to recent years as “the Great Recession,” citizens worldwide should be comforted by the economic recovery that appears to be under way in a number of nations.

As our country moves forward and as decisions are made in an effort to bring about a prosperous and secure future for Canadians and Canadian businesses, the Committee thinks that the principles of debt management, expenditure restraint, and transparency and accountability must guide federal decision making as the economic recovery continues. While it is widely accepted worldwide that fiscal stimulus was required to assist an economic recovery, future generations must not be burdened by excessive current spending. In our view, implementation of our recommendations to “position” people, businesses and communities, coupled with the principles noted earlier, will result in decisions that ensure prosperity and a sustainable future. It is the future we want. It is the future we deserve. It is the future for which we must strive.



## **LIST OF RECOMMENDATIONS**

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### **Recommendation (p. 8)**

**The federal government continue with full implementation of current stimulus measures, pay close attention to debt management, engage in meaningful expenditure review and prepare long-term debt reduction plans to be implemented once the global economic recovery is fully entrenched.**

**Moreover, the government should ensure that the Library of Parliament's Parliamentary Budget Officer has timely and accurate information related to federal tax revenues, program spending and departmental program objectives, provide the Parliamentary Budget Officer with the necessary resources to carry out the mandate of the office effectively, and—as part of the legislation to implement the next federal budget—propose the legislative amendments needed to establish the Parliamentary Budget Officer as an independent officer of Parliament.**

### **Recommendation (p. 11)**

**The federal government, recognizing the jurisdiction of the provinces and territories as well as the need to compensate those provinces and territories that decide not to participate in a country-wide measure, implement a national child care plan providing high-quality, affordable and inclusive child care services. This goal should be achieved through federal transfer payments to participating provinces and territories, and the plan should include measurable targets and timelines.**

**Moreover, the government should increase and streamline existing funding for federal “at risk youth” programs, with a view to creating a centralized initiative that would better engage such youth in their communities. The government should also increase funding for Aboriginal friendship centres for the benefit of Aboriginal youth in cities.**

### **Recommendation (p. 14)**

**The federal government create a refundable tax credit for new graduates. The proposed tax credit should be available to those who move to designated regions and engage in employment in their field of study.**

## **Recommendation (p. 22)**

The federal government, in respect of the Employment Insurance program, amend the *Employment Insurance Act* in order to:

- ensure that the program is administered in a manner consistent with the presumption of good faith on the part of applicants;
- implement uniform application of the program's regulations across the country;
- increase the benefit replacement rate provided by the program to 60% of maximum insurable earnings;
- eliminate the two-week waiting period for program benefits;
- establish a uniform eligibility threshold for program benefits of 360 hours of work;
- increase the level of annual maximum insurable earnings on which benefits are paid to an amount that exceeds that determined in accordance with the indexation formula specified in section 4 of the Act;
- calculate program benefits on the basis of the best 12 weeks of insurable earnings;
- establish an income support program for older workers;
- expand the right of program beneficiaries to receive benefits while undertaking training; and
- expand and adapt the program's work-sharing option.

Moreover, the government should identify the skilled labour needs of Canada's small and medium-sized businesses and ensure that Employment Insurance training measures facilitate the acquisition of those skills.

Finally, the government should fund job training initiatives that provide individuals with the skills needed to participate in the green economy.



**Recommendation (p. 23)**

The federal government amend the *Income Tax Act* in order to ensure that the disability tax credit is a refundable credit, and examine options to improve labour market supports for those who are disabled or have a chronic disease.

Moreover, the government should work with the provincial and territorial governments in the development of a plan to ensure that appropriate, properly funded and equitable immigrant settlement and integration services are available throughout Canada. As well, a plan should be developed to recognize and reconcile the educational and professional qualifications obtained by immigrants in foreign countries.

Finally, the government should continue to reduce the landing fee applicable to all new immigrants to Canada.

**Recommendation (p. 27)**

The federal government provide increased funding for Guaranteed Income Supplement benefits.

Moreover, the government, with provincial and territorial governments, should continue its comprehensive review of the Canadian retirement income system. The focus of the review should include incentives for saving and the extent to which these incentives ensure that the financial and other needs of current and future pensioners, as well as of labour force participants and those who engage in unpaid work, are being—and will continue to be—met.

**Recommendation (p. 33)**

The federal government, in respect of both health and education, protect transfers to the provinces and territories.

Moreover, while recognizing the jurisdiction of the provinces and territories, the government should help to ensure that all elements of preventative programs designed to improve the health outcomes of Canadians are adequately funded. In particular, the government should continue to promote health prevention, physical fitness and amateur sports through renewed and increased support for initiatives such as Own the Podium and ParticipACTION.

**Finally, consistent with the jurisdiction of the provinces and territories, the government should invest in health human resources, in particular to ensure access to doctors and nurses in Canadian communities and hospitals where they are most needed.**

**Recommendation (p. 35)**

**The federal government, in partnership with the provinces and territories, explore the development of a national strategy to promote greater emphasis on Canadian education services exports.**

**Recommendation (p. 40)**

**The federal government work with the venture capital industry to identify new sources of financing and examine the effectiveness of existing tax incentives related to financing. Moreover, the government should review the feasibility of increases to the Labour-sponsored funds tax credit to 20% of eligible investments, to a maximum eligible investment of \$20,000.**

**Recommendation (p. 44)**

**The federal government simplify the administration of the Scientific Research and Experimental Development investment tax credit, and expand the range of expenditures eligible for the credit to include, for example, the costs of patenting and training employees to work on innovative projects.**

**Moreover, consistent with the jurisdiction of the provinces and territories, the government should increase its support to research through federal granting councils and research agencies as well as for the indirect costs of research. As well, the government should encourage universities and colleges to partner in complementary areas of research and as well as commercialization of research.**

**Finally, the government should, recognizing the jurisdiction of the provinces and territories, create a specialized fund for medical research for children's health.**

**Recommendation (p. 47)**

**The federal government undertake a comprehensive review of capital cost allowance rates in Canada. Moreover, the accelerated capital cost allowance for manufacturing and processing machinery and equipment should be extended.**

As well, the government should continue to implement all planned corporate tax rate reductions as scheduled to 2012, ensure that all relevant thresholds related to corporate taxation are changed annually in accordance with increases in the Consumer Price Index, ensure that federal regulations are as simple and modern as possible, and review the federal fiscal implications of allowing consolidated tax reporting.

Finally, the government should improve tax fairness and combat tax evasion by strengthening the Canada Revenue Agency's underground economy initiatives, and should adopt international tax agreements consistent with the Organization for Economic Co-operation and Development's tax haven initiatives.

**Recommendation (p. 47)**

The federal government review the *Excise Tax Act* in order to ensure that domestically produced beverage alcohol is taxed appropriately, extend the Mineral Exploration Tax Credit, and create tax incentives to stimulate investment and growth in the manufacturing industry.

**Recommendation (p. 51)**

The federal government encourage the provinces and territories to remove internal barriers to trade. In doing so, priority should be given to reaching agreement concerning a national securities regulator.

Moreover, the government should continue to support supply management and all other agricultural exporters during the Doha Round of World Trade Organization negotiations.

Furthermore, the government should implement the notion of duty-free purchases for individuals arriving in Canada.

Finally, the government should develop and implement proactive policies to expand key sectors of the economy and to support targeted high-value activities.

**Recommendation (p. 56)**

The federal government investigate the feasibility of repayable loans, through the Canada Mortgage and Housing Corporation's Direct Lending Program, for affordable housing repair and new affordable housing development.

### **Recommendation (p. 60)**

**The federal government examine the possibility of expanding current traditional and alternative energy programs to include production from forest waste.**

**Moreover, consistent with the jurisdiction of the provinces and territories, the government should implement initiatives designed to encourage the use of electric cars. Initiatives that could be considered include:**

- implementation of an investment program for research on electric mobility, intelligent transportation and new, lighter materials;**
- direct investments in basic and pre-market research, especially the development of batteries;**
- installation of charging stations in federal buildings;**
- the creation of a tax credit for installing charging stations on business premises and plug-in stations on private residential premises;**
- the establishment of a trust for the provinces and territories to encourage municipalities to install charging stations;**
- reintroduction of incentives for purchasing energy-efficient vehicles in addition to a special incentive for the purchase of electric vehicles and rechargeable hybrids; and**
- support for taxi owners, courier services and those who operate car-sharing businesses.**

### **Recommendation (p. 65)**

**The federal government work with provincial, territorial and municipal governments in order to develop a strategic approach to resolving the nation's long-term infrastructure needs.**

**Moreover, the government should augment the existing program for the sharing of a portion of the federal gasoline excise tax revenues with municipalities.**

#### **Recommendation (p. 72)**

**The federal government continue to ensure increased broadband availability in rural and remote regions of Canada.**

**Moreover, the government should examine measures that could be taken in order to encourage young Canadians to enter the agricultural sector, enhance the Growing Forward Framework, and increase income support for agricultural producers.**

**As well, the government should implement a co-operative investment plan that would include the creation of a tax credit for members or employees of agricultural and employee-owned co-operative businesses that invest in their co-operatives. The government should also establish a \$70-million repayable co-operative loan fund.**

**Furthermore, the government should introduce an economic diversification program, similar to the measure eliminated in 2006, in order to support regional economies that have been adversely affected by the forestry crisis. As well, in order to assist companies in modernizing and in surviving the current crisis, the government should implement a loan guarantee program for the forestry sector modelled on the efforts of Investissement Québec.**

**Additionally, the government should introduce a support plan for the fishing industry that would include assistance to the lobster and shrimp industry, assistance for repairs to small-craft harbours and a long-term plan for the fisheries sector.**

**Finally, consistent with the jurisdiction of the provinces and territories, the government should increase the funding available to fire departments through the Joint Emergency Preparedness Program and should ensure that 50% of the funding is used by volunteer fire departments for the purposes of training and the purchase of equipment.**

#### **Recommendation (p. 73)**

**The federal government ensure that programs for Aboriginal Canadians are designed and delivered in a manner that addresses their health, education, housing, infrastructure, early childhood development and care, and other needs. These programs should respect their rights and governance concerns, be delivered consistent with the Canadian Constitution, be sufficiently flexible to meet their diverse needs, and permit funding allocations that reflect the relatively**

**small population base as well as the size and geographically large and remote nature of their communities.**

**Moreover, the government should revise applicable programs and procedures within Health Canada's Non-Insured Health Benefits Program for First Nations and Inuit to allow independent dental hygienists to receive payment for the services provided to beneficiaries of these health benefits.**

**Finally, the government should reaffirm its commitment to the British Columbia treaty process, to timely implementation of the West Coast Fisheries Review, and to updated mandates for Canadian negotiators on specific issues hindering treaty completion.**

**Recommendation (p. 78)**

**The federal government examine incentives that would have the effect of increasing the level of charitable giving by businesses and individuals. In particular, the government should consider:**

- an increase in the charitable tax credit rate to 39% for incremental annual increases in giving, provided that annual giving is more than \$200 and less than \$10,000;**
- the creation of a corporate structure for not-for-profit organizations that would allow the issuance of share capital and other securities; and**
- the elimination of the capital gains tax on donations of real estate and land to public charities.**

**Recommendation (p. 78)**

**The federal government make a commitment to providing increased and sustained funding for the Global Fund to Fight AIDS, Tuberculosis and Malaria. The government should also provide significant assistance to developing countries, with a view to achieving the Millennium Development Goal of 0.7% of gross national income devoted to Official Development Assistance.**

**Recommendation (p. 83)**

**The federal government make a significant investment in culture, for example by enhancing the Canada Feature Film Fund and the feature-length documentary fund, eliminating the Goods and Services Tax on**

**books, providing a tax exemption for copyright royalties and increasing the budget of the Canada Council for the Arts.**

**Moreover, the government should work with non-national museums with a view to developing a funding strategy for their long-term sustainability.**





# APPENDIX A LIST OF WITNESSES

Organizations and Individuals	Date	Meeting
<p><b>BMO Capital Markets</b> Donald Johnson, Senior Advisor</p> <p><b>Canadian Airports Council</b> Jim Facette, President and Chief Executive Officer</p> <p><b>Canadian Chamber of Commerce</b> Shirley-Ann George, Senior Vice-President, Policy Tina Kremmidas, Chief Economist</p> <p><b>Canadian Gas Association</b> Michael Cleland, President and Chief Executive Officer Bryan Gormley, Director, Policy and Economics</p> <p><b>Canadian Labour Congress</b> Andrew Jackson, Chief Economist and National Director, Social and Economic Policy Hassan Yussuff, Secretary-Treasurer</p> <p><b>Care of the Child Coalitions</b> Beverley Smith, Member</p> <p><b>First Nations Tax Commission</b> Manny Jules, Chief Commissioner</p> <p><b>Green Budget Coalition</b> Andrew Van Iterson, Program Manager</p> <p><b>Multiple Sclerosis Society of Canada</b> Deanna Groetzinger, Vice-President, Government Relations and Policy</p> <p><b>Orchestras Canada</b> Katherine Carleton, Executive Director</p> <p><b>Pembina Institute</b> Timothy Weis, Director, Renewable Energy and Efficiency</p> <p><b>Polytechnics Canada</b> John Davies, Chair of the Board of Directors Nobina Robinson, Chief executive Officer</p>	2009/09/15	39
<p><b>Bioniche Life Sciences Inc.</b> Rick Culbert, President, Food Safety Division</p> <p><b>Canadian Association for Graduate Studies</b> Carolyn Watters, President</p>	2009/09/15	40

<b>Organizations and Individuals</b>	<b>Date</b>	<b>Meeting</b>
<p><b>Canadian Federation of University Women</b> Susan Russell, Executive Director</p> <p><b>Canadian Trucking Alliance</b> David Bradley, Chief Executive Officer</p> <p><b>International Association of Fire Fighters</b> Jim Lee, Assistant to the General President, Canadian Operations</p> <p><b>National Association of Friendship Centres</b> Peter Dinsdale, Executive Director Conrad Saulis, Policy Director</p> <p><b>Canada's Research-Based Pharmaceutical Companies (Rx&amp;D)</b></p> <p>Debbie Murray, Director, Policy Development Russell Williams, President</p> <p><b>Canadian Alliance of Student Associations</b> Spencer Keys, Policy and Research Officer Arati Sharma, National Director</p> <p><b>Canadian Co-operative Association</b> John Anderson, Director, Government Affairs and Public Policy John Julian, Director, International Communication and Policy</p> <p><b>Canadian Energy Pipeline Association</b> Brenda Kenny, President and Chief Executive Officer</p> <p><b>Canadian Healthcare Association</b> Denise Desautels, Director, Policy and Communications Pamela Fralick, President and Chief Executive Officer</p> <p><b>Canadian Natural Gas Vehicle Alliance</b> Peter Valiquet, Treasurer</p> <p><b>Canadian Olympic Committee</b> Thérèse Brisson, Director, Toronto Office Christopher Rudge, Chief Executive Officer and Secretary General, Toronto Office</p> <p><b>Canadian Teachers' Federation</b> Mary-Lou Donnelly, President John Staple, Deputy Secretary General</p> <p><b>Canadian Union of Public Employees</b> Toby Sanger, Senior Economist</p>	2009/09/16	41

Organizations and Individuals	Date	Meeting
<b>Directors Guild of Canada</b>		
Brian Anthony, National Executive Director and Chief Executive Officer		
<b>Grain Growers of Canada</b>		
Richard Phillips, Executive Director		
Sheri Strydhorst, Executive Director		
<b>Partnership Group for Science and Engineering</b>		
Rees Kassen, Chair		
DenisA. St-Onge, Past Chair		
<b>Alliance of Canadian Cinema, Television and Radio Artists</b>	2009/09/17	42
Ferne Downey, National President		
Stephen Waddell, National Executive Director		
<b>Building and Construction Trades Department, AFL-CIO, Canadian Office</b>		
Robert Blakely, Director, Canadian Affairs		
<b>Canadian Conference of the Arts</b>		
Alain Pineau, National Director		
<b>Canadian Federation for the Humanities and Social Sciences</b>		
Noreen Golfman, President		
<b>Canadian Federation of Agriculture</b>		
Laurent Pellerin, President		
<b>Canadian Paediatric Society</b>		
Marie Adèle Davis, Executive Director		
Gary Pekeles, Past President		
<b>Citizens for Public Justice</b>		
Chandra Pasma, Policy Analyst		
<b>Imperial Tobacco Canada Limited</b>		
John Clayton, Vice-President, Corporate Affairs		
<b>Option consommateurs</b>		
Anu Bose, Head, Ottawa Office		
Geneviève Reed, Head, Research and Representation Department		

<b>Organizations and Individuals</b>	<b>Date</b>	<b>Meeting</b>
<p><b>Quality Urban Energy Systems of Tomorrow</b>  Kenneth Ogilvie, Former Executive Director,  Pollution Probe  Shahrzad Rahbar, Vice-Chair</p>		
<p><b>RESULTS Canada</b>  Chris Dendys, Executive Director</p>		
<p><b>Vanier Institute of the Family</b>  Clarence Lochhead, Executive Director</p>		
<p><b>As an individual</b>  Graham Mowatt  William Otway</p>	2009/09/28	43
<p><b>Association for Mineral Exploration British Columbia</b>  Gavin Dirom, President and Chief Executive Officer  Byng Giraud, Senior Director, Policy and Communications</p>		
<p><b>Association of Canadian Publishers</b>  Rodger Touchie, President</p>		
<p><b>Belinda Stronach Foundation</b>  Farah Mohamed, President, External, Non-Profit</p>		
<p><b>Canadian Federation of Students (British Columbia)</b>  Ian Boyko, Research and Communications Officer  Shamus Reid, Chairperson</p>		
<p><b>Certified General Accountants Association of Canada</b>  Bob Harvey, Chair, Tax and Fiscal Advisory Group</p>		
<p><b>Child Care Advocacy Association of Canada</b>  Susan Harney, Representative</p>		
<p><b>Coalition for Canadian Astronomy</b>  Paul Hickson, Co-Chair, Canadian Astronomical Society  Guy Nelson, Co-Chair, Industry</p>		
<p><b>Coalition of Child Care Advocates of British Columbia</b>  Sharon Gregson, Spokesperson  Crystal Janes, Representative</p>		
<p><b>Corporation of Delta</b>  Lois E. Jackson, Mayor</p>		
<p><b>Downtown Surrey Business Improvement Association</b>  Bonnie Burnside, Manager, Communications and Special Events  Elizabeth Model, Executive Director</p>		

Organizations and Individuals	Date	Meeting
<b>Federation of Community Action Programs for Children of British Columbia Association</b>		
Susan Khazaie, Director		
<b>First Call: B.C. Child and Youth Advocacy Coalition</b>		
Adrienne Montani, Provincial Coordinator		
Julie Norton, Provincial Chair		
<b>Heritage Vancouver Society</b>		
Janet Leduc, Executive Director		
<b>Human Early Learning Partnership</b>		
Paul Kershaw, Professor, University of British Columbia		
<b>Ladner Sediment Group</b>		
John Roscoe, Chairperson		
Chris Scurr, Spokesperson		
<b>Pacific Community Resources Society</b>		
John Coward, Manager, Employment Programs		
Ian Mass, Executive Director		
<b>Port Metro Vancouver</b>		
Robin Silvester, President and Chief Executive Officer		
<b>Prince Rupert Port Authority</b>		
Don Krusel, President and Chief Executive Officer		
<b>Public Service Alliance of Canada</b>		
Kay Sinclair, Regional Executive Vice-President, British Columbia		
<b>Recreation Vehicle Dealers Association of Canada</b>		
Gord Bragg, Representative		
Shane Devenish, Representative		
<b>Rental Owners and Managers Society of British Columbia</b>		
Al Kemp, Chief Executive Officer		
<b>Rick Hansen Foundation</b>		
Colin D. Ewart, Director, Government Leaders		
Daryl M. Rock, Chairman of the Board of Directors, Spinal Cord Injury Solutions Network		
<b>Sport Matters Group</b>		
Ian Bird, Senior Leader		
<b>Surrey Board of Trade</b>		
Eric Wilson, Chair, Taxation and Finance Team		

<b>Organizations and Individuals</b>	<b>Date</b>	<b>Meeting</b>
<b>TRIUMF</b>		
Nigel Lockyer, Director		
Tim Meyer, Head, Strategic Planning and Communications		
<b>Union of Environment Workers</b>		
Nicholas Humphreys, Representative		
<b>Vancouver Island University</b>		
Ralph Nilson, President and Vice-Chancellor		
John Phillips, Chair, Board of Governors		
<b>Village of Tahsis</b>		
Corrine Dahling, Mayor		
Jude Schooner, Municipal Councillor		
<b>Alberta Chambers of Commerce</b>		
	2009/09/29	44
Ken Kobly, President and Chief Executive Officer		
Don Oszli, Chair		
<b>Alberta Pulse Growers Commission</b>		
Tom Jackson, Advisor, Zone 3		
Sheri Strydhorst, Executive Director		
<b>Almita Manufacturing Ltd.</b>		
Lawrence Kaumeyer, President		
<b>As an individual</b>		
Peter Bulkowski		
<b>Capital Power Corporation</b>		
David Lewin, Senior Vice-President, IGCC Development		
Tony Scozzafava, Vice-President		
<b>City of Edmonton</b>		
Stephen Mandel, Mayor		
<b>Consulting Architects of Alberta</b>		
Vivian Manasc, Architect		
<b>County of Athabasca</b>		
Charles Ashbey, Councillor and Chairman, Budget and Finance Committee		
Brian Pysyk, Director of Corporate Services		
<b>Edmonton Social Planning Council</b>		
John Kolkman, Research and Policy Analysis Coordinator		
<b>Grant MacEwan University</b>		
Alan Heyhurst, Associate Vice-President, Corporate Services		

Organizations and Individuals	Date	Meeting
<b>Kids First Parents Association of Canada</b>		
Helen Ward, President		
<b>Meyers Norris Penny LLP</b>		
Valerie Pinnock, Partner		
Gordon C. Tait, Partner		
<b>NorQuest College</b>		
Wayne Shillington, President and Chief Executive Officer		
<b>North American Equipment Dealers Association</b>		
John Schmeiser, Vice-President, Canadian Government Affairs		
<b>Prospectors and Developers Association of Canada</b>		
Philip Bousquet, Senior Program Director		
Eira Thomas, Member, Board of Directors		
<b>Quadrise Canada Corporation</b>		
Ross Lennox, Chief Technology Officer		
James Murray, Senior Advisor, Government Relations		
<b>Small Explorers and Producers Association of Canada</b>		
Gerry Gilewicz, Chairman, Finance Committee		
<b>Treaty 8 First Nations of Alberta</b>		
Darcy Dupas, Representative, Dew Paws Consulting		
Rose Laboucan, Chief		
<b>United Way of the Alberta Capital Region, Success by 6</b>		
Ilene Fleming, Director		
Christopher Smith, Chair		
<b>Volunteer Alberta</b>		
Karen Lynch, Executive Director		
<b>Wood Buffalo Housing and Development Corporation</b>		
Tim Goltz, Consultant		
Bryan Lutes, President		
<b>Agnico-Eagle Mines Limited</b>	2009/09/30	45
Larry Connell, Corporate Director of Sustainable Development, Corporate Office		
<b>Alberta Association of Colleges and Technical Institutes</b>		
Tim Schultz, Executive Director		

Organizations and Individuals	Date	Meeting
<b>Alternatives North</b>		
Aggie Brockman, Co-Chair		
Suzette Montreuil, Co-Chair		
<b>Government of the Northwest Territories</b>		
Margaret Melhorn, Deputy Minister of Finance, Department of Finance		
<b>Municipality of Baker Lake</b>		
Andrew Gamble, Consultant, Andrew Gamble and Associates		
David Simailak, Deputy Mayor		
<b>Northern Territories Federation of Labour</b>		
Mary Lou Cherwaty, President		
<b>Pembina Institute - Arctic Energy Solutions Program</b>		
Katherine Mackenzie, Policy Analyst		
<b>Public Service Alliance of Canada</b>		
Jean-François Des Lauriers, Regional Executive Vice-President, Northern Region		
<b>Association des radios communautaires de l'Atlantique</b>	2009/10/05	47
Nay Saade, Executive Director, Coopérative Radio-Halifax-Métro Itée		
Martin Théberge, President		
<b>Atlantic Policy Congress of First Nation Chiefs Secretariat</b>		
Noah Augustine, Metepenagiag First Nation		
Lawrence Paul, Millbrook First Nation		
<b>Atlantic Provinces Community College Consortium</b>		
Ken MacRae, Executive Director		
Brian McMillan, President, Holland College		
<b>Canadian Association of Student Financial Aid Administrators</b>		
Shelley Clayton, Past President		
<b>Canadian Council of Archives</b>		
Fred Farrell, Past Chair		
Christina Nichols, Executive Director		
<b>Canadian Manufacturers &amp; Exporters - New Brunswick and Prince Edward Island</b>		
David Plante, Vice-President		
Allison Walker, Chair, Tax Group		



<b>Organizations and Individuals</b>	<b>Date</b>	<b>Meeting</b>
<p><b>Child Care Advocacy Association of Canada</b> Jody Dallaire, Chairperson</p> <p><b>Every Woman's Centre</b> Louise Smith-MacDonald, Director</p> <p><b>Federation of Canadian Municipalities</b> Brock Carlton, Chief Executive Officer Gabriel Miller, Director, Advocacy Basil Stewart, President</p> <p><b>Halifax Regional Municipality</b> Dan English, Chief Administrative Officer</p> <p><b>MacKillop Centre for Social Justice</b> Mary Boyd, Coordinator</p> <p><b>Native Council of Prince Edward Island</b> Jamie Gallant, President and Chief Jayne Tremere, Director, Finance and Human Resources</p> <p><b>New Brunswick Federation of Labour</b> Michel Boudreau, President Tom MacNamara, National Representative, Communication, Energy and Paperworkers Union of Canada</p> <p><b>Prince Edward Island Federation of Agriculture</b> Ernie Mutch, President Mike Nabuurs, Executive Director</p> <p><b>Prince Edward Island Road Builders and Heavy Construction Association</b> Rick Kennedy, Representative Joseph Murphy, Manager</p>		
<p><b>As an individual</b> Jean Lecours</p> <p><b>Confédération des syndicats nationaux</b> François Bélanger, Economist Pierre Patry, Treasurer</p> <p><b>Conseil québécois du commerce de détail</b> Monique Bilodeau, Vice-President, Finance and Commodity Taxation, Canadian Council of Grocery Distributors (Québec Section) Gaston Lafleur, President and Chief Executive Officer</p>	2009/10/07	48

Organizations and Individuals	Date	Meeting
<p><b>Fédération des producteurs de porcs du Québec</b> Bernard Verret, Executive Director</p> <p><b>Fédération étudiante universitaire du Québec</b> Lysiane Boucher, Coordinator, Federal and International Affairs Jean Grégoire, President</p> <p><b>McGill University</b> Vaughan Dowie, Executive Head of Public Affairs Victoria Meikle, Senior Policy Advisor, Office of the Principal and Vice-Chancellor</p> <p><b>Merck Frosst Canada Inc.</b> Christian Blouin, Director, Public Health and Government Relations, Vaccine Division</p> <p><b>Mouvement pour les arts et les lettres</b> Bastien Gilbert, Chief Executive Officer, Regroupement des centres d'artistes autogérés du Québec</p> <p><b>Quebec Port Authority</b> Ross Gaudreault, President and Executive Director Marcel Labrecque, Executive Vice-President</p> <p><b>Réseau SOLIDARITÉ Itinérance du Québec</b> Louise Fortin, Member, Director of Squat Basse-Ville and Member of Réseau d'aide aux itinérants et itinérantes de Québec Marie-Claude Vézina, President, Director of La Chaudronnée de l'Estrie</p> <p><b>Shipping Federation of Canada</b> Michael Broad, President Ivan Lantz, Director, Marine Operations</p>		
<p><b>Association of Canadian Academic Healthcare Organizations</b> Glenn Brimacombe, President and Chief Executive Officer Jack Kitts, Member, President and Chief Executive Officer of the Ottawa Hospital</p> <p><b>Association of Universities and Colleges of Canada</b> Paul Davidson, President André Dulude, Vice-President, National Affairs</p> <p><b>Canadian Association of University Teachers</b> James Turk, Executive Director</p>	2009/10/08	49

Organizations and Individuals	Date	Meeting
<b>Canadian Council on Social Development</b>		
Katherine Scott, Vice-President, Research		
Peggy Taillon, President		
<b>Canadian Dental Hygienists Association</b>		
Wanda Fedora, President		
<b>Canadian Federation of Nurses Unions</b>		
Pam Foster, Communications Specialist, Government Relations		
Pauline Worsfold, Secretary-Treasurer		
<b>Canadian Meat Council</b>		
James M. Laws, Executive Director		
<b>Canadian Wind Energy Association</b>		
Jean-François Nolet, Québec and Atlantic Canada Policy Manager		
<b>Community Radios of Canada</b>		
François Côté, Executive Director, Alliance des radios communautaires du Canada		
Kevin Matthews, Executive Director, Broadcasting, National Campus and Community Radio Association		
<b>Conseil canadien de la coopération et de la mutualité</b>		
Brigitte Gagné, Executive Director		
Jacques Lucas, Lead Director of Financial Services, La Coop fédérée		
<b>Engineers Canada</b>		
Chantal Guay, Chief Executive Officer		
<b>Foster Care Council of Canada</b>		
John Dunn, Executive Director		
<b>Imagine Canada</b>		
Marcel Lauzière, President and Chief Executive Officer		
<b>Independent Media Arts Alliance</b>		
Jennifer Dorner, National Director		
<b>Society of Management Accountants of Canada</b>		
Richard Monk, Past Chair		
<b>YWCA Canada</b>		
Ann Decter, Director, Advocacy and Public Policy		

<b>Organizations and Individuals</b>	<b>Date</b>	<b>Meeting</b>
<p><b>Alliance to End Homelessness</b>            Dan Sabourin, Vice-Chair            Marion Wright, Chair</p>	2009/10/08	50
<p><b>Association of Consulting Engineering Companies</b>            John Gamble, President            Susie Grynol, Director, Public Affairs and Business Practices</p>		
<p><b>Business Tax Reform Coalition</b>            Paul Stothart, Vice-President, Mining Association of Canada</p>		
<p><b>Campaign 2000</b>            Helen Saravanamuttoo, Member, Steering Committee</p>		
<p><b>Canadian Chemical Producers' Association</b>            Fiona Cook, Director, Business and Economics            David F. Podruzny, Vice-President, Business and Economics</p>		
<p><b>Canadian Consortium for Research</b>            Paul Jones, Member            Paul S. Vincett, Chair in the Management of Technology Enterprises, Wilfrid Laurier University</p>		
<p><b>Canadian Federation of Students</b>            Katherine Giroux-Bougard, National Chairperson</p>		
<p><b>Independent Living Canada</b>            Amy Grumberg, National Program Officer            Traci Walters, National Director</p>		
<p><b>Canadian Medical Association</b>            Anne Doig, President</p>	2009/10/19	51
<p><b>Canadian Real Estate Association</b>            Pierre Beauchamp, Chief Executive Officer            Gregory Klump, Chief Economist</p>		
<p><b>EnCana Corporation</b>            Eric Marsh, Vice-President, Corporate Supply Management, Special Projects, USA Division</p>		
<p><b>Saskatchewan Association of Rural Municipalities</b>            Dale Harvey, Assistant Executive Director            David Marit, President</p>		
<p><b>Saskatchewan Chamber of Commerce</b>            Steve McLellan, Chief Executive Officer</p>		

Organizations and Individuals	Date	Meeting
<b>Saskatchewan Telecommunications</b>		
John Meldrum, Vice-President, Corporate Counsel and Regulatory Affairs		
Robert Watson, President and Chief Executive Officer		
<b>Saskatchewan Urban Municipalities Association</b>		
Fred Clipsham, Vice-President, Cities		
Allan Earle, President		
<b>Association of Manitoba Municipalities</b>	2009/10/20	52
Doug Dobrowolski, President		
Joe Masi, Executive Director		
<b>Athabasca University</b>		
Troy Tait, Manager, Government Relations, Advancement		
Lori Van Rooijen, Vice-President, Advancement		
<b>Canadian Federation of Students (Manitoba)</b>		
David Jacks, Resource Coordinator		
Alana Makinson, Women's Commissioner, University of Manitoba Student's Union		
<b>Canadian Meteorological and Oceanographic Society</b>		
William Crawford, President		
Ronald Stewart, Former President		
<b>Canadian Nurses Association</b>		
Della Faulkner, Nurse Consultant, Public Policy		
Kaaren Neufeld, President		
<b>City of Selkirk</b>		
David Bell, Mayor		
Chris Luellman, Chief Administrative Officer		
<b>Genome Prairie</b>		
Arnold Naimark, Chairman of the Board, University of Manitoba, Faculty of Medicine, Director of the Centre for the Advancement of Medicine		
Patrick Pitka, Chief Financial Officer		
<b>Manitoba Child Care Association</b>		
Michele Henderson, President		
Pat Wege, Executive Director		
<b>Social Planning Council of Winnipeg</b>		
Donald Benham, Senior Associate		

Organizations and Individuals	Date	Meeting
<b>University College of the North</b>		
Avery Ascher, Administrative Assistant to the Vice-President, Academic		
Denise Henning, President and Vice-Chancellor		
<b>University of Manitoba</b>		
John Alho, Associate Vice-President, Government Relations		
David Barnard, President and Vice-Chancellor		
<b>Winnipeg Airports Authority Inc.</b>		
Catherine Kloepfer, Senior Vice-President of Corporate Services and Chief Financial Officer		
<b>As an individual</b>	2009/10/21	53
Richard St. Denis		
<b>Association of International Automobile Manufacturers of Canada</b>		
David Adams, President		
<b>Canadian Association of Income Funds</b>		
Peter Carayiannis, Director, Legal and Government Relations		
<b>Canadian Association of Physicists</b>		
Robert Mann, President		
Dominic Ryan, President, Canadian Institute for Neutron Scattering		
<b>Canadian Business Press</b>		
Bruce Creighton, Director		
<b>Canadian Dance Assembly</b>		
Shannon Litzenberger, Executive Director		
<b>Canadian Institute of Actuaries</b>		
Robert Howard, President		
<b>Canadian National Institute for the Blind</b>		
Christopher McLean, Director, Government Relations		
<b>Canadian Paraplegic Association</b>		
William Adair, Executive Director		
Bruce Drewett, President		
<b>College Student Alliance</b>		
Tyler Charlebois, Director of Advocacy		

Organizations and Individuals	Date	Meeting
<b>Colleges Ontario</b>		
Linda Franklin, President and Chief Executive Officer		
Bill Summers, Vice-President, Research and Policy		
<b>Employers' Coalition for Advanced Skills</b>		
Paul Charette, Chairman, Bird Construction		
Pamela Fralick, President and Chief Executive Officer, Canadian Healthcare Association		
<b>Hoffmann-La Roche Limited</b>		
Jim Hall, Vice-President, Sales and Marketing		
<b>March of Dimes Canada</b>		
Steven Christianson, Manager, Government Relations and Advocacy		
Janet MacMaster, Assistant, Government Relations		
<b>Mohawk College of Applied Arts and Technology</b>		
Ronald Holgerson, Vice-President, Advancement and Public Affairs		
<b>National Council of Welfare</b>		
Mark Chamberlain, Member		
Sheila Regehr, Director		
<b>Ontario Coalition for Social Justice</b>		
John Argue, Coordinator		
<b>Ontario Federation of Labour</b>		
Sheila Block, Research Director		
Wayne Samuelson, President		
<b>Ontario Municipal Social Services Association</b>		
Etan Diamond, Manager, Policy and Research		
Janet Menard, Board Member, Commissioner of Human Services for the Regional Municipality of Peel		
<b>Police Association of Ontario</b>		
Ronald Middel, Chief Administrative Officer		
Larry Molyneaux, President		
<b>Professional Association of Canadian Theatres</b>		
Lucy White, Executive Director		
<b>Registered Nurses' Association of Ontario</b>		
Doris Grinspun, Executive Director		

Organizations and Individuals	Date	Meeting
<p><b>Residential and Civil Construction Alliance of Ontario</b>  Andy Manahan, Executive Director</p> <p><b>Social Innovation Generation</b>  Allyson Hewitt, Director, Social Entrepreneurship</p> <p><b>VON Canada (Victorian Order of Nurses)</b>  Judith Shamian, President and Chief Executive Officer</p> <p><b>Wellesley Institute</b>  Nimira Lalani, Research Associate  Michael Shapcott, Director,  Affordable Housing and Social Innovation</p> <p><b>Writers' Union of Canada</b>  Deborah A. Windsor, Executive Director</p>		
<p><b>Alliance for Equality of Blind Canadians</b>  John Rae, First Vice-President,  National Board of Directors</p>	2009/10/22	54
<p><b>As an individual</b>  Andrew Frew  Chris Smith</p> <p><b>Canadian Federation of Students (Ontario)</b>  Joel Duff, Organiser  Shelley Melanson, Chairperson</p> <p><b>Canadian Health Food Association</b>  Penelope Marrett, President and Chief Executive Officer,  Operations</p> <p><b>Canadian Media Guild</b>  Lise Lareau, President</p> <p><b>Canadian Network of Dance Presenters CanDance</b>  Jeanne Holmes, Board Chair</p> <p><b>Canadian Retail Building Supply Council</b>  David Campbell, Chair, Government Relations Committee</p> <p><b>Centre for Image-Guided Innovation and Therapeutic Intervention</b>  Peter Kim, Lead  Thomas Looi, Program Director</p> <p><b>City of Toronto</b>  Shelley Carroll, City Councillor and Chair of the Budget  Committee</p>		



Organizations and Individuals	Date	Meeting
<b>Council of Ontario Universities</b>		
Bonnie Patterson, Interim President		
<b>Direct Sellers Association of Canada</b>		
Ross Creber, President		
JackW. Millar, Tax Advisor, Millar Kreklewetz LLP		
<b>Economics of Technology Working Group</b>		
Michael Rosenberg, President		
<b>Greater Kitchener Waterloo Chamber of Commerce</b>		
Art Sinclair, Vice-President		
<b>Green Vehicle Exchange Program</b>		
Fraser J. Young, Executive Director		
<b>GrowthWorks Capital Ltd.</b>		
Daniel Levi, President and Chief Executive Officer		
<b>Holcim Canada Inc.</b>		
Angela Burton, Vice-President, Communications and Public Affairs		
Bill Galloway, Senior Vice-President, Government Affairs		
<b>Investment Funds Institute of Canada</b>		
John Parker, Vice-President and Chief Financial Officer		
Debbie Pearl-Weinberg, Chair, Taxation Working Group		
<b>Investment Industry Association of Canada</b>		
Ian Russell, President and Chief Executive Officer		
<b>McMaster University</b>		
Mo Elbestawi, Vice-President, Research and International Affairs		
Peter George, President and Vice-Chancellor		
<b>National Angel Capital Organization</b>		
Andrew Wilkes, Chairman, Board of Directors		
<b>Ontario College of Art and Design</b>		
Sara Diamond, President		
<b>Opera.ca</b>		
David Ferguson, Chair of the Board of Directors, Canadian Opera Company		
Jane Hargraft, General Manager, Opera Atelier		
<b>Professional Writers Association of Canada</b>		
Tanya Gulliver, President		

Organizations and Individuals	Date	Meeting
<b>Tax Executives Institute</b>		
David Penney, Secretary		
Sherrie Ann Pollock, Vice-President, Canadian Affairs		
<b>Toronto Board of Trade</b>		
Carol Wilding, President and Chief Executive Officer		
Brian Zeiler-Kligman, Director, Policy		
<b>University of Toronto</b>		
Marny Scully, Executive Director, Policy and Analysis, Office of Government, Institutional and Community Relations		
Judith Wolfson, Vice-President, University Relations		
<b>Upper Lakes Marine and Industrial Inc.</b>		
John Dewar, Vice-President, Strategic Services		
<b>Woodcliffe Corporation</b>		
Paul Oberman, President and Chief Executive Officer		
<b>BIOTECanada</b>	2009/10/26	55
Rainer Engelhardt, Past Chair		
Cate McCready, Vice-President, External Affairs		
<b>Boys and Girls Clubs of Canada</b>		
Marlene Deboisbriand, Vice-President, Member Services		
Sandra Schwartz, Public Policy Advisor		
<b>Canadian Artists' Representation</b>		
April Britski, Executive Director		
Mario Villeneuve, National President		
<b>Canadian Association for Community Living</b>		
Anna MacQuarrie, Director, Policy and Programs		
<b>Canadian Automobile Dealers Association</b>		
Huw Williams, Director, Public Affairs		
<b>Canadian Bankers Association</b>		
Terry Campbell, Vice-President, Policy		
Darren Hannah, Acting Vice-President, Banking Operations		
<b>Canadian Centre for Policy Alternatives</b>		
Armine Yalnizyan, Senior Economist		
<b>Canadian Home Builders' Association</b>		
Gary Friend, President		
John Kenward, Chief Operating Officer		

<b>Organizations and Individuals</b>	<b>Date</b>	<b>Meeting</b>
<p><b>Canadian Institute of Chartered Accountants</b>  Bruce Flexman, Chair, Tax Policy Committee  Elly Meister, Director,  Government Relations, Communications and External  Relations</p>		
<p><b>Canadian Library Association</b>  Jan Harder, Executive Council Member  Kelly Moore, Executive Director</p>		
<p><b>Canadian Museums Association</b>  John G. McAvity, Executive Director</p>		
<p><b>Canadian Public Works Association</b>  Gary Losier, President</p>		
<p><b>Clean Air Renewable Energy Coalition</b>  Mark Rudolph, Coordinator  Timothy Weis, Representative, Pembina Institute</p>		
<p><b>Co-operative Housing Federation of Canada</b>  Nicholas Gazzard, Executive Director, National Office</p>		
<p><b>ParticipACTION</b>  Donovan Bailey, Director,  President and Chief Executive Officer, Bailey Inc.  Kelly Murumets, President and Chief Executive Officer</p>		
<p><b>Railway Association of Canada</b>  Cliff Mackay, President and Chief Executive Officer</p>		
<p><b>British Columbia Treaty Commission</b>  Jerry Lampert, Commissioner  Sophie Pierre, Chief Commissioner</p>	2009/10/28	58
<p><b>Canadian Association of Social Workers</b>  Ray Pekrul, Board Member</p>		
<p><b>Canadian Community Economic Development Network</b>  Michael Toye, Executive Director</p>		
<p><b>Canadian Foundation for Climate and Atmospheric  Sciences</b>  Dawn Conway, Executive Director  Marlon Lewis, Member of the Board of Trustees</p>		
<p><b>Canadian Society for Medical Laboratory Science</b>  Maira Grant, Director of Research</p>		

Organizations and Individuals	Date	Meeting
<p><b>Canadian Urban Transit Association</b> Michael Roschlau, President and Chief Executive Officer</p>		
<p><b>Canadian Wireless Telecommunications Association</b> Bernard Lord, President and Chief Executive Officer Jim Patrick, Vice-President, Government Affairs</p>		
<p><b>Communtech</b> Iain Klugman, Chief Executive Officer and President Avonwy Peters, Executive Director, Communications and Government Relations</p>		
<p><b>Health Action Lobby (HEAL)</b> Karen Cohen, Executive Director, Canadian Psychological Association Pamela Fralick, President and Chief Executive Officer, Canadian Healthcare Association</p>		
<p><b>Heritage Canada Foundation</b> Natalie Bull, Executive Director</p>		
<p><b>Insurance Brokers Association of Canada</b> Steve Masnyk, Manager, Public Affairs</p>		
<p><b>Make Poverty History</b> Dennis Howlett, National Coordinator</p>		
<p><b>Professional Institute of the Public Service of Canada</b> Denise Doherty-Delorme, Section Head, Compensation and Policy Research</p>		
<p><b>Sustainable Development Technology Canada</b> Sailesh Thaker, Vice-President, Industry and Stakeholder Relations</p>		
<p><b>Volunteer Canada</b> Ruth MacKenzie, President</p>		
<p><b>Aerospace Industries Association of Canada</b> Maryse Harvey, Vice-President, Public Affairs Claude Lajeunesse, President and Chief Executive Officer</p>	2009/10/29	59
<p><b>Association of Equipment Manufacturers</b> Howard Mains, Consultant, Public Policy</p>		
<p><b>Canadian Association of Fire Chiefs</b> Robert Simonds, Fire Chief</p>		

Organizations and Individuals	Date	Meeting
<p><b>Canadian Bar Association</b>  Elena Hoffstein, Executive Member,  National Charities and Not-for-Profit Law Section  Tamra L. Thomson, Director,  Legislation and Law Reform</p>		
<p><b>Canadian Cancer Society</b>  Daniel Demers, Director, National Public Issues Office</p>		
<p><b>Canadian Electricity Association</b>  Francis Bradley, Vice-President</p>		
<p><b>Canadian Federation of Apartment Associations</b>  John Dickie, President</p>		
<p><b>Canadian Mental Health Association</b>  Ruth-Anne Craig, Executive Director, Manitoba Division</p>		
<p><b>Canadian Working Group on HIV and Rehabilitation</b>  Martine Mangion, Manager, Episodic Disability Initiatives  John Stapleton, Principal, Open Policy</p>		
<p><b>Cement Association of Canada</b>  Pierre Boucher, President and Chief Executive Officer  Steve Morrissey, Senior Policy Advisor</p>		
<p><b>Enbridge Inc.</b>  David Teichroeb, Manager, Alternative and Emerging  Technologies, Fuel Cells</p>		
<p><b>Juvenile Diabetes Research Foundation Canada</b>  Robert Hindle, Board Member  Andrew McKee, President and Chief Executive Officer</p>		
<p><b>Ontario Funeral Service Association</b>  Patrick McGarry, Member</p>		
<p><b>Ontario-Quebec Grain Farmers' Coalition</b>  Leo Guilbeault, Chair (Ontario)  William Van Tassel, President</p>		
<p><b>REAL Women of Canada</b>  Dianne Watts, Representative</p>		
<p><b>Union of Canadian Transportation Employees</b>  Christine Collins, National President  Michael Teeter, Advisor</p>		
<p><b>Action Canada for Population and Development</b>  Katherine McDonald, Executive Director</p>	2009/11/02	60

Organizations and Individuals	Date	Meeting
<p><b>Assembly of First Nations</b> Shawn A-in-chut Atleo, National Chief</p>		
<p><b>Association of Canadian Community Colleges</b> Terry Anne Boyles, Vice-President, Public Affairs James Knight, President and Chief Executive Officer</p>		
<p><b>Barrett Xplore Inc.</b> John Maduri, Chief Executive Officer</p>		
<p><b>Canadian Association of Petroleum Producers</b> David Collyer, President Don Herring, President, Canadian Association of Oilwell Drilling Contractors</p>		
<p><b>Canadian Caregiver Coalition</b> Marg McAlister, Policy Analyst</p>		
<p><b>Canadian Construction Association</b> Bill Ferreira, Director, Government Relations and Public Affairs</p>		
<p><b>Canadian Federation of Medical Students</b> Tyler Johnston, President Shawn Mondoux, Vice-President, Education</p>		
<p><b>Canadian Federation of Students (Newfoundland and Labrador)</b> Cameron Campbell, Campaign Coordinator Keith Dunne, Organiser</p>		
<p><b>Fédération des chambres de commerce du Québec</b> Stéphane Duguay, Senior Economist</p>		
<p><b>Financial Executives International Canada</b> Michael Conway, Chief Executive and National President Grant Smith, Senior Manager of Transaction Advisory Services, Taxation, Ernst and Young</p>		
<p><b>Jory Capital Inc.</b> Patrick M. Cooney, President and Chief Executive Officer</p>		
<p><b>Philanthropic Foundations Canada</b> Hilary Pearson, President</p>		
<p><b>Retail Council of Canada</b> Diane J. Brisebois, President and Chief Executive Officer</p>		

Organizations and Individuals	Date	Meeting
<b>Royal College of Physicians and Surgeons of Canada</b>		
Danielle Fréchette, Director, Health Policy and Governance Support		
Andrew Padmos, Chief Executive Officer		
<b>Visual Arts Alliance</b>		
Robert Labossière, Member and Director of Canadian Art Museum Directors' Organization		
Lise Leblanc, Chair		
<b>Association of Atlantic Universities</b>	2009/11/05	63
Peter Halpin, Executive Director		
<b>Association of Canadian Airport Duty Free Operators</b>		
Myron Keehn, Director of Concessions, Land and Parking Development, Edmonton International Airport		
Richard Rendeck, Chief Executive Officer of Nuance Group North America		
<b>Brain Injury Association of Canada</b>		
Yvan Teasdale, Board Member		
Harry Zarins, Executive Director		
<b>Canadian Institutes of Health Research</b>		
Christine Fitzgerald, Executive Vice-President		
<b>Canadian Land Trust Alliance</b>		
Dave Walker, Executive Director		
<b>Canadian Petroleum Products Institute</b>		
Peter Boag, President		
Tony Macerollo, Vice-President, Policy and Communications		
<b>Canadian Restaurant and Foodservices Association</b>		
Ron Reaman, Vice-President, Federal		
Joyce Reynolds, Executive Vice-President, Government Affairs		
<b>Canadian Vintners Association</b>		
Dan Paszkowski, President and Chief Operating Officer		
<b>Forest Products Association of Canada</b>		
Avrim Lazar, President and Chief Executive Officer		
<b>National Graduate Caucus</b>		
Graham Cox, Researcher, Research Branch		

Organizations and Individuals	Date	Meeting
<p><b>Natural Sciences and Engineering Research Council of Canada</b></p>		
<p>Suzanne Fortier, President</p>		
<p>Margaret McCuaig-Johnston, Executive Vice-President</p>		
<p><b>Own the Podium 2010</b></p>		
<p>Alex Baumann, Chief Technical Officer</p>		
<p>Roger Jackson, Chief Executive Officer</p>		
<p><b>Pallium Foundation of Canada</b></p>		
<p>Sharon Baxter, Executive Director of the Canadian Hospice, Palliative Care Association</p>		
<p>José Pereira, Founding Director</p>		
<p><b>Physical Activity Policy Collective</b></p>		
<p>Andrea Grantham, Executive Director of Physical and Health Education Canada</p>		
<p>Andrew Pipe, Medical Director of the Minto Prevention and Rehabilitation Centre, University of Ottawa Heart Institute</p>		
<p><b>Social Sciences and Humanities Research Council of Canada</b></p>		
<p>Carmen Charette, Executive Vice-President, Corporate Affairs Secretariat</p>		
<p>Chad Gaffield, President</p>		



# APPENDIX B LIST OF BRIEFS

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## Organizations and Individuals

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**ABC CANADA Literacy Foundation**

**Action Canada for Population and Development**

**Aerospace Industries Association of Canada**

**Agnico-Eagle Mines Limited**

**Air Canada Pionairs**

**Alberta Association of Colleges and Technical Institutes**

**Alberta Chambers of Commerce**

**Alberta Pulse Growers Commission**

**Alberta Urban Municipalities Association**

**Algoma Central Corporation**

**Alliance des radios communautaires de l'Ouest et des territoires**

**Alliance for Equality of Blind Canadians**

**Alliance of Canadian Cinema, Television and Radio Artists**

**Alliance to End Homelessness**

**Alternatives North**

**American Federation of Musicians of Canada**

**Amyotrophic Lateral Sclerosis Society of Canada**

**Andersen, Erik**

**Area E Harvest Committee**

**Arrivals Duty Free Coalition**

**Assembly of First Nations**

**Association des producteurs de films et de télévision du Québec**

**Association des radios communautaires de l'Atlantique**

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## Organizations and Individuals

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**Association for Mineral Exploration British Columbia**

**Association of Atlantic Universities**

**Association of Canadian Academic Healthcare Organizations**

**Association of Canadian Airport Duty Free Operators**

**Association of Canadian Community Colleges**

**Association of Canadian Publishers**

**Association of Consulting Engineering Companies**

**Association of Equipment Manufacturers**

**Association of Faculties of Medicine of Canada**

**Association of Fundraising Professionals**

**Association of International Automobile Manufacturers of Canada**

**Association of Manitoba Municipalities**

**Association of Universities and Colleges of Canada**

**Association of Yukon Communities**

**Association québécoise de l'industrie du disque, du spectacle et de la vidéo (ADISQ)**

**Athabasca University**

**Atlantic Canada Airports Association**

**Atlantic Policy Congress of First Nation Chiefs Secretariat**

**Atlantic Provinces Community College Consortium**

**Barnes, Raymond**

**Barrett Xplore Inc.**

**Baxter Corporation**

**Bell Aliant Regional Communications**

**Bell Canada**

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## Organizations and Individuals

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**Bioniche Life Sciences Inc.**

**BIOTECanada**

**BMO Capital Markets**

**Boys and Girls Clubs of Canada**

**Brain Injury Association of Canada**

**Brandon Friendship Centre**

**British Columbia Government and Service Employees' Union**

**British Columbia Treaty Commission**

**Brooks & District Chamber of Commerce**

**Building and Construction Trades Department, AFL-CIO, Canadian Office**

**Bulkowski, Peter**

**Business Tax Reform Coalition**

**Campaign 2000**

**Campbell, Earl A. D.**

**Campus Stores Canada**

**Canada Foundation for Innovation**

**Canada's Medical Device Technology Companies (MEDEC)**

**Canada's Research-Based Pharmaceutical Companies (Rx&D)**

**Canadian Actors' Equity Association**

**Canadian AIDS Society**

**Canadian Airports Council**

**Canadian Alliance of Student Associations**

**Canadian Artists' Representation**

**Canadian Arts Presenting Association**

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## Organizations and Individuals

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**Canadian Association for Community Living**

**Canadian Association for Graduate Studies**

**Canadian Association of Fire Chiefs**

**Canadian Association of Gift Planners**

**Canadian Association of Income Funds**

**Canadian Association of Petroleum Producers**

**Canadian Association of Physicists**

**Canadian Association of Research Libraries**

**Canadian Association of Retired Persons**

**Canadian Association of Science Centres**

**Canadian Association of Social Workers**

**Canadian Association of Student Financial Aid Administrators**

**Canadian Association of Tour Operators**

**Canadian Association of University Teachers**

**Canadian Automobile Dealers Association**

**Canadian Bankers Association**

**Canadian Bar Association**

**Canadian Business Press**

**Canadian Cancer Society**

**Canadian Caregiver Coalition**

**Canadian Centre for Emergency Preparedness**

**Canadian Centre for Policy Alternatives**

**Canadian Chamber of Commerce**

**Canadian Chemical Producers' Association**

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## Organizations and Individuals

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**Canadian Coalition for Immunization Awareness and Promotion**

**Canadian Community Economic Development Network**

**Canadian Conference of the Arts**

**Canadian Consortium for Research**

**Canadian Construction Association**

**Canadian Convenience Stores Association**

**Canadian Co-operative Association**

**Canadian Council of Archives**

**Canadian Council on Social Development**

**Canadian Dance Assembly**

**Canadian Dental Association**

**Canadian Dental Hygienists Association**

**Canadian Diabetes Association**

**Canadian Electricity Association**

**Canadian Energy Pipeline Association**

**Canadian Federation for the Humanities and Social Sciences**

**Canadian Federation of Agriculture**

**Canadian Federation of Apartment Associations**

**Canadian Federation of Medical Students**

**Canadian Federation of Nurses Unions**

**Canadian Federation of Pensioners**

**Canadian Federation of Students**

**Canadian Federation of Students (British Columbia)**

**Canadian Federation of Students (Manitoba)**

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## Organizations and Individuals

---

**Canadian Federation of Students (Newfoundland and Labrador)**

**Canadian Federation of Students (Ontario)**

**Canadian Fertilizer Institute**

**Canadian Film and Television Production Association**

**Canadian Foundation for Climate and Atmospheric Sciences**

**Canadian Gas Association**

**Canadian Generic Pharmaceutical Association**

**Canadian Geothermal Energy Association**

**Canadian Health Food Association**

**Canadian Healthcare Association**

**Canadian Home Builders' Association**

**Canadian Home Care Association**

**Canadian Housing and Renewal Association**

**Canadian Hydrogen and Fuel Cell Association**

**Canadian Institute of Actuaries**

**Canadian Institute of Chartered Accountants**

**Canadian Institutes of Health Research**

**Canadian Labour Congress**

**Canadian Land Trust Alliance**

**Canadian Library Association**

**Canadian Life and Health Insurance Association Inc.**

**Canadian Manufacturers & Exporters**

**Canadian Manufacturers & Exporters - New Brunswick and Prince Edward Island**

**Canadian Meat Council**

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## Organizations and Individuals

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**Canadian Media Guild**

**Canadian Medical Association**

**Canadian Mental Health Association**

**Canadian Meteorological and Oceanographic Society**

**Canadian Museums Association**

**Canadian National Institute for the Blind**

**Canadian Natural Gas Vehicle Alliance**

**Canadian Network of Dance Presenters CanDance**

**Canadian Nurses Association**

**Canadian Olympic Committee**

**Canadian Paediatric Society**

**Canadian Paraplegic Association**

**Canadian Petroleum Products Institute**

**Canadian Printing Industries Association**

**Canadian Public Health Association**

**Canadian Public Works Association**

**Canadian Real Estate Association**

**Canadian Restaurant and Foodservices Association**

**Canadian Retail Building Supply Council**

**Canadian Shipowners Association**

**Canadian Society for Medical Laboratory Science**

**Canadian Steel Producers Association**

**Canadian Teachers' Federation**

**Canadian Trucking Alliance**

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## Organizations and Individuals

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**Canadian Union of Public Employees**

**Canadian Urban Transit Association**

**Canadian Vintners Association**

**Canadian Wind Energy Association**

**Canadian Wireless Telecommunications Association**

**Canadian Worker Co-operative Federation**

**Canadian Working Group on HIV and Rehabilitation**

**Canola Council of Canada**

**Canwest Media Inc.**

**Capital Power Corporation**

**Cardus**

**Care of the Child Coalitions**

**Cement Association of Canada**

**Centre for Image-Guided Innovation and Therapeutic Intervention**

**Certified General Accountants Association of Canada**

**Chamber of Marine Commerce**

**Child Care Advocacy Association of Canada**

**Citizens for Public Justice**

**City of Saskatoon**

**City of Selkirk**

**City of Spruce Grove**

**City of St. John's**

**City of Toronto**

**Clarington Board of Trade**



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## Organizations and Individuals

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**Clean Air Renewable Energy Coalition**

**Coady International Institute**

**Coalition for Canadian Astronomy**

**Coalition of Child Care Advocates of British Columbia**

**College Student Alliance**

**Colleges Ontario**

**Communitech**

**Community Coalition to End Poverty in Nova Scotia**

**Community Foundations of Canada**

**Community Radios of Canada**

**Confédération des syndicats nationaux**

**Conseil canadien de la coopération et de la mutualité**

**Conseil du patronat du Québec**

**Conseil québécois du commerce de détail**

**Consulting Architects of Alberta**

**Consumer Health Products Canada**

**Co-operative Housing Federation of Canada**

**Corporation of Delta**

**Council of Canadians with Disabilities**

**Council of Ontario Universities**

**County of Athabasca**

**Direct Sellers Association of Canada**

**Directors Guild of Canada**

**Downtown Surrey Business Improvement Association**

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## Organizations and Individuals

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**Early Childhood Educators of British Columbia**

**Economics of Technology Working Group**

**Edmonton Social Planning Council**

**Emirates Airline**

**Employers' Coalition for Advanced Skills**

**Enbridge Inc.**

**EnCana Corporation**

**Engineers Canada**

**Epcor Centre**

**Every Woman's Centre**

**Federal Superannuates National Association**

**Fédération des chambres de commerce du Québec**

**Fédération étudiante universitaire du Québec**

**Federation of Canadian Municipalities**

**Federation of Community Action Programs for Children of British Columbia Association**

**FilmOntario**

**Financial Executives International Canada**

**First Call: B.C. Child and Youth Advocacy Coalition**

**First Nations Tax Commission**

**Flin Flon Indian-Metis Friendship Association Inc**

**Food and Consumer Products of Canada**

**Ford, Royce**

**Forest Products Association of Canada**

**Fort McMurray Chamber of Commerce**

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## Organizations and Individuals

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**Foster Care Council of Canada**

**Fractal Capital Corp.**

**Fraser Valley Real Estate Board**

**Fraser, Graeme M.**

**Frew, Andrew**

**Frontier Duty Free Association**

**G&R Trees**

**Genome Prairie**

**Geshke, Laurie**

**GlaxoSmithKline Consumer Healthcare**

**Grain Growers of Canada**

**Grant MacEwan University**

**Greater Kitchener Waterloo Chamber of Commerce**

**Greater Vancouver Regional Steering Committee on Homelessness**

**Green Budget Coalition**

**Green Vehicle Exchange Program**

**GrowthWorks Capital Ltd.**

**Halifax Regional Municipality**

**Health Action Lobby (HEAL)**

**Heritage Canada Foundation**

**Heritage Vancouver Society**

**Hoffmann-La Roche Limited**

**Holcim Canada Inc.**

**Honda Canada Inc.**

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## Organizations and Individuals

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**Hotel Association of Canada**

**Human Early Learning Partnership**

**Imagine Canada**

**Imperial Tobacco Canada Limited**

**Independent Living Canada**

**Independent Media Arts Alliance**

**Information Technology Association of Canada**

**Innovation Synergy Centre in Markham**

**Insurance Brokers Association of Canada**

**Insurance Bureau of Canada**

**International Alliance of Theatrical Stage Employees**

**International Association of Fire Fighters**

**Investment Funds Institute of Canada**

**Investment Industry Association of Canada**

**Juvenile Diabetes Research Foundation Canada**

**Kids First Parents Association of Canada**

**Kobasiuk, Kevan**

**Ladner Sediment Group**

**Laterreur, Rémy**

**Lecours, Jean**

**LifeSciences British Columbia**

**MacDonald, Dalton**

**Mackie, Gerald**

**MacKillop Centre for Social Justice**

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## Organizations and Individuals

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**Magazines Canada**

**Make Poverty History**

**Manitoba Association of Friendship Centres**

**Manitoba Child Care Association**

**Manitoba Organization of Faculty Associations**

**March of Dimes Canada**

**McEachran, Jon**

**McGill University**

**McMaster University**

**Merck Frosst Canada Inc.**

**Meyers Norris Penny LLP**

**Mining Association of British Columbia**

**Mining Association of Canada**

**Mohawk College of Applied Arts and Technology**

**Montgomery Place Community Association**

**Mouvement pour les arts et les lettres**

**Movement for Canadian Literacy**

**Mowatt, Graham**

**Multiple Sclerosis Society of Canada**

**Municipality of Baker Lake**

**Muttart Foundation**

**National Aboriginal Caucus**

**National Airlines Council of Canada**

**National Angel Capital Organization**

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## Organizations and Individuals

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**National Association of Friendship Centres**

**National Council of Welfare**

**National Graduate Caucus**

**National Historic Sites Alliance for Ontario**

**National Quality Institute**

**Native Council of Prince Edward Island**

**Natural Sciences and Engineering Research Council of Canada**

**New Brunswick Federation of Labour**

**NorQuest College**

**North American Equipment Dealers Association**

**North Saskatoon Business Association**

**Northern Territories Federation of Labour**

**Nova Scotia Federation of Labour**

**Ocean Renewable Energy Group**

**Office of the Provincial Advocate**

**Oil Sands Developers Group**

**Ontario Coalition for Social Justice**

**Ontario College of Art and Design**

**Ontario Federation of Indian Friendship Centres**

**Ontario Federation of Labour**

**Ontario Funeral Service Association**

**Ontario Municipal Social Services Association**

**Ontario-Quebec Grain Farmers' Coalition**

**Opera.ca**

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## Organizations and Individuals

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**Option consommateurs**

**Orchestras Canada**

**Ottawa Centre for Research and Innovation**

**Otway, William**

**Own the Podium 2010**

**Pacific Community Resources Society**

**Pallium Foundation of Canada**

**ParticipACTION**

**Partnership Group for Science and Engineering**

**Pawlak, Steve**

**Pearson College**

**Pembina Institute**

**Pembina Institute - Arctic Energy Solutions Program**

**Philanthropic Foundations Canada**

**Physical Activity Policy Collective**

**Pittman, Dan**

**PIVOT Legal Society**

**Plutonic Power Corporation**

**Police Association of Ontario**

**Polytechnics Canada**

**Port Metro Vancouver**

**Prince Edward Island Federation of Agriculture**

**Prince Edward Island Road Builders and Heavy Construction Association**

**Prince Edward Island Senior Citizens' Federation**

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## Organizations and Individuals

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**Prince Rupert Port Authority**

**Professional Association of Canadian Theatres**

**Professional Institute of the Public Service of Canada**

**Professional Writers Association of Canada**

**Prospectors and Developers Association of Canada**

**Public Service Alliance of Canada**

**Public Service Alliance of Canada - Northern Region**

**Purchasing Management Association of Canada**

**Quadrise Canada Corporation**

**Quality Urban Energy Systems of Tomorrow**

**Quebec Port Authority**

**Railway Association of Canada**

**Real Property Association of Canada**

**REAL Women of Canada**

**Recreation Vehicle Dealers Association of Canada**

**Regional Municipality of Wood Buffalo**

**Registered Nurses' Association of Ontario**

**Renewable Energy Coalition of Canada**

**Rental Owners and Managers Society of British Columbia**

**Research Canada: An Alliance for Health Discovery**

**Réseau SOLIDARITÉ Itinérance du Québec**

**Residential and Civil Construction Alliance of Ontario**

**RESULTS Canada**

**Retail Council of Canada**



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## Organizations and Individuals

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**Rick Hansen Foundation**

**Royal College of Physicians and Surgeons of Canada**

**Rural Municipality of Alexander**

**Sakatch, Lyle R.**

**Sarnia Lambton Chamber of Commerce**

**Saskatchewan Association of Rural Municipalities**

**Saskatchewan Chamber of Commerce**

**Saskatchewan Institute of Applied Science and Technology**

**Saskatchewan Telecommunications**

**Saskatchewan Urban Municipalities Association**

**Science World British Columbia**

**Scrymgeour, Robert**

**Scugog Chamber of Commerce**

**Selkirk Friendship Centre**

**Service Employees International Union**

**Shipping Federation of Canada**

**Small Explorers and Producers Association of Canada**

**Smith, Chris**

**Social Innovation Generation**

**Social Planning Council of Winnipeg**

**Social Planning Toronto**

**Social Sciences and Humanities Research Council of Canada**

**Society of Management Accountants of Canada**

**Sport Matters Group**

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## Organizations and Individuals

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**Sport Nova Scotia**

**St. Denis, Richard**

**Stebbings, Terrence R.**

**Street Level: The National Roundtable on Poverty and Homelessness**

**Sucker Creek First Nation**

**Surrey Board of Trade**

**Sustainable Development Technology Canada**

**Tax Executives Institute**

**Thorsteinssons**

**Toronto Board of Trade**

**Toronto Financial Services Alliance**

**Tourism Industry Association of Canada**

**Treaty 8 First Nations of Alberta**

**TRIUMF**

**Union des producteurs agricoles**

**Union of Canadian Transportation Employees**

**Union of Environment Workers**

**United Way of the Alberta Capital Region, Success by 6**

**University College of the North**

**University of Alberta**

**University of British Columbia**

**University of Manitoba**

**University of Regina**

**University of Toronto**

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## Organizations and Individuals

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**Upper Lakes Marine and Industrial Inc.**

**Vancouver Island University**

**Vanier Institute of the Family**

**Village of Tahsis**

**Visual Arts Alliance**

**Volunteer Alberta**

**Volunteer Canada**

**VON Canada (Victorian Order of Nurses)**

**Wellesley Institute**

**Winnipeg Airports Authority Inc.**

**Women Elders in Action**

**Wood Buffalo Housing and Development Corporation**

**Woodcliffe Corporation**

**Writers' Union of Canada**

**Yanota, John**

**YMCA Canada**

**YWCA Canada**



## MINUTES OF PROCEEDINGS

A copy of the relevant Minutes of Proceedings ([Meetings Nos. 39, 40, 41, 42, 43, 44, 45, 47, 48, 49, 50, 51, 52, 53, 54, 55, 58, 59, 60, 63, 64, 66, 67 and 68](#)) is tabled.

Respectfully submitted,

James Rajotte, MP  
Chair



## **SUPPLEMENTARY OPINION OF THE CONSERVATIVE PARTY OF CANADA**

First and foremost, we thank the many individuals and public interest or industry groups from across the country that made their views heard before the Committee. Their participation was instrumental in ensuring the Committee engages with Canadians in a meaningful way.

While the Conservative Party is generally in agreement with the overall report, we believe the other parties supported several recommendations that were fiscally irresponsible, economically harmful, and showed no concern for the threat of structural deficits. As a result, we qualify our support for this report through this supplemental opinion.

2009 will be remembered as a year when the world combated a synchronized global economic recession that was unprecedented in recent history. While this economic storm did not originate in Canada and we weathered it better than most, it had a marked negative impact on our economy.

We applaud the Government for their quick and decisive response. Canada's \$62-billion, two-year Economic Action Plan went above and beyond our G-20 commitment. Working with all of the provinces and territories, the Plan provided extraordinary fiscal stimulus to protect the economy. We note the injection of stimulus was the largest in the G-7, and among the largest in the G-20.

"The situation would be much worse if governments around the world had not taken unprecedented action to stimulate the economy ... There would not be growth in the economy now if governments had not taken this action. I commend you and government officials for recognizing the severity of this crisis and taking strong action. As a result, we are starting to see signs of growth in the economy and GDP."

*Toby Sanger (Canadian Union of Public Employees), September 16, 2009*

The Economic Action Plan served as a timely and powerful jolt to Canada's economy through permanent tax reductions, help for the unemployed, massive infrastructure spending, support for research and technology, improved access to financing for Canadian households and businesses, assistance for struggling industries (such as the auto and forestry sectors) and communities most affected by the global downturn, and much more.

"(Infrastructure spending) seems to be working fairly well across the country ... I know that here in Prince Edward Island, overall it has worked very well ... It's the same in Newfoundland. It's going very well there ... Things have gone really well here in Summerside ... I think we had applied for ten, and I think they were all approved. As I say, things have worked out well. And they've worked out well in other parts of the country as well ... We have no complaints with the way things are going."

*Basil Stewart (Federation of Canadian Municipalities), October 5, 2009*

"The Government of Canada has made important investments in knowledge creation and innovation, even in these current times of economic uncertainty. And I would like to register our appreciation for the sustained investment in research, science, and technology made by the Government of Canada over the past few years."

*Judith Wolfson (University of Toronto), October 22, 2009*

"I would categorically say (the Home Renovation Tax Credit) has increased the stimulus for our members. I can tell you that back in the spring of this year, our members were reporting negative sales growth ... but I can tell you that based on my conversations with many of our members in the past several weeks, they're starting to report double-digit sales growth ... So I would have to say yes, it is a definite stimulus for our economy, this HRTC."

*David Campbell (Canadian Retail Building Supply Council), October 22, 2009*

With 97% already committed, the Plan is clearly having an impact. Canada is seeing early tentative signs of an economic recovery: our housing market is growing, domestic demand is increasing, our financial system is the soundest in the world, and – most importantly – Canada's job market is stabilizing. Over the last four months, Canada has seen an average of over 20,000 jobs created. For the first time in a generation, the Canadian unemployment rate is nearly 2% points lower than the US.

"We support the federal government's response to the crisis. We feel that it acted quickly, it acted judiciously, and it came forward with what we felt was the right mix of fiscal policy to address the crisis. I think the way the Canadian economy has withstood the crisis is testament to that."

*Ian Russell (Investment Industry Association of Canada), October 22, 2009*

We also applaud the Government for ensuring we entered the recession from a position of strength by paying nearly \$40 billion off the national debt during its first three years, putting Canada in an enviable position. We had the lowest debt in the industrialized world going into the global recession and we will maintain that advantage as we exit it. Indeed, the International Monetary Fund projects Canada's net debt will be only 1% of GDP higher by 2014. While, on average, net debt in other G7 countries will increase by 25% of GDP. Canada's fiscal advantage has allowed the Government to embark on temporary stimulus deficit spending without mortgaging the future.

"Canada has a number of advantages that will hasten its economic recovery, including a sound fiscal base and an ongoing strategy to achieve international tax competitiveness. This fiscal policy direction has served Canadians well by providing fiscal stimulus in the short term while helping to put the economy on a strong foundation for sustainable growth."

*Terry Campbell (Canadian Bankers Association), October 26, 2009*

While the Economic Action Plan is getting results and we have seen positive economic indicators, we acknowledge that we have yet to see an entrenched global recovery and risks remain. Given the ongoing volatility, the Government's immediate priority must be to stay on course and fully implement Canada's Economic Action Plan to help secure the emerging economic recovery. As this is a two-year plan, we recognize that significant temporary ongoing financial commitments are already in place. The Government's focus in the upcoming federal budget, as a result, should not be on new additional stimulus but getting existing stimulus measures into the economy. Additionally, any spending commitments must be limited and aligned to ensure a timely return to balanced budgets. We further urge the Government to follow through on the exit strategy built into the Economic Action Plan by ensuring temporary measures end as scheduled. Moreover, once the global recovery is secured, the Government's priority should be the return to balanced budgets and continuing to build on the Government's record of debt repayment. Ongoing structural deficits are not acceptable.

"Rising debt and the accompanying interest payments severely constrain flexibility and will reduce the ability to address ongoing national competitiveness issues ... preserving public trust and the sustainability of public finances are essential for recovery."

*Art Sinclair (Greater Kitchener Waterloo Chamber of Commerce), October 22, 2009*

"The federal government must pay attention to debt management, keep a watchful eye over its expenditures, and regularly report to Canadians on progress towards that goal... When Canada entered the global recession, it did so from a position of relative strength on account of years of prudent fiscal management. Like the rest of the world, while we face some degree of uncertainty in the future, we cannot afford to rest on our laurels and undo the incredible progress we've made as a nation."

*Bob Harvey (Certified General Accountants Association of Canada), September 16, 2009*

The Government must accomplish this through responsible financial management – especially restraint in federal program spending; not by increasing the tax burden on Canadians, radically slashing direct transfers to Canadians, or downloading on the provinces.

## **WHAT WE AGREED WITH**

The Conservative Party strongly supports the absolute necessity to fully implement Canada's Economic Action Plan as the single most important recommendation. While we've seen early tentative signs of an economic recovery, we cannot become complacent. Again we underline that now is not the time to undertake major new spending initiatives. Instead, we must stay the course and ensure existing measures continue to protect and create jobs.

"Our advice to the government as far as the Economic Action Plan is concerned is to allow the plan to run its full course."

*Bob Harvey (Certified General Accountants Association of Canada), September 16, 2009*



We also support recommendations that adopted our fundamental belief that lower taxes are good for families, business and Canada's long-term economic growth. Witness after witness endorsed the Government's long-term strategy of lowering personal and business taxes to ensure Canada's continued international competitiveness, and urged it to stay the course in that respect.

"The good news is that on the tax front, Canada is getting more competitive ... The corporate tax cuts that were made and did affect our competitiveness and our ability to attract new investments were a factor in attracting new investments to and new jobs for this country."

*David Podruzny (Canadian Chemical Producers' Association), October 8, 2009*

"Stay the course in moving the federal corporate income tax rate to 15% by 2012. The reduction in corporate tax rates... recognizes the importance of building a competitive tax regime. We commend the federal government for its progress in moving along this path. It's important that the government stay the course in this area."

*Paul Stothart (Mining Association of Canada), October 8, 2009*

"Although Canada is not immune to global recessions, the scheduled reductions in the corporate rate ... mitigated business cutbacks in Canada and tempered the severity of the downturn for Canadians. We urge the government to stay its course or accelerate the schedule of corporate income tax rate reductions."

*Sherrie Ann Pollock (Tax Executives Institute), October 22, 2009*

"We note that Canada has made important progress in reducing corporate taxes, and we applaud the government's goal of establishing the lowest marginal effective tax rate on new business investment in the G-7 by 2010 ... We urge the government to stay the course in reducing the corporate income tax rate to 15% by 2012. Canada simply cannot afford to abandon the progress that has been made in reducing corporate taxes ... If you do not retain a strong competitive position within the world, then you are going to have to suffer the consequences."

*Bruce Flexman (Canadian Institute of Chartered Accountants), October 26, 2009*

The Conservative Party would also like to highlight important recommendations that emphasized the need for the removal of internal barriers to trade within Canada, and its strong endorsement of the proposed Canadian Securities Regulator.

"A national securities regulator is imperative, and we are pleased to see the creation of the Canadian securities transition office to further this important initiative... It's a big competitive world out there, and Canada is a relatively small capital market versus the entire world. So the ease of access for the capital markets is critical ... a single securities act and a single set of regulations, improved enforcement, a lot of the things that are currently being looked at the securities regulator just make sense."

*Michael Conway (Financial Executives International Canada), November 2, 2009*

We were further encouraged by recommendations that recognized the importance of protecting transfers to the provinces and territories and the services such as health care and education they provide. While we strongly believe returning to balance budgets is of vital importance once the recovery is secure, we strongly urge the Government to avoid the example of Liberal government in the 1990s when they slashed provinces and territories transfers.

"The federal government chose to cut investment in education in the mid-1990s to reduce the deficit. Due to these cuts, Canada faced a brain drain."

*Arati Sharma (Canadian Alliance of Student Associations), September 16, 2009*

"As we enter the post-recession period and the federal government begins dealing with the deficit it would be wrong to repeat the mistakes of nineties when federal and provincial governments push deficits of balance sheets into the streets of cities and communities. The damage done to Canada's cities is still evident."

*Basil Stewart (Federation of Canadian Municipalities), October 5, 2009*

#### **WHAT WE DID NOT AGREE WITH**

While broadly supportive of the report, we are disappointed that other parties deliberately ignored existing stimulus commitments already in place and disregarded fiscal prudence to endorse excessively expensive recommendations that only serve to invite structural deficits. Examples of positions we cannot endorse include a costly nationalized daycare plan, an ill-conceived tax subsidy for a select few 'designated'

individuals, massive new costs for an expanded Employment Insurance program, resurrection of failed government programs, and many others.

This regrettable embrace of a 'free-spending' attitude among the other parties suggests a clear inability to recognize the dangers of ongoing deficits, especially as Canada is confronted with the challenges of an aging population. We strongly urge them to reconsider that attitude, and admit the importance of returning to balanced budgets and debt reduction. However, based on the previously mentioned recommendations endorsed by the other parties, the Conservative Party doubts they have the discipline required to do so.

### **CONCLUSION**

Canada's Economic Action Plan is working and making a difference across the country. While we've seen early tentative signs of an economic recovery at home and abroad, the global recovery is not secure. We cannot become complacent, we must stay on course.

The Conservative Party believes that Budget 2010 should not be a typical budget. Its central focus should be the continued implementation of Canada's Economic Action Plan – it will be year two of our two-year Plan.

While we believe the Government should continue to stimulate our economy, help create jobs and provide assistance for those affected by the economic downturn, the Conservative Party does not feel it to be fiscally prudent to undertake major new spending initiatives. Rather, we must stay on course with the stimulus measures already announced to protect and create jobs.

Once the global recovery is secure, the Government will need to begin the return to balanced budgets – not by relying on hiking taxes, slashing benefits to Canadians, or downloading on the provinces – but rather responsible financial management.

**Ted Menzies, MP, Parliamentary Secretary to the Minister of Finance**  
**Kelly Block, MP**  
**Bob Dechert, MP**  
**Daryl Kramp, MP**  
**Mike Wallace, MP**

## **SUPPLEMENTARY OPINION OF THE LIBERAL MEMBERS OF THE STANDING COMMITTEE ON FINANCE**

For the first time in over a decade the Standing Committee on Finance undertook pre-budget consultations while the federal government was running a deficit. After the previous Liberal government balanced nine consecutive budgets and paid down \$81 billion of national debt, this year's nearly \$60 billion Conservative deficit certainly coloured the discussions the committee had with Canadians.

It was unfortunate that it was only after the committee had spent \$500,000 of taxpayers' money hearing from Canadians from coast to coast to coast that the Finance Minister announced that this year's budget would contain no new spending measures. The committee heard from over 400 organizations, businesses and individuals and, as evidenced by the recommendations in the main report, the committee believes that there are very real and pressing needs across the country. Liberal members of the committee hope that the Finance Minister will consider the committee's recommendations despite his earlier commitment to table a spending free budget.

While the Liberal members of the Finance Committee recognize that four years of Conservative mismanagement have created some tight fiscal constraints, we remain convinced that there are important needs among Canadian families and businesses that must be addressed. As a result Liberal members of the committee have drafted this supplemental report outlining some measures which were not included in the main report but should none the less be considered by the government.

To begin, some of the groups appearing before the committee presented ideas that could actually increase government revenues without increasing taxes. For instance the committee heard that approximately \$2 billion in tax revenue is forgone each year due to the prevalence of contraband tobacco products. Recent media reports have indicated that a large portion of teenage smokers chose to smoke these contraband tobacco products as they are cheaper and sometimes easier to purchase. The Liberal members of the Finance Committee recommend that the government take immediate action to stop the illegal tobacco trade and recoup the \$2 billion in taxes lost to the trade annually and that the government should look at long term solutions to this problem to prevent a recurrence.

The committee heard from a company called Bioniche which has been developing a vaccine to help reduce the incidence of E. coli in cattle. Bioniche believes that their vaccine could reduce incidence rates by upwards of 98%. Liberal members of the committee believe that the government should consider supporting this vaccine in order to help protect the health and lives of Canadians.

We also heard from the Rick Hansen Foundation which believes that its work on spinal cord injury research is ready to be taken to the next level by launching the The Rick Hansen International Spinal Cord Institute.

We heard from police associations who asked the Conservative government not to forget that they ran on an election promise to fund 2,500 more front line officers and urged the government to move forward on its promise now.

We heard from many university, college and student organizations concerned with the mounting costs of post-secondary education. We feel that the government should do more to ensure that a post-secondary education remains within reach for all Canadians and that money is not a significant barrier to higher learning.

We heard from organizations such as the Saskatchewan Association of Rural Municipalities which vividly detailed the urgent need to invest in maintaining rural roads and bridges in order to grow rural economies.

Liberal members of the committee were interested in the Centre for Image-Guided Innovation and Therapeutic Intervention's (CITIGI) presentation. The center focuses on treating disabilities and abnormalities in very young children so that they can go on to lead healthier lives. The centre has received some funding through the Canada Foundation for Innovation but requires more support. Liberal members of the committee believe that in addition to improving the lives of newborns, this technology represents an opportunity to reduce healthcare costs down the road as according to (CITIGI) children with birth defects represent 25% to 30% of all hospitalization costs in Canada. The government should consider this request.

As mentioned in the main report the committee heard several groups request to amend the Bankruptcy and Insolvency Act so that underfunded pension plans are given a higher priority status in the event of a bankruptcy. The Liberal members of the committee strongly urge the government to consider their request.

In terms of tax increases, the Liberal members of the Finance Committee remain concerned about the Conservative government's impending Employment Insurance Premium increases. The Conservative government's approach of forcing Canadians to pay more tax in order to work stands in sharp contrast to the previous Liberal government's approach of reducing Employment Insurance premiums each and every year.

Beginning in January of 2011 the Conservative government will be raising EI premium rates at the maximum amount allowed under the law and continue to increase each January until 2014. The plan appears to be to use these premium increases to help reduce the structural deficit created by the Conservative government and which the Parliamentary Budget Officer projects will continue to be \$19 Billion in 2014-15. We fear the brunt of these payroll tax increases will be borne mostly by working families and small businesses.

After a free spending budget in 2009 the Finance Minister has promised a spending free budget with no achievable plan to restore the nation's fiscal framework to financial health in 2010. Last year the Liberal Party argued for targeted, effective, timely, fiscal stimulus. The result was blizzard of announcements by the government, free of any coherent plan of action, which were neither timely, targeted nor effective. As an example, infrastructure projects tended to favour areas with the lowest unemployment rather than where the need was greatest.

At the end of the day even the Parliamentary Budget Officer is unable to provide any thoughtful analysis as to the effectiveness of budget 2009. We trust and know that budget 2010 can do better.

Finally, the Liberal members of the Finance Committee wish to thank the hundreds of organizations, businesses and individuals who appeared before the committee to share their ideas. We would also like to thank the support staff of the Standing Committee on Finance for their excellent work.



**Bloc Québécois Dissenting Opinion:  
A report that ignores Quebec's economic interests**

First of all, the Bloc Québécois wants to thank all the witnesses who took part in the pre-budget consultations.

The Finance Committee's report on the pre-budget consultations has once again proven that Quebec's economic interests and priorities will never be respected within the Canadian federal framework. Steered by the Conservatives, the Finance Committee has adopted a report that is indifferent to Quebec's economic reality.

To meet Quebec's specific needs it is therefore the duty of the Bloc Québécois to make recommendations to the government that should be incorporated into its next budget. The economy of the Quebec nation is a green economy, driven by industries of the future, shaped by the Quebec culture, concerned about the lot of the disadvantaged, and marked by the continuing importance of traditional sectors everywhere on its territory.

- **A green economy**

Quebec is a leader in the fight against climate change in North America, and its economic growth depends on a bold conjunction of the economy with the environment. The Finance Committee, dominated by political parties susceptible to the demands of Big Oil, was unable to come up with a plan for fighting GHG emissions that was consistent with Quebec's interests. The Committee refused to recommend to the government that it bring in an ambitious, daring and visionary climate change plan, as proposed by the Bloc Québécois. Instead, the Committee preferred to recommend a few toothless generalities. Our plan included absolute and binding GHG reduction targets, with 1990 as the reference year; our targets were based on a territorial approach and on a carbon credits trading mechanism operated through a carbon exchange. Unfortunately, Canadian interests once again took precedence over Quebec interests, and the Committee preferred to implicitly support the development of the tar sands, which will deprive businesses in Quebec of the compensation they deserve for the efforts made by Quebec's manufacturing sector to reduce GHG emissions.

The Bloc Québécois is pleased that the Committee adopted a comprehensive strategy for promoting the use of electric vehicles. But will the Conservative government get the message? Will it take advantage of its upcoming budget to go ahead with such a strategy? It seems unlikely.

It is obvious to us that the Committee placed the interests of Ontario steel mills and other industries reliant on coal mined in the Canadian West ahead of organizations and industries that want to make the transition to new ways of doing things. This explains the

absence of a strategy to encourage the use of wood in federal construction projects. In addition to being a green replacement for steel, wood is the economic pillar of many Quebec regions. The federal government has chosen to subsidize the automobile industry to the tune of billions of dollars while doing almost nothing to support Quebec's forest industry; for example, it could offer loans and loan guarantees. The Bloc Québécois put forward recommendations designed to implement a comprehensive support and modernization policy for the forest industry. The ball is now in the federal government's court. The budget will show us whether it heard the appeal of the Committee and of the Bloc Québécois.

- **An innovative economy**

Quebec's economy is characterized by the presence of innovative businesses in leading-edge sectors. Whether in the aeronautics, aerospace, biomedical or computer sector, Quebec is winning a place for itself in the front ranks of innovative industries. However, because of the intense international competition, Quebec industries must be able to count on government support to continue innovating and expanding globally. The Bloc Québécois proposed a comprehensive strategy on innovation that was not adopted by the Committee. Innovation, no matter what the sector, necessarily depends on education. This is why the Bloc Québécois continues to call on the federal government to reinvest in the CST the amounts required to bring the Transfer back up to the indexed level it reached before the cuts of the mid-1990s. If that happened, the Quebec government would have available to it the necessary margin of manoeuvre to invest in training and guarantee a certain level of prosperity. To remain in the front ranks of innovative industries, it is imperative that our enterprises enjoy a head start in technology development. This is why the Bloc Québécois proposed a refundable scientific research and experimental development tax credit, payable quarterly so that enterprises would have the support they need to develop new products through the pre-marketing phase (when they are generating no profits), while encouraging maintenance of research expenditure during economic slowdowns. Once again, the Committee refused to recommend our idea. Lastly, the Bloc Québécois proposed the introduction, improvement and expansion to all innovative sectors of the Technology Partnerships Canada program, which was cancelled by the Conservatives. The Committee did not follow up on this, so it would be surprising if the government, in its next budget, adopted the Bloc Québécois's proposals for supporting innovative sectors.

- **An economy that serves home-grown enterprises**

The increased global competition has hurt Quebec's manufacturing sector badly. Regrettably, the federal government, although it has the tools to temper the effects of foreign competition on home-grown enterprises, has often preferred a laissez-faire approach. What is more, the Conservative government in its last budget amended the *Investment Canada Act* to bring the automatic review threshold to \$1 billion. As a result,



any foreign takeover where the value of the transaction is less than \$1 billion can be put through without the government's having to assess whether it is beneficial for the economies of Quebec or Canada. The Bloc Québécois tried vainly to convince the Committee of the need to recommend to the government that the threshold be lowered, and that transactions be approved only if they would actually be good for the economy and for workers. Nor did the Committee adopt our recommendations on modernizing antidumping legislation so that traditional sectors could, within the limits of our international trade agreements, be protected; or our recommendation that government procurement be used to promote local development, again while respecting our international agreements. The measures proposed by the Bloc Québécois would require very little in the way of new spending, but they would give the Quebec economy a definite boost. It is the government's duty to consider these measures when preparing its next budget.

- **An economic framework that respects Quebec**

The past year has been marked by major setbacks in intergovernmental fiscal relations. Quebec is losing more than \$1 billion annually in equalization following the federal government's unilateral decision to cap the formula. What is more, Ontario is enjoying special treatment in the way the federal government calculates the revenues of its hydroelectric corporations. If the federal government gave Hydro-Québec the same treatment, the Quebec government would receive a supplementary transfer of \$250 million annually. As the defender of Quebec's interests, the Bloc Québécois attempted to convince the Committee to rectify these flagrant injustices. Unfortunately, the Committee did not see fit to propose any such measure to the federal government.

The Committee also persisted in supporting the government's plan for setting up a single securities commission, despite the disastrous consequences for Montreal's financial sector. The Committee's decision flouts the unanimous will of the National Assembly and rides rough-shod over an area of jurisdiction exclusive to Quebec and the provinces. In a similar spirit of predatory federalism, the Committee refused to recommend that the government eliminate once and for all the federal spending power in areas of jurisdiction of Quebec and the provinces. Lastly, the federal government is still denying Quebec fair compensation for the sales tax it harmonized 18 years ago, while Ottawa has just agreed to pay billions of dollars in compensation to Ontario and British Columbia for their PST harmonization. The federal government must respond to the Bloc Québécois's recommendations; anything else would be disrespect for the Quebec nation.

- **An economy at the service of the people**

Economic growth must not benefit only those members of society who are already well off. The government has a duty to guarantee a social fabric that helps people struggling with certain kinds of difficulties. With a view to ensuring such social justice, a

fundamental value of the Quebec nation, the Bloc Québécois proposed an enhancement of the Employment Insurance program. While the Committee retained some recommendations designed to improve the program, the Bloc Québécois considers that an in-depth reform is necessary if the program is to respond adequately to the needs of the unemployed. The government must allow for this in its next budget. In addition, for several years now the Bloc Québécois has been fighting to make sure that our poorest seniors are entitled to a minimum of dignity. Deplorably, the federal government continues to deny older people the right to an income that would enable them at least to reach the poverty line. This is all more unacceptable in that the federal government has short-changed seniors of over \$3 billion by not paying them GIS to which they are entitled. It is incomprehensible that the government would refuse to increase GIS payments so that seniors can be rescued from indigence, just as it is disgraceful that the government would line its pockets with money owed to the poorest members of the community. The Bloc Québécois proposed recommendations for correcting this state of affairs, but unfortunately the Committee rejected them. Let us hope that the federal government will follow up on them in its next budget.

- **An economy open to the world**

Developed-nation status enables the citizens of Quebec and Canada to enjoy great material prosperity. These privileges come with a moral obligation to do our share to encourage development in the poorest countries. When the Liberals were in power, they promised that international development assistance would reach 0.7% of GDP by 2015, consistent with the Millennium Development Goals. The promised funding has never materialized. The arrival in office of the Conservatives has not altered the situation, far from it: fixated on arms rather than development, the government has done nothing about achieving its international development assistance objectives. The Bloc Québécois nevertheless managed to convince the Committee to recommend to the government that it increase foreign aid rapidly toward the goal of 0.7% of GDP, though it would be surprising if the government changed tack in its next budget. Also, it is incredible that the federal government can continue to sanction the use of tax havens by Canadian and Quebec enterprises. Despite talking a good game, the government has never amended the *Income Tax Act* to close all loopholes so that the richest individuals and corporations would have to pay their fair share of income tax. The Committee did not adopt the Bloc Québécois's proposals on this problem, preferring a watered-down approach with no real bite. At a time when it is running deficits, the federal government should take advantage of its next budget to put an end once and for all to the use of tax havens.

- **A nation proud of its produce**

Quebec produce occupies a place in Quebecers' hearts as well as on their plates. Whether we are talking about Lac-Saint-Jean blueberries, Matane shrimp, lobster from the Magdalen Islands, Charlevoix lamb, fine cheese or Quebec pork, Quebec is clearly

home to a long tradition of enjoying local farm produce. Agriculture is important to both our economy and our taste buds, and to safeguard its development the Bloc Québécois presented a comprehensive assistance program for supporting this sector. Unfortunately, the Committee refused to adopt most of the Bloc Québécois proposals. It did, however, at the instigation of the Bloc Québécois, propose incentives to encourage the next generation of farmers, support farm incomes and assist the fisheries sector. The Bloc Québécois will be maintaining pressure on the government to act in Quebec's interests when drawing up its next budget.

- **A culture unique to Quebec**

Quebec's culture is the heartbeat of our nation. It is through its culture that Quebec reaches out to the world. The creative genius of Quebec's artists enables them to contribute actively to Quebec's economic development while allowing us to assert our own identity loud and clear in the middle of the Anglo-Saxon sea that is North America. The cultural cuts made by the Conservative government constitute a direct attack on Quebec culture. To put an end to the absurdity of the federal government's having financial and regulatory powers over Quebec culture, the Bloc Québécois submitted recommendations to the Committee for transferring funding and powers in this area to Quebec so that we can control our own communications and culture. The Committee did not accept these recommendations. It did adopt some Bloc Québécois proposals, particularly with regard to increased investment in the cultural sector, but it rejected income averaging for artists. The Bloc Québécois will continue to defend Quebec culture and pressure the federal government to accede to these demands in its next budget.



**New Democratic Party  
Recommandations  
Report on pre-budget consultations**

- Remove limitations on funding for research and advocacy activities in the revised terms and conditions of the Women's Program at Status of Women Canada
- Invest in habitat protection and enforcement to ensure a healthy and stable fishery for generations to come
- Increase the residence portion of the Northern Residents Tax Deduction that this portion of the tax deduction be indexed in order to keep pace with inflation based upon a Northern inflation measurement
- Fully reimburse Canadian seniors whose pension incomes have been negatively affected as a result of an error in calculating the rate of inflation. While the government has acknowledged the error it made it has so far refused to take any remedial action
- Remove the two percent limit on social program spending in the Department of Indian and Northern affairs so programs can be funded according to need and population growth
- Implement the five recommendations of the veterans' first motion as approved by Parliament, notably by eliminating the unfair reduction of Service Income Security Insurance Plan long term disability benefits from medically released members of the Canadian Forces
- Establish long term permanent bridging, mentorship and settlement programs that assist new immigrants in finding good and meaningful employment
- Subject to the jurisdiction of provinces, move toward a full, universal, cost-effective, regulated, not-for-profit child care program available to all parents across the country
- Improve the employment insurance system by reducing the required number of hours for qualifying to 360, by eliminating the two week waiting period and by basing the insurable payment on the twelve (12) best weeks worked
- Fund the Correctional Service of Canada to provide sufficient mental health diagnosis and treatment

- Maintain the existing prison farm program, expand it to other institutions, and add additional similar vocational programs
- Provide financing to ensure that all First Nations and municipalities meet the Canadian Water Quality Guidelines on drinking water. Equal fed/municipal/provincial cost sharing
- Reattribute one extra cent of the existing gas tax to fund public transit in Canada
- Provide extra resources to visa offices overseas and the Refugees Board to reduce wait times inflicted by a huge back log of family class and refugees' applicants
- See to the retroactive payment of \$2.6 billion to Quebec as compensation for their tax harmonization of 1980
- Create a comprehensive strategy to treat and prevent HIV, tuberculosis, and diabetes in First Nations, Inuit and Metis populations in urban, rural and remote settings