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Chair

Mr. James Rajotte

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•(1005)

[English]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): I call this meeting to order.

I apologize for the slight delay in getting started this morning. The committee just prior to ours did not get out until 10 a.m.

I want to welcome everyone here this morning. We are continuing our pre-budget consultations for 2011 in advance of next year's budget.

We have two panels here this morning. In the first panel, we have seven individual organizations: first, the Tax Executives Institute, Inc.; second, the Aerospace Industries Association of Canada; third, the Canadian Alliance of Student Associations; fourth, the Canadian Electricity Association; fifth, the Shipbuilding Association of Canada; sixth, the Canadian Council for International Co-operation; and seventh, as an individual, Mr. Donald Johnson, who is well known to all of us at the finance committee.

We welcome all of you. We have an hour and a half for this session. It's a short time period, both for presenters and for members, so we will ask you to keep the length of your comments to a maximum of five minutes for opening statements for each organization. Then we will start with members' questions.

We'll start with Mr. Penney, please.

Mr. David Penney (President, Tax Executives Institute, Inc.): Thank you, and good morning.

I am the general director of taxes for General Motors of Canada Limited, and I am here today as the international president of the Tax Executives Institute.

TEI is the pre-eminent association of business tax professionals worldwide. Our 7,000 members work for 3,000 of the largest companies in Canada, the United States, Europe, and Asia. My comments today are endorsed by both TEI's Canadian members and others whose firms have significant operations and investments in Canada.

During the past decade, the government has focused on making Canada's business tax structure more competitive. By reducing the federal corporate income tax rate from 21% to 15%, the government has confirmed its commitment to keeping Canada competitive, enhancing the prospects for sustainable economic growth, and increasing the attractiveness of investments in Canada. But Canada must remain vigilant, especially as other countries restructure their tax systems, implement rate reductions, and lower marginal effective

tax rates. Thus, TEI welcomed the 2010 commitment to consider changes to the taxation of corporate groups, and we are pleased to participate in the Department of Finance's consultation.

In our April 8, 2011, comments, we explained that the implementation of a corporate group taxation system will both improve the competitiveness of the system and better align it with the rest of the world. More than two-thirds of OECD countries provide legislative or regulatory regimes for loss transfers, with Canada being the only G-7 country that lacks such a feature.

History shows that following a financial crisis, economic stagnation may occur as credit markets tighten. Permitting corporate groups to offset profit and losses and share other tax attributes in an efficient, straightforward fashion will moderate the attendant effects by improving corporate liquidity, reducing borrowing costs, and eliminating transaction costs that are incurred today. As important, Canada Revenue Agency will no longer have to devote considerable resources to issuing advance income tax rulings and ensuring transactions are onside with CRA guidelines. TEI has provided detailed recommendations for a group loss transfer system to the Department of Finance.

In summary, we believe that an annual elective tax loss or attribute transfer system will be the simplest and most flexible to adopt, requiring the fewest modifications to the Income Tax Act. Attributes that should be part of the system include non-capital losses, capital losses, carry-forward of such amounts, and investment in other tax credits.

Next, in December of 2008, the Advisory Panel on Canada's System of International Taxation issued a report with recommendations for enhancing the competitiveness, efficiency, and fairness of Canada's tax system. We highlight two recommendations dealing with withholding taxes under regulations 105 and 102 for the committee's consideration.

First, with respect to regulation 105, the advisory panel found that service providers commonly gross up their fees to offset the withholding tax, which raises costs for Canadian businesses and hampers their ability to engage skilled workers from outside Canada. The costs associated with complying are significant and the waiver process is so cumbersome that it is not used as often as it should be. The advisory panel also determined that regulation 102 places significant administrative burdens on non-residents as well as Canadian corporations that carry out the administrative duties on behalf of related non-resident employers to account for and report non-resident employment earnings.

To improve access to skilled services, the advisory panel recommended replacing the current advanced waiver requirement with a system whereby non-residents will self-certify their eligibility for reduced withholding taxes, especially where the non-resident is exempt under a treaty such as the Canada-U.S. treaty. TEI endorses those recommendations.

Finally, TEI urges the government to consider a broader, even a full, exemption system for dividends from active business income from foreign investments. A broader exemption will enhance the inherent economic advantages of foreign investments, with significant savings to taxpayers because of the cost of complying with the foreign affiliate tracking and reporting rules, and that would be eliminated or substantially reduced.

The Department of Finance recently released a legislative package to streamline foreign affiliate reporting. TEI is studying the package and expects to comment by the consultation deadline. The proposals, however, do not provide a full exemption system for active business income. We urge the committee to embrace the advisory panel's recommendation for a broader exemption system.

In conclusion, TEI thanks the committee for the opportunity to participate in the pre-budget consultations. I would be pleased to respond to any questions you have.

• (1010)

The Chair: Thank you very much, Mr. Penney.

We will now hear from Mr. Quick, please.

Mr. Jim Quick (President and Chief Executive Officer, Aerospace Industries Association of Canada): My name is Jim Quick and I am the president and CEO of the Aerospace Industries Association of Canada. I am pleased to be here today to present some urgent challenges facing the aerospace industry in Canada. Before I do that, let me give you an overview of the impact of the aerospace industry on the Canadian economy.

The Canada aerospace industry is the fifth largest in the world. It generates revenues of more than \$22 billion annually. It employs more than 80,000 highly qualified workers across Canada. We invest approximately \$1.4 billion annually in R and D, and we contribute \$1.5 billion in tax revenues to federal and provincial governments. Our industry R and D initiatives are highly integrated with Canadian universities, with more than 25 universities, colleges, and research centres offering aerospace programs and activities as part of their curriculum.

The Canadian aerospace industry offers extraordinary potential for growth in every province and region of the country. In fact, the forecast for global demand for commercial aircraft is estimated to be at 29,000 units, representing \$3.2 trillion over the next 20 years. A Deloitte report indicates that a 10% increase in market share would generate an additional 45,000 highly skilled and high technology jobs for Canada. A substantial increase in R and D intensity and access to skilled workers could result in doubling aerospace jobs over the next 10 years.

That being said, the aerospace competition globally is extremely fierce. Other nations, industrialized and developing, have and are developing very competitive aerospace industry sectors, and Canada must keep pace. That is why we are very pleased with the 2011

budget commitment to review all policies and programs having an impact on aerospace, with the view of providing Canada with a strategic aerospace policy framework. We thank the government for proposing it and the opposition for supporting it. This review will provide us with an opportunity to ensure that we remain competitive and a world leader in aerospace.

While we are anxious to start this work, there are three initiatives I would like to raise today that would help industry in the short term. They include investments in technology demonstrators, the preservation and enhancement of scientific research and experimental development—or the SR and ED tax credit—and ensuring efficiency of the Canadian aircraft certification process.

The commercial aircraft manufacturing industry is in the midst of a technology revolution. For example, the rapid shift from primarily metal aircraft to those largely comprised of composites has resulted in the fundamental and rapid change in the competitive landscape for OEMs and the international supply chain. The competitive advantage has been recognized by other aerospace countries, as evidenced by their growth and investments in composite demonstrator projects.

Unfortunately, Canada lags behind other jurisdictions in this area, and as a result we are missing opportunities to participate in aircraft development and design and the production of major structural components. If Canada had collaborative demonstrator projects, it would significantly increase our ability to compete in those international jurisdictions.

Industry, universities, and government research bodies would like to partner with government to develop technology demonstrator programs. This is the type of partnership that has allowed other jurisdictions to leap ahead of Canada. If we are to retain or preferably increase our global ranking in technology demonstrator programs, this is critical. AIAC recommends that government and industry partner to launch a technology demonstrator program. We expect the program would be around \$240 million over a four-year period, and that would be cost-shared by government and industry.

The SR and ED program and SADI are of strategic importance to the continued creation of high-value, high-skill jobs in Canada. Earlier this year we commented on the SR and ED policy review project and basically asked government to look at considering whether or not SR and ED needs to be refundable regardless of entity size, or make SR and ED credible against income and payroll taxes. We want to allow R and D costs to occur outside of Canada and be eligible for SR and ED tax credits and allow the protection of research and development intellectual property.

In order to compete in a competitive global marketplace, Canada's aerospace companies must follow through on all aspects of commercialization, sale, and delivery of products. Aerospace is a highly regulated sector. All designs and regulated manufacturing processes must be reviewed and approved by the civil aviation branch of Transport Canada.

•(1015)

AIAC recommends that programs such as Transport Canada's aircraft certification program be maintained and possibly enhanced to ensure continued economic growth and job creation.

The Chair: Thank you very much for your presentation.

We'll now hear from Mr. Dayler, please.

Mr. Zachary Dayler (National Director, Canadian Alliance of Student Associations): Thank you, Mr. Chair.

On behalf of our membership of 26 post-secondary student associations across Canada, representing over 300,000 students, I'd like to thank you and the members of the committee for inviting CASA here today. We are here to present three reasonable, affordable, and necessary investments that the Government of Canada can make, with high returns, to improve the lives of Canadians. I'm sure around this table there's no disagreement that accessing and persisting in education will contribute to a more prosperous and engaged citizenry.

Discussions around Canada's aging population are prominent. In the media, in scholarly articles, and around the dinner table, Canadians are aware that our aging population will cause strain on our social services and labour force in the years to come. As increasing numbers of Canadians retire, labour shortages will become an economic trend. We need to ensure that the education and training opportunities are available now so we can continue to prosper in the face of our future challenges. The realistic investments that the Government of Canada can make to help address the educational needs of the country as well as the future demands of our economy include creating a vehicle exemption in the CSLP assessment, removing the 2% cap on all AANDC funding, and amending the Copyright Act to remove the parallel importation regulations.

On the vehicle exemption, Canadian students' needs are dynamic and ever changing. The standards for assessing needs today do not reflect those of a decade ago. Today many students, particularly those in suburban and rural areas, need a vehicle to go between their home, class, and jobs every day. Unfortunately, public transit is often inadequate, so a dependable vehicle is fundamental to their participation. A low of 31% of students in Atlantic Canada and a high of 49% in British Columbia rely on a vehicle to attend school. The current vehicle exemption is \$5,000, despite the median advertised price of a used vehicle in Ontario being \$11,400. Given the changing reality for many students, we ask that the federal government exempt a single vehicle from the CSLP assessment of borrowers' assets.

On increasing access for first nations and Inuit students, Canada's aboriginal peoples face persistent inequalities in educational outcomes due to chronic underfunding of programs and services. Between 1971 and 2001, Canada's aboriginal population grew 322% compared to 37% for the non-aboriginal population. Furthermore, a large proportion of the aboriginal populace is now of school age. Forty-five percent of the first nations population is under the age of 25 while a quarter is under the age of 15. These numbers highlight the importance this demographic will play in ensuring Canada has the labour force to grow and be competitive in the future.

CASA recommends that the federal government lift the 2% cap on spending to AANDC's post-secondary student support program and ensure that the program is supported with the appropriate program delivery budget. Our estimates suggest that the government would need to initially invest \$424 million with an escalator fixed to eligible enrolment and costs.

Finally, allow parallel importation of academic materials. No Canadian student should carry the burden of unaffordable university textbooks. These regulations force retail booksellers to buy at an inflated price. They also prevent domestic booksellers from finding price efficiencies through competition. If these regulations were eliminated, it would save close to \$30 million annually for students alone. As a matter of perspective, the most recent reduction in the GST of 1% saved students around \$3.75 million on textbooks. These savings do not include further savings through competition by breaking the federal government endorsed monopoly of exclusive book resellers. CASA recommends that C-32 be amended to eliminate section 27.1 prohibiting the parallel importation of books from foreign distributors.

In closing, let me emphasize the importance of increasing the percentage of people pursuing post-secondary education in this country. By 2025, the number of persons retiring from the labour force will exceed newcomers by 34%. To continue funding health and social services, we need to substantially increase the value of our workforce. The federal government cut investment in education in the mid-1990s to help reduce the deficit. Due to these cuts, Canada faced a brain drain as researchers and graduates left to find opportunities elsewhere. If we want to invest in ourselves and invest in the future solutions to our challenges, this committee will invest in education as a cornerstone to amplifying our human infrastructure and strengthening Canada's economic position.

Thank you.

•(1020)

The Chair: Thank you very much, Mr. Dayler.

We will now hear from Ms. Schwartz, please.

Ms. Sandra Schwartz (Vice-President, Policy Advocacy, Canadian Electricity Association): Thank you, Mr. Chair. *Merci, monsieur le président.*

My name is Sandra Schwartz. I am the vice-president of policy advocacy with the Canadian Electricity Association.

Every day our member utilities generate, transmit, and distribute electricity to industrial, commercial, residential, and institutional customers across Canada. The energy we make, move, and sell is essential to our homes, our businesses, and the entire economy. We often talk about natural resources being the backbone of Canada's economy, along with manufacturing, etc., but we rarely think about the role that electricity actually plays in our economy.

Today's system has had competitive prices as one of its core features, a tremendous competitive advantage for Canadian business. This advantage is a product of the foresight of previous generations, who built the stable and reliable system that has served us so well for decades. In that sense, electricity policy in Canada has de facto been an industrial strategy for Canada. It has served business, retail customers, and the economy well for decades.

The Canadian electricity system, or the "grid", as many of you will know it, is the largest and most complex and interconnected machine in North America. It's safe, solid, and well maintained, but it is showing its age. Like other major infrastructure that we see, and municipal governments are talking about infrastructure needs, our electricity system is in need of major transformation and in need of major investment. Our system is outdated, and it can't support our growing population or our technological growth.

Today the challenge faced by Canada's electricity sector is three-pronged: replace aging infrastructure while still meeting new demand; achieve continuous improvement and emissions reduction efforts; and incorporate digital technology to progressively replace analog equipment.

The existing infrastructure must not only be renewed, but the system itself must be transformed from one designed to support a smaller economy and smaller population base to one that supports the energy-intensive information and electronic devices that consumers demand. It also needs to support the sustainable economy of the future and the mass use of electric vehicles, among other electricity-hungry consumer innovations.

As a result of this investment deficit and the new pressures on the system, estimates from the Conference Board of Canada and the International Energy Agency conclude that Canada needs to spend a minimum of \$293 billion over the next 20 years, or approximately \$15 billion annually, on the infrastructure to maintain existing assets and to meet economic growth.

I have brought copies of the Conference Board report, which does go into detail about where those specific electricity infrastructure needs are in terms of generation, transmission, and distribution assets.

Consequently, investment in electricity infrastructure is an issue of significant national importance. While it is provincial jurisdiction, there is still a federal role that must be played in electricity infrastructure. Electricity investment must be thought of as a major national priority linked directly to securing Canada's economic competitiveness. Shoring up and expanding the power grid could be one of the biggest public works projects in the country's history. It means business for the manufacturing sector and jobs for Canadians.

As you know, having read our pre-budget submission, the Canadian electricity industry is not seeking federal funding to meet

this infrastructure challenge. We're asking the federal government to provide a supportive legislative and regulatory environment for these investments.

The \$293 billion over 20 years is, on its own, a major stimulus package and will continue to provide jobs for Canadians long after project construction is completed. In a report released just yesterday by the CIBC, entitled "Energizing Infrastructure", economists estimate that the \$293 billion investment in electricity infrastructure projects will create 320,000 jobs over 20 years.

In the last decade, infrastructure projects have faced growing legislative and regulatory complexity, characterized by lengthy and often duplicative regulatory processes. In some cases, regulatory approval and construction periods can take more than 10 years from decision to grid connection itself.

In previous years, and in submissions to this committee, the CEA has outlined how the sector is changing and evolving.

•(1025)

Whereas in many provinces provincial crown corporations continue to provide generation, transmission, and distribution services, they are now joined by new players. The new players can be investor-held companies that look to the federal government for tax relief.

Over the last six years, CEA has asked this committee for a number of changes to the tax system, and I will quickly remind members of a few key requests from our industry.

The Chair: Ms. Schwartz, we're over our time here.

Members have your submission, so we can address it during questions.

We do have seven witnesses here.

Ms. Sandra Schwartz: We have made a number of submissions in the past. As we recommended last year, we are once again asking for reform of key federal acts to enable investment in electricity infrastructure, specifically the Species at Risk Act and others.

Thank you.

The Chair: Thank you, Ms. Schwartz.

We will move on to Mr. Cairns, please.

Vice-Admiral (Retired) Peter Cairns (President, Shipbuilding Association of Canada): Mr. Chair, ladies and gentlemen, my name is Peter Cairns. I am the president of the Shipbuilding Association of Canada.

Shipbuilding is a hot topic right now, and I am sure there is no one in this room who hasn't heard of the national shipbuilding procurement strategy. I am not going to talk about that strategy this morning but about issues that are affecting the small commercially oriented shipyards that are unlikely to be directly involved in the national shipbuilding procurement strategy. The number of shipyards I am talking about varies between 18 and 20.

There are some impediments in this country to commercial shipbuilding, and the first one, to remind everybody, is the North American Free Trade Agreement. We do not have access to the United States market, which is a natural market for the United States, so we must compete against the Chinese, the Europeans, the Koreans, and whomever.

Subsidization is still rampant within shipbuilding on the global stage, though it is not as freewheeling as it used to be. National states do not subsidize much any more, but provinces or states within countries do subsidize, and cities subsidize in the form of tax-free buildings and those sorts of things.

One of the problems we face in these small shipyards is a lack of maritime awareness in the country. Unless they live on a coast, people are not very aware of what goes on in a shipyard and why ships are important.

Last, I would mention the arbitrary removal of tariffs by the finance department for some classes of vessels in 2010.

There are four things I would like to talk about, which we have talked about before. The first is the structured financing facility. It was implemented in 2001 under the administration of the industry department and the Minister of Industry. It provides an interest rate buy-down of the financing used in the acquisition of a vessel. It has a nominal value of 15% of the cost of that vessel, but the true value is closer to 8% after tax. It has been a very useful program to the shipbuilding industry but is somewhat moribund at the moment. We understand that it remains authorized but unfunded at the moment. We are concerned that it is going to be lost in the government's search for reductions in spending. We think this program is really quite useful to the industry. I would remind everyone that under this program, a job only costs \$17,000 Canadian, which makes it a pretty efficient program.

The next is the accelerated capital cost allowance. A Canadian shipowner can get the accelerated capital cost allowance to write off his ship within four years, if he has the right balance sheet and provided he builds the ship in Canada—or he can use the SFF, but he can't do both. We are advocating that shipowners be able to use both. That would make Canada's shipbuilding industry a little bit more competitive with foreigners.

The last is long-term financing. We have advocated this before but would like to talk about it again—to get long-term financing for the shipbuilding industry. You can long-term finance a house, you can long-term finance a motor home, but you can't long-term finance a ship. We believe long-term financing would allow payments on the financing to be made when the ship is at its most productive, that is, after it has been running awhile. We think the government and industry should sit down and talk about that and see what is possible. In the United States they have the Title 11 program, which allows U. S. shipbuilders of similar size to the ones I am talking about to compete internationally.

Those are my recommendations. We are looking for the SFF to remain funded to about \$20 million for the next five years and then be re-evaluated to see whether it continues to be necessary. We would like to have a serious look at combining the SFF and the ACCA. We would also like to look at long-term financing.

That is the end of my brief.

• (1030)

The Chair: Thank you very much, Mr. Cairns.

We'll hear from Mr. Reilly-King, please.

Mr. Fraser Reilly-King (Policy Analyst, Aid and International Co-operation, Canadian Council for International Co-operation): Thank you for inviting me to appear before the committee this morning.

My name is Fraser Reilly-King. I'm a policy analyst on aid with the Canadian Council for International Co-operation. It's a national platform of 93 voluntary sector organizations that work on sustainable development issues.

We have three messages for the 2012 budget. They are to include a long-term plan for the growth of Canadian aid, to enhance commitments to climate financing, and to support the first replenishment of the Global Partnership for Education.

On the first message, in recent years the Canadian International Development Agency, CIDA, has been driven by an aid-effectiveness action plan. In the past few years, this has led it to increase its focus, to be more effective and efficient, and to be more accountable. This has generated improvements to the quality of aid that Canada is providing. While the quality of aid has improved, less can be said of the quantity of aid. Budget 2012-13 is expected to be the second year in which the government will announce a four-year freeze on the international assistance envelope, leaving our official development assistance at a little over \$5 billion. This represents around 0.3% of gross national income.

With no increases to Canadian aid in the coming years, it's expected that Canada will drop to among the lowest performers of 22 donors in the Organization for Economic Co-operation and Development. Some donors, including the United Kingdom and Australia, despite much harder economic conditions, have still maintained ambitious commitments on aid. The British government still intends to provide 0.7% of its gross national income by 2013, and the Australian government 0.5% by 2015.

Why should these governments commit to this? Last week, UN Secretary General Ban Ki-moon, speaking about the millennium development goals and the gap that exists in trying to realize those goals, noted that a number of donors were limiting their aid budgets at a time when it was most needed. He said that a sobering economic outlook was no excuse not to deliver on these commitments and that in fact such commitments represented smart investments in a shared future.

We believe that Canada is in a position to make these investments. According to the 2011 budget plan, Canada has the best fiscal position in the G-7, with our debt levels historically and internationally lower for the coming years. Furthermore, speaking at the International Monetary Fund last week, Minister of Finance Flaherty said that Canada's economic resiliency has left both real gross domestic product and financial domestic demand significantly above pre-recession levels. Furthermore, the current freeze will only amount to 1.2% of the planned savings, or \$2.2 billion, in order for Canada to balance its budget by 2014. What we propose is that the 2012-13 budget be an opportunity for Canada to renew its commitments and to set a gradual 10-year timetable to increase Canadian official development assistance to the UN target of 0.7% of gross national income. This would amount to approximately \$680 million in the international assistance envelope for Budget 2012.

In our second message, beyond basic development needs, climate change is intensifying conditions of poverty in a number of countries around the world. November, for us, is a chance for Canada to make its second commitment toward the fast-start initiative. In 2010 Canada provided \$400 million in fast-start financing for developing countries, and we're hoping that ahead of the next Conference of Parties meeting in Durban on climate change, in November and December, that Canada will make its second commitment of \$400 million, and that the 2012 budget will be an opportunity to provide the third commitment of \$400 million to such mechanisms as the least developed country fund or the UN adaptation fund that will prioritize the needs of the poor.

In 2012 we're also hoping that, just as it will generate a plan and timetable for its commitments around ODA, it would do the same on climate change financing. This will enhance the predictability of necessary funds, and we're also hoping that these funds will be additional to existing aid commitments. We can't rob Peter to pay Paul. In 2010, for example, of the \$400 million it provided for financing, \$100 million came from the existing aid budget. Finally, we hope that this money will be in the form of grants, not loans, hence ensuring that it doesn't sow the seeds of future debt crisis.

• (1035)

On the third and final message—and I can make it very brief—Canada was one of the founding members of the education for all fast-track initiative, which is now called the Global Partnership for Education. We're hoping that ahead of the first replenishment meeting of the Global Partnership for Education, Canada can commit to making a three-year commitment to the \$125 million over three years. This is in keeping with its current thematic priorities around sustainable economic growth, children and youth, and food security, and it will enhance those objectives.

Thank you.

The Chair: Thank you for your presentation.

We will hear from Mr. Johnson now, please.

Mr. Donald Johnson (Member of Advisory Board, BMO Capital Markets, As an Individual): Good morning, Mr. Chairman and distinguished committee members.

Thank you for giving me an opportunity to appear before your committee this morning.

For those of you who don't know me, my name is Don Johnson, and I am appearing today in my role as a volunteer board member of four not-for-profit organizations in health care, education, the arts, and social services.

We are here today to urge your committee to support two measures in the next budget that will stimulate much needed private sector funding for our charities during this global economic crisis, when all levels of government are facing fiscal challenges. The removal of the remaining capital gains tax on gifts, a list of securities in the 2006 budget, has resulted in over \$1 billion in gifts of stock to Canadian charities every year since that date. It has been an enormous success. We recommend that the government capitalize on this success by removing the capital gains tax on charitable donations of private company shares and real estate in the 2012 budget.

There are five compelling reasons. First, our charities desperately need additional funding as the demand for their vital services continues to grow. However, all levels of government are focusing on reducing their deficits, primarily through restraint in spending.

Second, the timing is important because the current global economic and financial crisis has created new challenges for charities to secure private sector funding, particularly in gifts of stock.

Third, in producing these measures in the next budget, it is estimated to increase charitable giving by approximately \$200 million per annum.

Fourth, in the U.S., gifts of appreciated capital property, which include listed securities, private company shares, and real estate, are exempt from capital gains taxes. These measures would level the fundraising playing field for Canada's charities as we compete with our U.S. counterparts for the best and the brightest talent.

Fifth, currently entrepreneurs who take their companies public are able to donate their stock to worthy charitable causes and be exempt from capital gains taxes on their gifts. However, entrepreneurs who decide to continue as private corporations are denied this benefit. In principle, they should all have the same benefit from giving back to their communities.

Let me address the two main concerns about these proposals. First is the tax revenue cost to the government. The estimated \$200 million annual increase in charitable giving will result in the loss of some tax revenues to the federal government. It is estimated the tax revenue cost to the federal government would be approximately \$50 million to \$65 million per annum. Obviously, the benefits to our charitable sector, \$200 million in these proposals, far outweigh the tax revenue cost to the federal government.

Let me address concerns about valuation abuse. There is a public market for donations of listed securities. However, there is no public market for private company shares or real estate. To address this concern about valuation abuse, we recommend the charity would not be allowed to issue a tax receipt to the donor until the charity has received the cash proceeds from the sale of the asset. This restriction should address any concern about potential valuation abuse.

There is also a concern if there's not an arm's-length transaction. If a purchaser of the private company shares or the real estate is not at arm's length from the donor of the asset, we recommend that the charity, not the donor, must obtain two independent, third-party appraisals to confirm the value attributed to the gift is the fair market value.

Let me talk briefly about public support for these measures. There is a high level of awareness and support for these measures across Canada, particularly among the tens of thousands of volunteer board members who serve on not-for-profit organizations, as well as the management and employees of our hospitals, universities, arts and cultural organizations, and social service agencies. Earlier this year, full-page advocacy ads were published on this issue by Canadian charities in 13 newspapers across Canada. The total circulation of those newspapers is 3.2 million and the readership is five million.

Also, two prominent umbrella organizations are supportive. The Canadian Federation of Independent Business, CFIB, has 107,000 members. They are interested and supportive of these measures because all members are private enterprises. Many of them want to give back to their communities, which has contributed to their success.

• (1040)

Second, most of the 1,800 mayors who are members of the Federation of Canadian Municipalities are supportive. Not-for-profit organizations in the municipalities would receive incremental funding from donors who live in their community.

The Chair: Mr. Johnson, can you wrap up very, very briefly, please?

Mr. Donald Johnson: There is no tax revenue cost to the municipality.

Finally, on political support, the NDP is supportive. They are now the official opposition. Mr. Thomas Mulcair communicated that support two years ago. The Hon. Scott Brison, finance critic for the Liberal Party, is supportive.

In conclusion, we urge the finance committee to recommend that the government implement these measures in the upcoming budget. It is one of the few public policy issues where all political parties can agree, for which all Canadians will be very grateful.

Thank you.

The Chair: Thank you for your presentation.

We will begin members' questions with Monsieur Mai. *Cinq minutes, s'il vous plaît.*

Mr. Hoang Mai (Brossard—La Prairie, NDP): Thank you, Mr. Chair.

Thank you to all the witnesses for the presentations and also for the well-prepared briefs that we have received.

Unfortunately, I will not be able to ask questions to every one of you, but I will start with Mr. Dayler of the Canadian Alliance of Student Associations.

You talked about first nations and the importance of education for first nations students. We met with a lot of chiefs yesterday. You talked about investment of \$424 million. In terms of benefit, can you tell us how much it will bring to the Canadian economy?

Mr. Zachary Dayler: Absolutely. In terms of the increase, it's an increase in investment of \$424 million on top of the initial \$300 million that exists right now. Our estimates are that it will impact the lives of about 36,000 students, along with other investments in the area of access for first nations youth. There are investments that need to be made. The chronic underfunding of the program has turned a lot of students away. Making sure that those student who have turned away have the access to pursue education is incredibly important.

In terms of the actual value we will see, I can't give you an actual dollar figure in terms of the impact on the economy. But we do know this is the fastest growing demographic within Canada and that this demographic of individuals has been chronically underfunded.

I think it's a matter of national importance to ensure that these folks have the education and training to help address the labour shortage we are going to be experiencing.

• (1045)

Mr. Hoang Mai: On page 3 of your brief I see you are talking about a potential tax revenue increase of \$3.5 billion per year and a reduction in expenditure of \$14.2 billion.

I don't know if the \$3.5 billion per year is related to that, in terms of increased tax revenues that you might get from that type of investment.

Mr. Zachary Dayler: Assuming that as these people are educated and trained, in terms of buying homes, in terms of contributing back to the economy, that's what we could expect to see.

Mr. Hoang Mai: Excellent. Thank you very much.

I have a question for Mr. Jim Quick.

Very quickly, we know there is a lot of money. We are talking about \$500 billion being kept in the coffers of private companies.

How can we help the private companies, especially the aerospace industry, to invest that money back? We're talking about maybe investing \$140 million and that the aerospace industry would be doing the same. Is my understanding correct?

Mr. Jim Quick: Yes, that is the understanding, Mr. Chair.

What we've done with regard to technology demonstrators...we're saying to the government that we would like to share the cost of a technology demonstrator program. To give you a bit of understanding of it, when we look at technology and you have a concept or an idea, you have programs through NSERC and CFI to help fund those programs so your concepts and ideas can go forward. What you have on the other hand, in terms of how to operationalize those ideas, are programs like SADI and IRBs.

The problem is in the middle of that. We need to actually demonstrate this technology because the OEMs will only accept proven technology. We are looking for funding that would be co-costed by government and industry to do that work.

Mr. Hoang Mai: Can the Shipbuilding Association of Canada explain why Canada's drive toward a bilateral free trade agreement is not creating jobs in shipbuilding in Canada?

Vadm Peter Cairns: Shipbuilding was excluded from the North American Free Trade Agreement, essentially because of an American regulation called the Jones Act. It states that in order to build a ship to be used within the United States, it must be built in the United States, crewed in the United States, and owned by an American. Therefore, we are not able to access their commercial market in any way for those ships.

Mr. Hoang Mai: And trade regarding Europe...?

Vadm Peter Cairns: The problem we have with Europe is that most of the countries we deal with have very mature industries. Most of these industries have been well subsidized and well funded by their governments. Now they're free traders. It's amazing to me how countries that have been given subsidies and many investments by their governments are now free traders. We are not at that maturity yet in our industry.

The Chair: Thank you.

We will go to Mrs. McLeod, please.

Mrs. Cathy McLeod (Kamloops—Thompson—Cariboo, CPC): Thank you Mr. Chair.

I would also like to thank the panel of witnesses. I know there are a lot of complicated subjects, and to have only five minutes is certainly a challenge in terms of the important issues you want to present to us.

I'd like to start with Mr. Penney.

You briefly talked about the importance of tax reductions for corporations. We will also get you to lead into some of your suggestions. But as you're probably aware, there has been great debate amongst the different parties on the value of tax reductions. Some people believe that if you simply raise taxes to corporations, government will solve the deficit problems. So I would like you to talk about that on a broader scale, in terms how those will continue to be important. As you're probably aware, we're planning another reduction in next year's budget.

Then, because it is fairly complicated, I'd like you to talk about those two regulations to help me understand a little better what you were talking about there and what those impacts might be on the government's bottom line.

• (1050)

Mr. David Penney: On your first question, our observation is that certainly within the OECD there is a tendency to reduce business taxes. We're in a competitive world. Canada is competitive relative to its OECD trading partners. But to respond to you more generically, we need to continue to make sure we're benchmark competitive as a tax system, because we believe that jobs and most of the wealth in the country are created by business, and the more competitive

business is in the global economy, the more prosperous the country will be.

With respect to the question on the regulations, it's a very interesting question. One of them, regulation 105, has to do with services provided by non-residents in Canada and international business. Particularly between Canada and the U.S., it's very common for services to be provided back and forth. When a business service is provided by a non-resident in Canada, the Canadian company is required to withhold 15% from the service cost. In our observation, members...and certainly the government's analysis in its panel review of that was what is more likely to happen is that the non-resident will simply add the 15% onto the price of his goods.

The reason the Canadian company has gone there in the first place is that it has a special skill. Basically you're surcharging the Canadian business the 15%. Non-residents can get that 15% back, but that involves filing corporate tax returns and probably hiring advisers to help them with that. It's such a hassle that more likely than not they will just add the 15% and it will get absorbed by the Canadian business.

On the other hand, if they added it onto the price and they did go to the trouble of getting a refund, it's unlikely the Canadian company would get the benefit of that refund coming back. That's one of the problems with regulation 105. In addition to that, in order to avoid the withholding tax, taxpayers have to file for a waiver to demonstrate to Revenue Canada that they will not be taxable. They have to do that 30 days in advance, and that's an impracticality. It probably happens with some frequency, but it is an impracticality. Most of these non-residents will not owe any tax in Canada. What we have suggested, rather than a waiver process, is the non-resident would give a certificate to the Canadian payer that they aren't taxable in Canada, and that information would be available to CRA.

Regulation 102 relates to employment in Canada by a non-resident. If the non-resident comes to Canada in the absence of a waiver from Revenue Canada, his employer should be running a payroll system to make remittances to Revenue Canada. The individual will then file a tax return and get his tax back. That probably doesn't happen very often. Most of those individuals would be treaty-exempt or wouldn't be in Canada long enough to be taxable or wouldn't have earned enough in Canada to be taxable. They're not exempt from the waiver process, which again has to be done 30 days in advance—totally impractical. Again, what we're suggesting is that particularly for big companies that have a lot of people going back and forth—in fact for anyone—is to have a certification system that identifies the individuals and pre-certifies that they're not going to be taxable.

• (1055)

The Chair: Thank you, Ms. McLeod.

We'll go to Mr. Eyking for a five-minute round, please.

Hon. Mark Eyking (Sydney—Victoria, Lib.): Thank you, Chair.

Thank you, guests, for coming here today.

I have five minutes. I have a couple of questions.

My first question is for you, Mr. Cairns. I think I have met you before. I'm from Cape Breton, and in my riding we have Marine Atlantic. Marine Atlantic ferry service, as you know, goes from Cape Breton to Newfoundland. It's a federal crown corporation, and just in the last year it has purchased two super ferries from Europe. These ferries are adequate but could be better. I don't know if you are aware, but it was six years ago that the board of directors of Marine Atlantic had a meeting and a study, and they knew they needed these ships, and out of that meeting it was concluded that we could build those ships in Canada. It would take four or five years, and 90% of the content would have been Canadian—you would have had a few parts coming in from Finland or wherever. That was kind of neglected or didn't go through. The present government here kind of—I don't know what you call it—ragged the puck, used the old equipment, and then had to get these new ferries. I don't know if you are aware of the file.

As the finance committee goes forward, talking about Canadian shipbuilding, can you tell me what you think of what happened there and what laws we should have in place to make sure that doesn't happen again?

VAdm Peter Cairns: Yes, sir.

Marine Atlantic is a very interesting case. The Shipbuilding Association has advocated for the national shipbuilding procurement strategy for quite some time. It looks as if we are almost there. When we made that advocacy initially, when we looked at Canadian government vessels, we included ferries like Marine Atlantic's. We felt that—along with BC Ferries, I might add—although it claims it is a company that needs to make a profit, it is subsidized heavily by government. We looked at it in a broad-brush way as being essentially government-type vessels. Whether they be federal or provincial, we thought they could all fall in there. For whatever reason, of which I'm not aware, it didn't happen that way. They then went offshore.

I don't know what drove the board to do that. We, of course, were not in favour of it. We felt we should be given an opportunity to build. We had built the ones they were replacing. Very similar to the BC Ferries issue, they went offshore. To me, it's a case of quick gain for long-term pain. What happens with these ships is that now you're going to be beholden to those countries that built those ships for the in-service support. All the good people in Canada who make parts, radars, gyros, and everything are going to be excluded. That was one of the reasons we were against it.

I personally, and I think most of our membership, did not agree with that decision, but it was made outside of our... We said our piece.

Hon. Mark Eyking: Thank you very much.

My next question would be for Mr. Reilly-King. I'm the CIDA critic, and you mentioned the UN goals and benchmarks we're trying to achieve, and many times we hear about millennium goals and UN targets. Can you give me a little snapshot of how we compare to countries like the Netherlands, Norway, and Denmark when you look at our GDP? Where are we on reaching goals, compared to

these other countries, or how far behind these northern European countries are we?

Mr. Fraser Reilly-King: The millennium development goals primarily apply to how developing countries are doing, although I think Canada is also ranked. Canada ranks highly. It has met, for the most part, all of the millennium development goals, unless you disaggregate things and look at aboriginal communities, for example, where I think we fall far behind. It's more a question of how Canada is doing as a donor in terms of its aid quality and aid commitments. Compared with the Netherlands, in terms of providing funding, we're currently around 16th out of 22 countries. A number of Scandinavian countries—I think five countries—have already reached the UN target of 0.7%, with two or three others, like the United Kingdom and Australia, on track.

•(1100)

Hon. Mark Eyking: You are saying we are 16th out of 22 on the percentage of GDP towards aid?

Mr. Fraser Reilly-King: Yes, exactly.

Currently, we are around 0.3% of our gross national income versus other countries that are closer to 0.6% or 0.7%, or even some that are up around 0.9%.

The Chair: You're out of time. Thank you, Mr. Eyking.

We'll go to Mr. Hoback, please.

Mr. Randy Hoback (Prince Albert, CPC): Thank you, Chair.

And I want to thank each and every one of you for coming today.

Unfortunately, we only get five minutes. I have questions for everybody, but I think I'm going to zone in on one area. I hope some of my colleagues will pick up on other areas.

The area I want to zone in on is the aerospace industry because I see so much future in the aerospace sector. With regard to some of the asks here, I need some clarification on how we can justify them to taxpayers.

Under the title "Preserving and enhancing the Scientific Research and Experimental Development tax credit", one of your points is recognizing that the aerospace projects are international in nature and allowing R and D costs incurred outside of Canada to be eligible for SR and ED tax credits.

How do I sell that to taxpayers, and why should I sell that to taxpayers? If you're not doing the R and D work in Canada, why should there be a tax credit for that work? Can you give me an example of why this is necessary?

Mr. Jim Quick: Mr. Chair, I've brought a colleague with me, Maryse Harvey, who is our SR and ED expert.

Would I be permitted to allow her to answer the SR and ED questions?

The Chair: Quickly come to the table.

Ms. Maryse Harvey (Vice-President, Public Affairs, Aerospace Industries Association of Canada): Thanks for the question. This is a case where the IP would reside in Canada and the exploitation of the IP and the fruits of the R and D would be generated in Canada. A specific case for that, for example, is when a U.S. submarine has a plant in Canada and does some R and D—most of it—in Canada, but a small part is done abroad. It could be in the U.S. or in Europe.

We're simply saying that all of the R and D should be claimed in Canada, should be applicable under SR and ED. That's what we're saying. We're saying as long as the IP is exploited in Canada and by Canadians, this should be considered.

Mr. Randy Hoback: Thank you.

Again, I wanted some clarification because at first glance—

Ms. Maryse Harvey: You're welcome. It makes sense. We probably should have included that the IP should reside in Canada.

Mr. Randy Hoback: Okay. When we go to the certification part of Canadian aircraft, are we losing sales because of the certification process?

Ms. Maryse Harvey: Not yet, but if substantial cuts are made to the process....

This is the end of the process, right? Once you've developed technologies and you've sold them, they have to be certified before they leave the country and are delivered.

But we're afraid, especially in a context of the review of programs right now, that if cuts are made to Transport Canada it could have an impact on R and D activities in Canada. In the end, if we cannot sell or deliver our product, everything we do at the front end of the development of a project is basically useless.

Mr. Randy Hoback: When we see competing aircraft from other countries getting componentry certified more quickly, or getting different componentry certified, how do we react when those components are sold here in Canada? They've been certified, for example, in Europe but they are still not yet certified in Canada. Are you still able to access that componentry? How does that work?

Ms. Maryse Harvey: Transport Canada has been very, very good to the aerospace industry, very understanding of how quickly and how diligently we need them to look at our systems and technologies. It hasn't been a problem so far. However, we're concerned that it could become a problem at some point, which would basically have a negative impact on everything else we do in Canada.

So far everything is working well. Our standards are amongst the highest in the world. We can compete with anyone. We're looking forward to collaborating with other countries to teach them what standards to apply to their technologies.

The problem is not occurring now, but we're concerned that it could happen in the near future if cuts are made in that division of aerospace. We want to make sure that MPs in the government's opposition understand that the decisions we make here in a certain context also have an impact on the other decisions we make. For example, we fund R and D in Canada. We want SR and ED to be efficient. We want SADI to work well. Well, in the end, if we can't certify, or if it takes too much time, it's beside the point.

Mr. Randy Hoback: I'm going to go to the F-35 and the impact on the aerospace sector. Of course, we have some opponents across the room who would say we should cancel the F-35s.

What kind of impact would cancelling that contract have on our aerospace sector in Canada?

• (1105)

Ms. Maryse Harvey: Canada has been a partner on the F-35 for a very long time, since the very beginning. We're one of the most...of the nine partners. It's something that certain nations are not happy to hear, but we have a huge part of the benefits that come out of being a partner in it. Because we have such a world-renowned and competent and capable aerospace industry, we're getting a lot from this partnership.

If we cancel it, if we get out of this partnership, our companies are not assured of getting the work they've secured on the aircraft. Logically, other partners will argue that they can take on this work; it's part of the partnership. We may lose a lot of work from it, and those are jobs from coast to coast that are in jeopardy if we do that.

The Chair: Thank you.

Thank you, Mr. Hoback.

We'll go to Mr. Marston, please.

Mr. Wayne Marston (Hamilton East—Stoney Creek, NDP): Thank you, Mr. Chair.

I want to welcome our guests here today. We're kind of overwhelmed when we see the number of presentations and the breadth of them.

Mr. Johnson, this is not a question for you but a comment. I was on the United Way board for about 20 years. I watched in the eighties when government withdrew from the communities, and the agencies had to backfill for the losses. Levering \$65 billion into \$200 billion sounds like a good proposition to me.

Mr. Chair, we've set aside 12 meetings to look at something we agree on. It sounds interesting.

Mr. Penney, we had witnesses before us in the last sitting of this committee who said that now was not the time for austerity measures by the government, and it shouldn't be withdrawing from the economy. We have a situation where Canadians are not investing. We have heard several comments about this \$500 billion that the corporations are holding. I suspect they're holding that because they're afraid that the banks will lock up once again and not have cash available.

Do you have any comments at all about how the government might work with the business community to lever some of that money into our economy?

Mr. David Penney: Ultimately a stable business environment, so businesses can take the risk of investing the money in terms of an actual tax policy.... Quite frankly, I don't think it's tax policy per se that would do that. I think it's assuring them that their shareholders are not taking on too much risk by investing that money.

I think it's understood that there's a lot of cash on balance sheets of corporations. I just think they're very concerned about spending the money until they're sure we're going to have an expanding economy.

Mr. Wayne Marston: So the answer is that the onus is still very much on this government as the only organization that's in a position right now to spend to stimulate in this downturn that we're starting to head into. We're all very reluctant to use the "r" word. We don't want to cause instability and nervousness. But very clearly the things that have happened in the market in the last couple of weeks—and the risk of Greece potentially defaulting, and all of those things—have people very nervous. So the only group that's positioned to spend and try to keep our economy going forward is the government. Would you agree with that?

Mr. David Penney: I would agree that the government has to take the initiative to stimulate.

Mr. Wayne Marston: Ms. Schwartz, at one time I was president of The Council of Canadians when it first started, in the Hamilton chapter. We were talking about the competitive advantage we had in Canada. I think the cost of electricity at that time was 22%, compared to Buffalo, just over the border. Is that advantage still in place?

Ms. Sandra Schwartz: Yes, Canada still has one of the lowest prices at the consumer level, and certainly also for industrial consumers. Canada still ranks...when we look at the charts, even with prices increasing across the country as a result of infrastructure investments.

Part of the problem that we're seeing in many of the provincial political fights right now is that the prices are being equated to other things, instead of being equated to the reality that we have an aging infrastructure that needs money and those investments.

Our prices, despite that, will still remain low. But prices will increase across Canada. Will they be lower than in Europe? Yes.

• (1110)

Mr. Wayne Marston: Well, thank God for that last statement, because Europe's can be quite atrocious.

You were very polite when you went around the HST, because in Ontario, and probably in British Columbia as well, the HST being added to electricity squeezed the margin that you could have gone up a little bit to get more money to invest. In fact, you're transferring that money now to the provincial and federal governments. I think that was ill considered, because there is a huge need for investment in the infrastructure.

I worked for a period of time on the railway installing bells, lights, and railway crossings, and in the maintenance field. I understand what can happen to equipment. I agree with you, and I certainly hope our government will get on side on this.

Thank you, Mr. Chair.

The Chair: Thank you.

Thank you, Mr. Marston.

We'll go to Mr. Van Kesteren.

Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC): Thank you, Chair.

Thank you, everyone, for appearing.

Mr. Cairns, Wheatley in my riding is the site of the largest freshwater fishing port in the world, and in it—you and I discussed this—there is an interesting shipbuilder.

I want to ask a question for Hike Metal, which is the name of that; Andy Stanton is the owner. I'm asking about your first ask, which is the structured financing facility. You say it's underfunded, yet I read that last year it was used to the tune of \$15 million. There is \$20 million in the fund.

Is the problem because the money's not being disbursed or is it not being accessed?

VAdm Peter Cairns: At the moment, as I understand it, as of March of this year, it has become unfunded. It is still authorized, but it's not funded.

Mr. Dave Van Kesteren: You say it's funded to the tune of \$20 million, but—

VAdm Peter Cairns: No, the funding at the moment in there, I believe, is around \$13 million. We are asking in our submission that we should look at funding it to \$20 million a year over the next five years. That's what we're asking for; that's not what it is right now. I think at the moment it's only \$10 million or \$12 million.

Mr. Dave Van Kesteren: Mr. Johnson, I think we're all intrigued, and we've all discussed your proposal at quite some length. I'll tell you why it's something I support. It gives people the opportunity to place their charitable donation where they want to place it.

Mr. Reilly-King, we've seen each other in Foreign Affairs. We always have to remember that when we talk about CIDA, for instance, this is taxpayers' money. Would you endorse a plan like this if the government could direct some of those moneys that you're talking to, to areas where the private sector or businesses would advocate? In other words, if they like your proposals, they would say they wanted to use this program and they wanted to use that money in that direction. We do that now with NGOs, for instance, in CIDA. We work with CARE, we work with Samaritan's Purse, we work with all these other organizations.

If I can just frame my question so you understand what I'm saying, if we allowed some vehicle to direct where those moneys were going to go and move it through CIDA, would you endorse that plan?

Mr. Fraser Reilly-King: A measure to allow private individuals to direct their funding toward CIDA?

It's a possibility—individuals at a global level, official donors. Governments like Canada provide about \$120 billion in funding for international development. I think they estimate private individuals between \$25 billion and \$30 billion. So private individuals are already giving their money and they're giving it to individual charities, such as the organizations Mr. Johnson is representing.

I think CIDA should look at innovative ways to generate greater finance. That is one opportunity. This could be a means. But I think the interest of the individuals is in supporting individual charities rather than the Canadian government's development agency. But some of the innovative mechanisms could be, for example, a financial transactions tax, which has gained increasing support in Europe. Right now they're looking at how they might implement it within Europe. There's also—

• (1115)

Mr. Dave Van Kesteren: Sorry to interrupt; we're going off in another direction.

I guess what I'm trying to emphasize is that, again, ultimately the money we're talking about is taxpayers' money. So we could find direction from the public as to where those moneys should go if we implemented that type of program. Would you be open to that, understanding of course that some of the programs you advocate may not be...? They may be, there's an element of risk there, but it would certainly give you an opportunity to access more funds in CIDA.

Mr. Fraser Reilly-King: I think it's an interesting idea, but I would probably just reiterate that I think the government also has an obligation to meet its targets and its commitments, and not necessarily rely on the public and private individuals to help it achieve this.

Mr. Dave Van Kesteren: We do match funds. We did that in Haiti, for instance, dollar for dollar. There is an opportunity to do that. We are looking for direction, I think.

Mr. Fraser Reilly-King: It is a possibility.

The Chair: Thank you, Mr. Van Kesteren.

[Translation]

Mr. Giguère, you have the floor for five minutes.

Mr. Alain Giguère (Marc-Aurèle-Fortin, NDP): Thank you, Mr. Chair.

I will first address Mr. Penney, but I will need Maryse Harvey to answer questions on aeronautics taxation.

As Mr. Penney seems to be having problems with the interpretation, I will immediately go to Mr. Cairns, of the Shipbuilding Association of Canada. It looks like he's having the same problem, so I will move on to Mrs. Harvey.

Mrs. Harvey, unless I'm mistaken, the wording of section 37 of the Income Tax Act is problematic in terms of R & D. I'm talking about paragraph 37(1)(d), which states that we must deduct the total of all amounts "each of which is the amount of any government assistance". When this legislation was drafted, only the Canadian government would provide money for R & D, so the term "federal" was not explicitly stated. Since Quebec launched its provincial R & D program, the money allocated by the provincial government has had to be deducted from eligible expenses. Is that correct?

Mrs. Maryse Harvey: Your question is a bit more specific than I was hoping it would be. However, there's no doubt that Quebec's R & D tax credit program is the envy of many non-Quebecer aerospace companies. They would very much like the national R & D program to be more like what Quebec has.

Mr. Alain Giguère: Thank you very much.

Here is my second question. Basically, 17% of Canadian aeronautical production is focused on military products. We still note with some regret that Canada is the only developed country with a major aeronautical industry that does not develop its own military aircraft. Truth be told, we are still a subcontractor. Sweden, Brazil, Taiwan, Japan, India, China, Argentina and even Turkey develop their own fighter aircraft. However, Canada does not.

We realized that there was no harmonization, in the programs, between purchase budgets and Canada's industrial capacity. For instance, P-3 Aurora patrol aircraft will be replaced by Boeing 737 versions, instead of being replaced—following some planning—with C-Series aircraft.

Could you talk about this problematic lack of harmonization between military expenditures and Canada's industrial capacity?

Mrs. Maryse Harvey: For a number of years, our association has definitely been calling for the military expenditure and investment plans made by the Department of National Defence to be more representative of Canadian technological capacities and of our capacity to produce military equipment for our forces. We obviously think it's logical that, if we must spend taxpayers' money on DND equipment, which is obviously very important, the benefits of those investments should be higher for Canadians; they should help create jobs in Canada, and develop Canadian technologies and Canada's sovereignty. We have capacity and talent in spades. Our workers are among the best in the world in terms of aeronautics R & D.

We feel that the expenditures should reflect those capacities and that we should know how to further enhance them.

• (1120)

Mr. Alain Giguère: Thank you.

As for the F-35 project, currently, Canadian companies who took part in the project retain ownership of the intellectual property for all the expenditures made in Canada. Is that correct?

Mrs. Maryse Harvey: For the most part, yes.

Mr. Alain Giguère: Thank you.

In the coming months, the U.S. Senate will make its decision on maintaining the F-35 program. Should the American legislation force the Pentagon to introduce a replacement for the F-35, would our Canadian industry be able to replace the F-35 with another aircraft easily enough?

The Vice-Chair (Mr. Hoang Mai): You have 15 seconds to answer.

Mrs. Maryse Harvey: That possibility has not been discussed by our members or by the association. We remain firmly committed...

Mr. Alain Giguère: Sorry to interrupt, but I would like to put my next question to Mr. Penney, very quickly.

Mr. Penney, you talked about the tax loss- and attribute-transfer system for corporate groups and about corporate competitiveness. Unless I am mistaken, that section has always been in the Canada Income Tax Act, but it has been restricted and regulated as a result of abuses.

The Vice-Chair (Mr. Hoang Mai): Could you answer very quickly?

[English]

Mr. David Penney: I apologize for not being ready the first time around.

There are provisions in the act that allow an ad hoc transfer of losses, basically with the tolerance of Revenue Canada. There are not any specific provisions set up to allow it without, for example, amalgamating corporations or winding up corporations, which is a very complicated way to get to the end result.

The Vice-Chair (Mr. Hoang Mai): Thank you, Mr. Penney.

Mr. Dan Albas, please.

Mr. Dan Albas (Okanagan—Coquihalla, CPC): Thank you, Mr. Chair.

I appreciated the presentations today. I'm going to keep my questions as brief as I can in order to get as much time in as possible.

During the election I had an opportunity to speak to a number of university and college students from both the Nicola Valley Institute of Technology and Okanagan College. They've supported a lot of the practical measures that we promised during the election. I know this is pre-budget consultation for next year's budget; however, I think it's important for us to find out where we are and what level of support we have for some of our current measures. So I'd like to actually speak in regard to Budget 2011 measures, such as the reforms to the Canada student loan program that doubled the income work exemption.

Mr. Dayler, I appreciate all of the things in your brief, and I'm sure we're going to take some time to absorb them, but specifically to those measures, how have they been seen by your organization? Do you see this as a worthy measure to continue supporting?

Mr. Zachary Dayler: Thank you for the comment.

Obviously any investment in education is a positive investment, to make it easier for students. In terms of the income work exemption that we sat here last year asking the committee to consider, it has been felt as a positive investment.

That being said, the increase from \$50 to \$100 is a start. We know that across the provinces.... I believe that in Alberta it's higher and in fact is closer to \$200. So it's a start, and while it does free up more money for students on a day-to-day basis, puts more money in their pockets and makes it easier to buy groceries, pay rent, or pay for textbooks, or whatever it may be, we need to consider more mechanisms that are going to put more actual dollars in the pockets of students.

Tax credits and things like that are great when that student graduates, but on a day-to-day basis, having those extra funds to purchase food or textbooks, whatever it may be, is important.

The initial investment that we saw last year is positive. I think the message from my membership would be that we can always do better to make it easier for students.

Mr. Dan Albas: I appreciate that. Again, it's a good starting point.

Second, thank you to Sandra Schwartz for her presentation. I found that it was more about supply and the infrastructure that we're going to be looking at to continue to supply those things.

One thing I would like to look at is demand. Bearing in mind that we've had our budget come forward with the funding for the ecoENERGY retrofit for homes, which is something that a lot of seniors in my riding of Okanagan—Coquihalla have enjoyed, I just wanted to hear your comments to see if you feel that's a good measure. Again, is this something that is getting a lot of good feedback from your organization as well?

Ms. Sandra Schwartz: Thank you for your question.

For the ecoENERGY programs related to efficiency, we have publicly supported those programs. When the minister announced.... Most recently, it was the ecoENERGY retrofit program, for example. We have been putting out press releases in support of that. Our membership runs a lot of its own energy efficiency programs, unlike many other sectors where there is product to sell. We also have a commodity that we sell, but we actually very much believe in conserving that product as well, and we work very hard on energy efficiency measures.

Demand, on the other hand, will be increasing. We do have a much larger population now. The infrastructure that we've built—and that our grandparents and parents built—was accommodating about 20 million Canadians. We're now up to close to 35 million Canadians, so even with demand management opportunities, we still will require additional supply to meet that demand.

But certainly, energy efficiency measures are important, and we will continue to support any measures the government may take on that.

• (1125)

Mr. Dan Albas: Thank you.

Mr. Chair, I appreciate the time. I just want to say that I think it's important for us not only to look to do more, but also to acknowledge the things that are working well and to make sure that we're continuing to support those things that are having a measurable effect.

Thank you.

The Chair: Okay. Thank you, Mr. Albas.

We'll go to Mr. Nicholls, please, for *cing minutes*.

Mr. Jamie Nicholls (Vaudreuil-Soulanges, NDP): Thank you, Mr. Chair.

I'd like to address the first question to Mr. Penney.

In the law of marketing we know that if a product is competing on price alone it becomes viewed simply as a commodity and not a valued good. Surely low tax regimes attract corporations, but global competitiveness takes in many other factors, such as company spending on R and D and corporate capacity for innovation. These are two of the main weaknesses in Canada's competitive economy.

Given the high load of personal debt and our low ranking on national savings as a percentage of GDP, and given that we rank 102 on government budget balance, according to the World Economic Forum, aren't low tax regimes a poor attractor of the most innovative companies that base localization primarily on tax advantage?

So why is it since we have a low tax regime for corporations compared to the United States that we fall lower in terms of innovation? And do you have any ideas about the other factors that could make Canada more competitive?

Mr. David Penney: Support of R and D initiatives would make Canada more competitive in terms of innovation.

The low tax rates do assist in foreign companies investing in Canada. We usually get the benefit of the technology from foreign jurisdictions if they're going to manufacture or produce something in Canada.

Why are we close to the bottom? I can't really address that question directly for you.

Mr. Jamie Nicholls: Do you think a lower tax regime for large corporations would help to develop Canada's innovation and productivity?

Mr. David Penney: I certainly think it would. It makes it an attractive place to do business. In particular if it's a profitable business, if it's taxed at lower rates, more cash is available to invest back into the business.

Mr. Jamie Nicholls: Okay, but given that we have a lower tax rate than the United States competitively—the United States ranks fifth on global competitiveness whereas Canada ranks about twelfth—and the World Economic Forum has identified the weaknesses in our economy as R and D, and given that corporations are saving money through lower taxes, why are they not re-investing in research and development?

Mr. David Penney: I expect they are, but we have to remember that things don't happen overnight. Canada's rates have gone into the competitive norm probably only in the last three to four years. In addition, the U.S. economy is the biggest economy in the world, and obviously they have an enormous advantage simply because of the size of their local economy.

In addition to that, although their statutory rate is much higher than our rate, taxes are a function not only of the rate but of the base, and they have some very significant preferences built into their base.

Mr. Jamie Nicholls: Okay, thank you.

My very quick question is to Ms. Schwartz.

I'd like to ask her what role an electricity-based infrastructure such as electric cars and building Canada's new electricity infrastructure could contribute to innovation in Canada's economy and contribute to productivity in general.

• (1130)

Ms. Sandra Schwartz: To answer the question, some of the areas Canada could be working in, in terms of innovation, may be around energy storage options, for example. If we are able to store electricity from variable generation, like wind, solar, etc., we'd be able to use that for baseload power, which we can't use currently. You put it into the system, but it can't fulfill the function of a gas or a coal plant.

Mr. Jamie Nicholls: So what's the greatest obstacle currently to implementing the system?

Ms. Sandra Schwartz: Currently, from a federal government perspective, as we put forward in our submission, what we're seeking primarily right now is regulatory certainty and predictability and consistency in application.

We have a number of federal statutes that we have to apply and abide by, whether it's the Species at Risk Act, the Canadian Environmental Assessment Act, the Migratory Birds Convention Act, the Fisheries Act, etc. We're looking for some reforms in those acts to allow for expediency.

But I do want to note that what we are not looking for is a reduction in environmental protection. We are working quite closely with the environmental community in Canada to ensure that we maintain environmental protection while at the same time ensuring our projects can get built quickly.

The Chair: Thank you.

Thank you, Mr. Nicholls.

Ms. Schwartz, you mentioned you can share more detailed recommendations. Please feel free to provide that to the clerk and I'll ensure that all members get that.

We'll finish with Mr. Jean, please.

Mr. Brian Jean (Fort McMurray—Athabasca, CPC): Thank you, Mr. Chair.

Most of my questions were going to be in relation to electricity in Canada, but I was surprised to hear Mr. Giguère advocate for a military industrial complex in Canada. I was kind of interested in that. I'd like to take that up with more discussion.

But I would like to talk about what Mr. Eyking mentioned in regard to Marine Atlantic in particular. I think it was his premier who identified Marine Atlantic in 2005 as being on life support. I understand that at that time the ships' on-time performance was a joke because there wasn't any. In fact, if I'm not correct on anything, Mr. Cairns, I'd like to say that in my constituency of Fort McMurray, most of my constituents who are from Atlantic Canada refer to Marine Atlantic as "maybe arrive" because it was so bad. For clarification, my information is that if we had ordered those ships in Canada, a made-in-Canada solution, they would not be operating until 2014-15. That was my understanding.

I understand there are some discrepancies on that. Maybe if a Liberal government had ordered them in 2003-04, they might have been done by 2010. I know there are some different things, but the biggest issue I think is that now we have on-time performance at somewhere around 85% or 95%, and the people of Atlantic Canada are actually receiving the ability to go back and forth as they require. The issue of Marine Atlantic in 2006 was an issue of safety, a real issue of safety. You're nodding your head, but I think you agree with everything I've said.

I do want to ask a question, if I can, in relation to electricity in particular, because this government did make some serious investments in electricity: the northwest transmission line project, \$141 million; \$71 million in Mayo B.

The Chair: I'm sorry, there is a point of order.

Mr. Eyking.

Hon. Mark Eyking: Mr. Chair, with all due respect to the witnesses, I know Mr. Jean is going on a bit of a tantrum about what didn't happen with Marine Atlantic, but I think in all fairness, if he's going to load up his question and not give time for the witness to answer the question—

The Chair: Order.

Mr. Eyking, as an experienced member, I think you well know it is members' time in committee, so Mr. Jean can make a statement and ask a question.

Mr. Jean, please continue.

Mr. Brian Jean: Thank you for the intervention.

I will note for the record that the witness was answering in the affirmative to all of my comments.

Notwithstanding that, there were serious investments in the green infrastructure fund. I understand, for instance, that Mayo B took five communities in the Yukon off diesel. There's an eight-year payback on that particular investment of \$71 million.

Do you have any other recommendations that you could forward to the committee? We are limited on time. And I would like an exhaustive list of your suggestions on changes of statutes, in particular the duplication with provinces and territories. I think that would be very helpful. Also, I think specific requests in those would be very, very helpful. Obviously, you're not seeking money here. You're seeking a change in regulatory behaviour, and I think that's what taxpayers want us to do, and that's what we should do. So please do provide that to the committee.

• (1135)

Ms. Sandra Schwartz: Yes, we will. We certainly will, and if the committee wishes to have us present again in more detail, we'd be happy to do so.

The Chair: Thank you very much.

I want to thank all our guests here this morning for your presentations and your responses to our questions. We appreciate that very much.

We do have a panel immediately after this, so we are going to suspend for a minute or two and ask the next panel to come forward as soon as possible.

Thank you.

• (1135)

_____ (Pause) _____

• (1135)

The Chair: Could I please ask colleagues to take their seats? If people wish to continue a conversation, they can do that outside, please. Thank you.

We will begin our second panel here. We have, again, seven presenters before us. First of all, we have Canada Without Poverty. The second organization is the Association of Canadian Community Colleges. Third, we have the Canadian Conference of the Arts. Fourth is the National Coalition Against Contraband Tobacco. Fifth

is the Canadian Association of Mutual Insurance Companies. Sixth is the Canadian Institute of Actuaries. Seventh, we have the Canadian Nurses Association.

Thank you all for being with us here this morning.

As you have probably seen from the previous panel, we have a very tight timeline here. We have seven organizations, and members all wish to ask questions. We're going to ask you to limit your presentation to a maximum of five minutes. I'll indicate to you when a minute is left.

We will start with Canada Without Poverty, please.

• (1140)

Ms. Harriett McLachlan (Director, Canada Without Poverty): Hello. My name is Harriett McLachlan. Can you hear me?

The Chair: Yes. The microphone will be operated for you.

[*Translation*]

Ms. Harriett McLachlan: My name is Harriett McLachlan. I am the Quebec representative for Canada Without Poverty. Joining me today are Rob Rainer, our Executive Director, and my colleagues.

[*English*]

They are in the audience. Could the Canada Without Poverty colleagues and friends stand up?

Thank you for allowing us to have this opportunity to speak with you today.

Just to let you know about myself, I'm a social worker with a master's degree, and I work with youth. I work with young offenders in an alternative justice organization and youth in difficulty. I've been working as a social worker for over 20 years, but I've also lived the experience of poverty, like many of our board members. I have lived 35 years in poverty. I have been a single mother for 18 years. I've lived with rats in my home for 10 years. I've lived and struggled daily for 35 years in poverty. I'm here today as a witness to that and as a Quebec board member. I am really delighted to be here today.

I will pass you on to Rob Rainer.

Mr. Rob Rainer (Executive Director, Canada Without Poverty): Thanks, Harriett.

Thank you, Mr. Chair and the committee, for giving us this opportunity to appear.

The June throne speech highlighted the government's desire to advance a caring society. What we all want is not only a caring society but a society that is healthy and as prosperous, safe, and secure as it can be, as well as a society that honours its human rights commitments.

These ends cannot be realized while millions of people live in poverty today, while millions more are highly vulnerable to becoming poor, particularly now in these troubled economic times. The good news is that by making the prevention, reduction, and elimination of poverty one of the highest public priorities—we urge within the top three priorities—multiple benefits will flow back to us all, in fact, helping to address many of the concerns of our colleagues who are also meeting with you today.

Simply put, ending poverty has the most compelling business case. We are at a moment in time that has never been better for capturing this opportunity. We are not here to ask for money but in fact to help save money, for poverty costs 5% to 6% of our gross domestic product each year.

We are here to urge the federal government to set targets and timelines for poverty reduction and elimination. We are also asking the government to act on all fiscal mechanisms that are available, federal as well as intergovernmental, to help reach these targets and then to lay out options for this committee's consideration and consultation.

Knowing the scale of the cost of poverty to Canada, we are confident that the return on investment in poverty prevention and elimination will be massive. We also know that when governments set targets and timelines and then let the players figure out the how, great things can be accomplished.

This government has the opportunity to leave a very great legacy. We and hundreds of other organizations that have endorsed Dignity for All, the campaign for a poverty-free Canada, are ready to help make that happen. We'd be pleased to answer questions when the time comes.

Thank you very much.

The Chair: Thank you very much for your presentation.

We will now hear from Mr. Knight, please.

[*Translation*]

Mr. James Knight (President and Chief Executive Officer, Association of Canadian Community Colleges): Thank you, Mr. Chair.

I hope that our input will help you in your efforts to ensure continued economic recovery and, most importantly, to create sustainable employment.

[*English*]

The Association of Canadian Community Colleges is the voice of Canada's publicly funded colleges and technical institutes. Our 150 members serve Canadian learners of all ages in every corner of Canada through 1,000 campuses.

Any strategy focused on job creation must take account of two immutable realities. First, in our knowledge-based economy, the workplace is increasingly laden with technology. Entry level positions in virtually every sector require sophisticated knowledge of complex systems. Seventy per cent of new jobs now require a post-secondary credential. Within a decade, we expect that will be 80%. Our post-secondary achievement rate in Canada is now an inadequate 60%.

The second immutable reality is that Canada has a challenging demographic deficit. With a rapidly aging population, we are not at a replacement level. In addition, an exodus from the labour market of mammoth proportions is under way as millions of baby boomers retire. The first baby boomer turned 65 this year. Even with immigration, Canada's labour market participation rate will drop from somewhere above 60% to the low 40% range within a generation. The implications are enormous.

Canada's current shortage in advanced skills has been masked by the 2008 recession and slow economic growth since then, but nevertheless, industry leaders are expressing profound concern about the availability of qualified human resources. Unless something changes, within 10 years employers will not find qualified candidates for 1.5 million positions in Canada.

The remedy is not difficult. We must increase the proportion of Canadians with the advanced skills associated with post-secondary education. To do this, we must reach out to traditionally marginalized populations, including the disabled, poor immigrants, disengaged young men, aboriginal Canadians, and multi-generational, welfare-dependent families, to lift them into the economic mainstream through education. A highly skilled workforce that exploits the talents of every Canadian is our only path to a sustainable economy.

Canadian colleges and institutes excel at providing accessible, cost-effective post-secondary education and lifelong learning. They possess a unique ability to nurture the marginalized through to graduation and employment. Despite the sluggish economy, upwards of 90% of college students find employment within six months of graduation.

As we approach the renegotiation of the Canada social transfer, the \$3.8 billion now committed annually for post-secondary education is at play. With pressure on health budgets, some provinces may back away from higher education. We therefore recommend separating the PSE component into a dedicated post-secondary transfer at least at the current level, with some performance standards. We are not calling for new spending. We are focused on the continuation of current investments.

Most new jobs in Canada are created by small and medium-sized enterprises, or SMEs, and because of their limited capabilities, these companies increasingly turn to colleges for innovations through applied research. Colleges and institutes help SMEs innovate and grow by focusing on improvements in technologies, processes, products, and services.

This year, 4,444 private companies, primarily SMEs, partnered with colleges on applied research projects. The Government of Canada and the governments of some provinces support these initiatives; however, on the federal side, these investments represent only 1.25% of the \$2.9 billion invested annually by federal funding institutions.

To unleash the full job creation potential of the SME sector and to boost its productivity, we recommend that investment in college-SME applied research partnerships be increased over time to 5% of federal investment in R and D. We think it's a reasonable ask. We are not recommending an increase in federal spending. We are talking about a retargeting of existing spending.

In order to remain competitive, Canada must invest in post-secondary education and develop a plan to increase the number of persons with advanced skills.

•(1145)

We urge the federal government to launch a national dialogue with provincial and territorial governments, educational institutes, the private sector, and civil society to identify measures to mitigate the demographic and skills challenges we face.

The Chair: Okay, thank you very much.

We'll now hear from the Canadian Conference of the Arts.

[*Translation*]

Mr. Alain Pineau (National Director, Canadian Conference of the Arts): Good morning. My name is Alain Pineau, National Director of the Canadian Conference of the Arts, Canada's oldest and most broadly based cultural umbrella organization. The CCA provides the national forum for the entire arts, culture and heritage community, from all disciplines and regions.

In this submission, the CCA will emphasize the wisdom for the federal government to maintain and, if possible, to increase its investments in the arts, culture and heritage sector. We will also argue that, in order to sustain and create employment, the government should take tax measures that recognize the large numbers of self-employed artists and creators as entrepreneurs running small and medium-sized enterprises.

The CCA submits that, in the current environment, making sound and prudent investments in areas of growth is the most appropriate strategy to adopt. It is the CCA's position that, in order to achieve a sustained economic recovery in Canada, or at least to soften the impact of another increasingly possible economic crisis, it would be wise to maintain or, better still, immediately increase federal investments in arts and culture, in particular through the Canadian Conference of the Arts.

I will now discuss employment.

•(1150)

[*English*]

Sustainable jobs. The cultural sector's direct contribution to the Canadian economy is over \$46 billion, and it provides direct employment to over 640,000 Canadians, three times the number in the insurance industry and twice the number in the forest industry. At 26%, the percentage of Canadian cultural workers who are self-employed is more than twice the percentage of self-employed people in the overall economy.

A large segment of the cultural sector comprises small and medium-sized businesses that are continually adapting to changing markets and evolving business models. To make a living in the cultural economy, cultural workers must develop entrepreneurial skills. Beyond their economic contribution, the cultural businesses they start, such as art galleries, craft shops, bookstores, and entertainment venues, are essential to the unique character and quality of life in our urban neighbourhoods. And in the new creative economic environment provided by digital technologies, artists are more than ever at the forefront of innovation and entrepreneurship. I will open a parenthesis here to say there's one area where we're really ahead of the Americans, and that's in the use of new technologies in cultural production. With, for example, Robert Lepage at the Metropolitan Opera and Cirque du Soleil in Las Vegas, we are

dominating in that field, and it's important to keep investing in that area.

Rooted in its increasing cultural diversity, Canadian creativity is a non-polluting and inexhaustible natural resource helping to grow Canada's economy. Thus we suggest that it is essential that the federal government invest in the development of markets both internally and abroad through programs supporting touring of artists' works and cultural institutions.

Issues of taxation. A number of economists argue that to stimulate the economy it is better to cut taxation to small and medium-sized businesses. Culture falls into that category. Over the years, recommendations have been made by the CCA and its members concerning income averaging for artists and creators whose revenue may fluctuate greatly from one year to another.

It remains our conviction that rather than taxing revenue from a single extraordinary year at maximum bracket rate, taxing income averaged over a few years creates a more stable financial environment for artists and creators and recognizes the multi-year investment that sometimes a single creation requires.

An alternative solution to income averaging, which we put forward in our memoir, is to allow professional artists and creators to use the current year of revenue to establish the level of tax-free contribution to a registered retirement savings plan. Such a regime already exists in Quebec and could easily be extended to the whole country at the federal level.

Similarly, revenue derived from copyright or from residual payments and grants to individual artists and creators should be exempt from taxation. For several years now, again, the Province of Quebec has exempted a certain level of copyright revenue from taxation. By taking this fiscal approach, encouraging those who seek revenue from their intellectual property, and by setting a reasonable ceiling to such tax exempt revenue, the government could make sure that only artists and creators whose revenue is modest benefit from this measure, which would not cost much to the treasury and would be easy to administer.

[*Translation*]

I will now talk about budgetary balance.

While the CCA understands the necessity to start eliminating the annual budget deficit, we submit that it would be very short-sighted to deeply diminish investments in the cultural sector, for all the reasons I brought up earlier. The cultural sector is an important component of the knowledge economy, which is Canada's future and provides excellent returns on investments in terms of creating jobs. In the digital age, it is of the utmost importance for a small nation to invest not only in digital infrastructure, but also in content development and production. Canada has a duty to support the development of all forms of cultural content that reflect our identity as a nation, contribute to the country's standing abroad and support our commercial objectives on the international scene, while making a significant financial contribution to the domestic economy.

The government has other tools to support the economy...

•(1155)

[English]

The Chair: We're well over our time now, so please be very brief.

[Translation]

Mr. Alain Pineau: As for other tools, the government will shortly introduce a new bill on intellectual property. The CCA urges all members of Parliament to make sure that artists are fairly compensated for the use of their work in the digital economy.

In closing, I want to emphasize once again that, like all other sectors of the economy, the arts and culture sector and the different levels of government need accurate and timely statistics to plan and evaluate.

The Chair: Thank you.

Mr. Alain Pineau: Thank you. I will now answer your questions.

[English]

The Chair: Thank you.

We'll hear now from the National Coalition Against Contraband Tobacco, please.

Mr. Gary Grant (Spokesperson, National Coalition Against Contraband Tobacco): Good morning, Mr. Chair, and thank you. I appreciate the opportunity to speak with you today.

I am a spokesperson for the National Coalition Against Contraband Tobacco. I'm also the chair of the Toronto Crime Stoppers program and a retired 40-year veteran of the Toronto Police Service.

The coalition's mission is to raise public and government awareness of the seriousness of the problem posed by contraband cigarettes. Our 13 members represent a broad spectrum of organizations, including retailers, industry, and law and order organizations.

Contraband tobacco is cigarettes and other products that do not comply with Canada's tobacco regulations. It is manufactured in illegal factories that straddle the Canada-U.S. border. More than 50 illegal manufacturing sites operate in Canada.

Contraband tobacco is distributed in a number of fashions. It is readily available at more than 300 smoke shacks that operate outside of government regulation. It is also sold through a vast network of smugglers in communities across Canada. They bring these cigarettes directly to the doorsteps of consumers, or act as street vendors, selling cigarettes out of the trunks of their cars.

A carton of illegal cigarettes can cost as much as \$70 less than the legal product, but carries none of the regulatory display or packaging requirements. Indeed, illegal cigarettes are often sold directly to consumers in clear, resealable plastic bags.

This price disparity, paired with the fact that contraband dealers don't check for ID, has made illegal cigarettes a prime source for youth smoking. In fact, a recent study by the Centre for Addiction and Mental Health indicated that 43% of cigarettes smoked by Ontario high school students were illegal, flagging contraband availability as a reason why youth smoking rates in the province have remained relatively high.

Contraband tobacco's price tag for consumers may be low, but it has proven to be extremely lucrative for the criminals who make it and sell it. The RCMP estimates that there are more than 175 organized criminal gangs that use contraband as a cash cow to finance their other illegal activities, including drugs, guns, and human trafficking.

It should be an important government objective to reduce the prevalence and availability of illegal cigarettes, as the social costs, as outlined above, are very high. However, the strength of the contraband tobacco market also brings serious financial impacts to the Government of Canada. Canada loses as much as \$2.4 billion a year in tax revenue—\$1.1 billion from the federal government—because of the contraband tobacco market. Every dollar the government loses to the illegal market represents money in the pockets of some of society's least desirable elements.

There is much to do to reduce the prevalence of illicit tobacco in Canada. The coalition suggests three courses of action focusing on reducing the supply of and demand for illegal cigarettes.

First, we need to create a Canada-Ontario-Quebec government task force on illegal cigarettes. Enforcement is important but cannot alone solve the contraband tobacco problem. The RCMP estimates that only 5% to 6% of the \$13 billion contraband tobacco trade is being stopped.

The illegal cigarette problem is one that crosses provincial and departmental lines and it is important that our approach and strategy reflect the scope of that challenge. To do so, the Governments of Canada, Ontario, and Quebec should strike an interdepartmental task force that coordinates response to illegal tobacco. Such a task force will allow for more effective communications between jurisdictions, greater information sharing, and more effective response to the contraband. The criminals who run the illegal tobacco trade operate without regard to borders. We should not allow ourselves to be hampered by those borders.

Second, we need to expand the scope of existing anti-contraband tobacco enforcement task forces. The Cornwall Regional Task Force has demonstrated that collaboration among federal, Ontario, and Quebec police agencies can yield tremendous results. We should build on this and create a broader task force of law enforcement officials from Canada, Ontario, Quebec, and the United States.

Stiffening penalties and broadening seizure powers for police will make enforcement efforts even more effective. The government made a platform commitment for a new anti-contraband RCMP task force of 50 officers. Such resources, especially if tied to greater interjurisdictional coordination, are an important step towards addressing this problem.

Finally, it is important to target the supply of illegal tobacco by inspecting and then shutting down illegal cigarette factories and enforcing Health Canada regulations in smoke shacks. We should inspect the 50 illegal manufacturing sites in Canada. When they are not in compliance with regulations, they should be shut down. There are at least 300 smoke shacks operating within Canada, usually located within a short drive of most Canadian cities. They are the prime source for contraband tobacco and should also be inspected regularly to ensure they're complying with Health Canada regulations. When they are not, they should be shut down.

• (1200)

Thank you for your time.

The Chair: Thank you very much for your presentation.

We'll now hear from the Canadian Association of Mutual Insurance Companies.

Mr. Normand Lafrenière (President, Canadian Association of Mutual Insurance Companies): On behalf of the Canadian Association of Mutual Insurance Companies, I would like to thank this committee for allowing us to present our pre-budget submission.

The main purpose of CAMIC's submission is to talk about demutualization. For the first time in recent history, a property and casualty mutual insurance company has announced its intention to demutualize. This could have a significant impact on the whole mutual insurance industry, which CAMIC doesn't want to see happen.

CAMIC represents 91 Canadian-owned property and casualty mutual insurers, a sizable portion of the 106 mutual insurers operating in Canada. In turn, these 106 mutual insurers represent a third of the 316 property and casualty insurers competing in the Canadian market. In 2010 CAMIC members served 5.1 million policyholders, employed directly and indirectly in excess of 15,000 people, and underwrote \$4.9 billion in premiums or 12% of the non-government Canadian market.

Consistent with their democratic values, mutual insurers provide their members with a right to vote at the annual and special meetings of members.

[Translation]

Policy holders elect the board of directors of their company, approve its by-laws and its financial statement, and determine the company's orientation.

Most mutual insurers were formed by farmers between 100 and 170 years ago. At that time, it was difficult for them to find insurance or to find insurance at a reasonable cost. To obtain the insurance they needed, farmers formed mutual insurance companies that were based on a commitment by each participant, called a member, to insure each other against named perils. The objective of the mutual insurer was then, and still is, to provide tailored insurance products needed by the members at the best cost possible.

Each year, as the case may be, the board of directors decides to allocate the profits generated in that year by the insurer to the surplus of the company, or to provide policy rebates to policy holders, or to use the money for social goals. The surplus of mutual insurers is the

annual accumulation of the allocations of profits to the surplus fund of the company. That was done over four to six generations.

As may be expected, those companies that successfully built large surpluses over the last four to six generations become vulnerable to demutualization attempts for the purpose of generating personal windfall revenues.

You may recall that, some 11 to 12 years ago, a number of life insurance companies indicated their intention to demutualize to become stock companies traded on the stock market. In response, the government of the day amended the Insurance Companies Act to allow the demutualization of mutual insurance companies, and the Minister of Finance implemented regulations on the details of how the demutualization of an insurance company could occur.

Shortly thereafter, the market share held by mutual insurance companies went from 50% to less than 5%.

In December 2010, the Economical Mutual Insurance Company, a federally supervised mutual insurer, announced its intention to demutualize and transform into a stock company. However, while the company has over a million global insurance policy holders, it allowed fewer than a thousand of them to vote.

[English]

In response to Economical Mutual's request, the Minister of Finance announced in the June 2011 budget his intention to develop regulations for the demutualization of property and casualty insurance companies. In July 2011, the Department of Finance held consultations on the issue of demutualization. CAMIC participated in those consultations. However, we would like the finance committee of the House to express its support for the position adopted by CAMIC on this issue.

CAMIC is strongly opposed to creating an environment where advisers, boards of directors, management, and policyholders could withdraw substantial personal financial benefits from the demutualization of P and C insurance companies. CAMIC believes that if the surplus accumulated over many generations by mutual insurers is given to current policyholders or, especially, to a small minority of current policyholders, as could be the case with Economical Mutual, this will create a circle of self-interest amongst stakeholders that will become one of the most significant drivers of the process. CAMIC is of the view that the surplus fund of a mutual insurer is permanent and non-divisible; it is owned by the mutual insurance company, not the members, and it is not destined to be owned by the members. The surplus fund's purpose is to ensure the solvency of the insurer, to provide a high quality of service, and to assure the sustainability of the mutual insurer over future generations.

Recognizing that the Economical Mutual Insurance Company has a surplus of \$1.2 billion and about one million policyholders and less than 1,000 voting or mutual policyholders, each mutual policyholder could in theory receive in excess of \$1 million upon the demutualization of the company.

•(1205)

The Chair: Thank you.

I want to remind our guests that the reason I'm sticking to the time allocated is to give members time to ask questions, which you'll find is a very valuable part of the session here today.

We'll now move to the Canadian Institute of Actuaries.

Mr. James K. Christie (President, Canadian Institute of Actuaries): Bonjour.

My name is Jim Christie and I am the president of the Canadian Institute of Actuaries, the CIA. We appreciate the opportunity to discuss our thinking on a few areas where actuarial skills, talents, and abilities can help government in the coming budget year and into the future.

With me today is Michel St-Germain, a pension expert, who may answer any questions you may have on our views of pooled registered pension plans.

While PRPPs will not be game changers in retirement savings, they are an interesting option for retirement planning. To have a significant impact, we believe that PRPPs need to be subject to simple, efficient, and harmonized rules across the country. We believe that PRPPs should be optional rather than mandatory and that they should be regulated as a form of tax registered retirement savings vehicle rather than through a patchwork of federal and provincial pension legislation. This could be done by adding a separate section to the Income Tax Act similar to those existing for RRSPs.

I'll now comment on how actuaries can contribute to health care. The world is undergoing incredible change, and at a pace that is accelerating. Planning assumptions have been seriously challenged and will continue to be tested into the future. Many countries have failed to adequately take into account changing demographics and market conditions, and they are now paying a price for their neglect by coping with social benefit structures that have become unstable.

Risk is the chance that undesirable events will occur, but risk is also an opportunity. We all know that the future is uncertain and full of risk, and this is precisely where the actuarial toolkit and our deep training can be so helpful in health care. These types of things—risk management, demographics, and forecasting—are items that actuaries do well. We believe that government could use this expertise. Basically, actuaries are risk professionals. We analyze, assess, evaluate, and manage the financial impact of risk and uncertainty. We're experts in evaluating the likelihood of future events and we design innovative ways to reduce the probability of undesirable events happening, and we also suggest how to mitigate the impact of adverse events should they occur. Using our strong analytical skills, business knowledge, and understanding of human behaviour, we can help manage the complex risks facing health care in Canada.

Here are some specific things that actuaries can bring to the health care system. First, projecting forward the financial impact of risk and uncertainty is one of our cornerstone skills. We already do this in insurance and pensions. Our work reflects our expertise in demography, compensation, and benefits. We believe the current projections in health care are often tailored to shorter-term goals and

that actuaries, with their longer-term focus, can better identify risks and trends in health care.

Second is planning for the future, in particular the aging population that faces us. In typical budgets, costs are projected to change by specific amounts. Actuaries can lay out scenarios that expose what will happen to budgets if different changes in costs actually happen. We can also quantify what to expect if pieces of the puzzle are tweaked.

Third is working with poor or non-existent data. Often, decision-making comes to a halt because of missing data and information. Actuaries have the capacity to develop conclusions and to get work done in spite of information gaps. As more and better data become available, we develop new scenarios that explain available options and allow better decisions. We handle random fluctuations in plans and results by developing methods for coping with adverse deviations and by creating appropriate margins for the future.

Fourth is modelling. Along with our deep training in mathematics, modelling is a core skill of the profession. It is a key part of what actuaries can bring to health care.

Fifth, actuaries are experts at working within a team. You'll find actuaries in insurance companies, in pension plans, in the energy field, among government regulators, in employment insurance, and in workers' compensation. We are also leaders in the emerging field of enterprise risk management, helping manage risk throughout organizations.

Sixth, actuaries belong to a profession. There is a broad and deep body of knowledge that actuaries have mastered. There is a professional organization, the CIA, that accredits our training and awards our professional designations. Actuaries adhere to standards of practice generated by an independent actuarial standards board. We have firm targets for continuing professional development that each actuary must meet annually. The actuarial profession also maintains and enforces a comprehensive disciplinary process. So actuaries are well educated and highly ethical professionals who are current with best practices.

•(1210)

You are no doubt familiar with the work of the office of the chief actuary within the Office of the Superintendent of Financial Institutions. The chief actuary brings rigour, insight, and professionalism to bear on the Canada Pension Plan, public sector pensions, and social programs.

Canadians deserve the same type of advice in health care.

The Chair: Thank you very much, Mr. Christie.

We'll go to the Canadian Nurses Association, please.

Ms. Barb Mildon (President-elect, Canadian Nurses Association): Bonjour. Good afternoon.

As the president-elect of the Canadian Nurses Association, representing nearly 145,000 registered nurses from across the country, thank you for the opportunity to present the nursing profession's solutions for optimizing the health of our nation while improving the sustainability of health care.

In the context of today's global economic climate, it is clear that action must be taken to find a more efficient way of meeting Canada's health needs. Canada's registered nurses are concerned that our publicly funded health care system still favours a model based on episodic treatment of illness and acute in-patient or out-patient care delivery, rather than a focus on health promotion, disease prevention, and optimal use of health care professionals.

The Canadian Nurses Association's recommendations support the need for a federally led accountability framework that leverages innovations and new models of health care delivery to address key health systems and health challenges. Our recommendations encompass the three priorities of ensuring capacity, optimizing efficiency and access, and improving quality.

The first of these priorities relates to Canada's health human resources. Health human resources planning enables the matching of available health care providers with the health care needs of the population. Projections of this nature allow decision-makers to plan appropriately for the education, deployment, and evaluation of health human resources to meet the needs of Canadians.

To do this effectively, we need a better system of tracking and deploying our health professionals. Thus, CNA recommends that the federal government lead the creation of a national unique identifier for all Canadian health professionals. A national unique identifier has been described as an "essential piece" of health human resource planning infrastructure. The Canadian Institute for Health Information's feasibility study showed that the implementation of a unique identifier for nine professions would incur a start-up cost of \$17.3 million over three years and a subsequent annual operating cost of \$5.2 million. This investment would provide governments and regional health authorities with the information they need to monitor trends influencing workforce stability, including the practice, status, distribution, and mobility of health care providers. This would be especially helpful in preparing for and responding to pandemics or the need for rapid deployment of health care professionals.

Our second recommendation addresses the need to bolster community-based health services, such as primary care, school health, ambulatory care, and home care to improve the health of our nation. Far too many Canadians are turning up in our emergency departments or are being hospitalized unnecessarily for health conditions that could and should be managed in the community. As such, CNA recommends that the federal government fund coordination across the national health agencies to advance community-based health services.

We know that chronic diseases are estimated to cost over \$90 billion annually in treatment and lost productivity. We also know that chronic diseases, such as asthma, diabetes, heart failure, and hypertension, can be managed in the community. Interprofessional teams that include nurse practitioners, registered nurses, and clinical nurse specialists add value to the health care system by reducing the

number of unnecessary and costly admissions and readmissions to the hospital.

For example, teams of mobile emergency nurses who respond to non-urgent calls from long-term care homes reduce the number of transfers to emergency departments. A recent study in Toronto demonstrated that these teams were able to provide the necessary care for 78% of the residents they visited, residents who would otherwise have been sent to emergency departments. The cost of these mobile visits is 21% less than the cost of having their needs addressed in emergency departments.

Greater implementation of these innovative, evidence-based models into practice across the system will result in better care, improved and timely access to the most appropriate health care providers, and will yield better health and lower costs across Canada's health care system. The federal government's leadership is paramount to achieving a healthy population, a productive workforce, and a vibrant economy.

I thank you, and I look forward to answering your questions. Merci.

• (1215)

The Chair: Thank you very much for your presentation.

We'll begin members' questions

[*Translation*]

with Mr. Mai, who has five minutes.

Mr. Hoang Mai: Thank you, Mr. Chair.

I again want to thank the witnesses for sharing their expertise.

My first question is for the Canadian Conference of the Arts representative. In your brief, you talked about \$84.6 billion being contributed to the GDP and about 640,000 jobs being created. We, the opposition, really pushed for tax cuts for small businesses. However, the government said that tax rates for major corporations needed to be reduced to create jobs.

Could you tell us what solutions you have in mind?

Mr. Alain Pineau: First, I would like to clarify something. During my presentation, I actually talked about \$46 billion—the official figure provided by Statistics Canada—in direct contributions to the GDP. The \$84 billion includes the indirect impact, according to the Conference Board. I just wanted to clarify that, as the two figures are out there. They are not wrong, but they are in reference to different things.

I was trying to show something as quickly as possible. A substantial part of the cultural sector is made up of small businesses and individual entrepreneurs. I would like to quote the economists who are saying that lightening small businesses' tax burden is the way to create the most jobs. That's not a new discovery, as we've heard it said for many years. It stems from various studies conducted in Quebec, at the federal level or elsewhere in Canada. That's why we suggest that tax measures be adopted specifically for the cultural sector and self-employed workers.

It's interesting to note that creating a single job in the cultural sector requires an investment of about \$30,000, while in the heavy industry sector, that figure is more in the neighbourhood of \$300,000. If the goal is to have as many Canadians working as possible, I think these arguments are valid.

Mr. Hoang Mai: Thank you very much.

[English]

My question now is for Canada Without Poverty.

We saw in your brief that for each dollar put in, nine dollars are saved in terms of health costs. Can you expand on that?

You also talked about the solutions that were set out in 2009-10 by the Senate and the House committees. Could you maybe summarize the types of solutions they requested to get rid of poverty?

• (1220)

Mr. Rob Rainer: Sure. I'll take the last question first.

The two reports you're referring to are, first, the 2009 Senate Subcommittee on Cities report, a subcommittee chaired by Senator Eggleton and Senator Segal. They spent several years looking at the problem of poverty and the role of the federal government and came up with a very in-depth report, with many recommendations that get into many thematic areas around housing and income security, and so forth.

Second, the House of Commons report of 2010 was quite similar. Basically a House committee also looked at the federal role and came up with what I think is the most significant House report on this issue ever produced.

In response to both of those reports, the government essentially said, "Thank you for this work. We'll take these recommendations under advisement." It has not in fact acted on any of those recommendations, to my awareness.

I think the key recommendation coming from both is essentially that the government needs to have a comprehensive plan, because the complexity of this issue demands that you not focus on one or two thematic areas but in fact go after a wide range of things needing attention.

In a few seconds I can't really summarize much more than that, but that, to me, is the key recommendation. It is still out there. Many groups are calling for a comprehensive approach to this issue, with the federal government playing a leadership role in partnership with provinces, territories, municipalities, aboriginal groups, and the NGOs that are standing ready to assist with that process. A great deal of thought has gone into this already and we don't need any more study; we can simply move.

What was your first question again, please?

Mr. Hoang Mai: It was really regarding the impact on Canada of every dollar we put in to get rid of poverty.

Mr. Rob Rainer: Just very briefly, we know that the costs of poverty are so high because of the kinds of downstream effects we end up having to deal with. We've heard something about the health care system. Yesterday I learned from Dr. Jeff Turnbull, the immediate past president of the Canadian Medical Association, that

20% of health care costs can be attributed to health inequities—in other words, poverty.

So there's a big savings to be had if we can prevent poverty or alleviate the poverty of those who are experiencing it. You will see better health outcomes, you will see better criminal justice outcomes, and you'll see better productivity outcomes. The evidence on this is compelling.

The Chair: Okay, thank you, Mr. Mai.

We'll go to Ms. McLeod, please.

Mrs. Cathy McLeod: Thank you, Mr. Chair.

To start, I would like to focus on the Canadian Nurses Association, of course near and dear to my heart.

I would want to look backward first, then I want to look forward, and I want to ask just a quick question also around one of your recommendations.

I think everyone appreciates what you've said, and I think Canadians have heard this message consistently in terms of what needs to be done to reform the health care system.

We've had an accord from 2004 to 2014, significant additional dollars transferred to the provinces, significant dollars targeted at primary health care transition to do exactly what you talked about. I'd like you first to reflect: have we seen any changes over time? It sounds like we're still needing to do that same work, in spite of significant dollars over the last ten years towards that primary health care reform agenda.

Ms. Barb Mildon: My answer is definitely yes. We are seeing influence over time, and I do thank you on behalf of nurses in Canada for the effort put into the health accord and into the upcoming discussion on the new health accord.

Really, what we're saying is that now the federal government can add its voice and its significant weight to creating a comprehensive set of pan-Canadian health system indicators. That becomes the accountability framework that can be used to further leverage the kinds of change you're trying to support.

I believe that the emergence of family health teams in many provinces and territories is making a difference. There is stronger nurse practitioner practice across the country. We are working with the appropriate government organizations to advance nurse practitioner prescribing, which will further put primary health care in action. So we do believe, in essence, that there are indications that it is working.

Mrs. Cathy McLeod: Okay. This sounds like it's sort of a long, slow, expensive transformation.

• (1225)

Ms. Barb Mildon: Long, slow, expensive transformation....

I perhaps want to come back to this notion of health system indicators.

The last accord did put measures in place that addressed key waiting list targets. Those are primarily for surgical and diagnostic procedures, but they have had an influence over time. Most provinces will report to you that there is a lower waiting time. So that's one way in which it's happened.

We think that can go further now in terms of the next round of discussions. To that end, the Canadian Nurses Association is working with partners around a national nursing report card. That national nursing report card further expands this notion of accountability.

Mrs. Cathy McLeod: Hopefully the support for rural nurses and doctors in terms of loan forgiveness will be one good measure. I certainly know in the communities I represent, especially my rural communities, they're begging for that kind of support.

On your unique identifier for health care professionals, did the provinces tend to support that idea? Is it something that's seen as really valuable in terms of looking at the who and what and where?

Ms. Barb Mildon: Thank you, a very wonderful question.

I want to take myself as an example. I graduated from a nursing program in Ontario and moved almost immediately to B.C. for my first job. There weren't jobs in Ontario at the time. I have moved back and forth between two provinces over most of my career.

So having a unique identifier would enable us to know where I am, first of all, and what my profile is. It would enable us to more quickly deploy me and my skills in a time of pandemic planning or response, as well as any other kind of situation in which we needed to rapidly deploy health care professionals.

We do know that our provinces and territories are onside with this, from the viewpoint that it would help them in their regulatory activities. Unique identifiers are also in the interest of the public, because if I have an offence against me or some practice issue, that becomes evident in my profile. So I cannot slip through the cracks by simply moving to another province.

Mrs. Cathy McLeod: Thank you.

The Chair: Thank you, Ms. McLeod.

We'll go to Mr. Brison, please.

Hon. Scott Brison (Kings—Hants, Lib.): Thank you to each of our witnesses today.

I'd like to start with Mr. Rainer and Ms. McLachlan.

In the last few years there have been a number of boutique tax credits provided by the government: a tax credit provided for children's activities; a caregiver tax credit for families looking after loved ones; a home renovation tax credit; a volunteer firefighters tax credit.... These are all non-refundable tax credits. As such, they do not benefit the lowest-income Canadian families.

I'd appreciate your view on whether we ought to make these refundable, such that they can help a broader range, particularly those most in need.

Mr. Rob Rainer: Certainly anything we can do to increase the incomes of low-income families I think is a good thing.

The broader point, though, is that very micro-targeted measures on discrete populations in the absence of a comprehensive approach is likely to yield, at best, very minor benefits. And I'm not an expert on this, but I believe the evidence so far is that the take-up on these kinds of tax credits is in fact not by those who they are ostensibly meant to help. It's more the middle-income and upper-income households that may benefit from these tax credits. So that further increases the inequity in our society. One of the real intersects around the issue of poverty is the growing inequality we have in this country, and this is increasingly being recognized by many organizations.

So again, we would urge a more comprehensive approach to helping low-income families and individuals and coming to realize that the evidence as well shows that nations that are prepared to invest more strongly in social development and their social security, which may require more taxation overall, actually have stronger economic performance and have stronger social and economic indicators. There's a whole wide range of indicators, and the evidence shows they perform more strongly than countries with lower tax regimes.

• (1230)

Hon. Scott Brison: Thank you very much.

Mr. Knight, it's good to have you back at the committee. Speaking from a Nova Scotian perspective, the Nova Scotia community college system does a terrific job in terms of the productivity and prosperity of our province. Kingstec, in Kentville, Nova Scotia, is a great local college that makes a real difference.

Increasingly, countries are measuring what they're referring to as NEET—"not in education, employment, or training"—a group of people who in many ways have fallen through the cracks. And there are a lot of young people in that category. Other countries are measuring that. We don't have those statistics in Canada. Stats Canada doesn't track it, and the government doesn't track it.

Are you able to opine, from your perspective, in terms of the NEET statistic in Canada? Are you seeing evidence that it's increasing, those people who are not in education, employment, or training?

Mr. James Knight: As you suggest, our statistics in this area are quite weak. We are working closely with Statistics Canada to improve their output in relation to the needs of our institutions.

But on a micro level, you mentioned a particular campus of the Nova Scotia community colleges. The administrators and the managers of that institution would be close to local realities and would be close to local people. This is one of the great strengths of the community college system. They reach out to those who have fallen through the cracks and try to bring them into education, first through adult basic education probably, and then into the main course programs.

I would say that Nova Scotia community colleges do a particularly good job at this, and I think colleges across the country are highly focused on it.

Access is a value of the system. Everybody should have an opportunity to come in and get the skills they need for the education they require.

Hon. Scott Brison: But you'd recommend that Stats Canada and the government seek better information in this area.

Monsieur Pineau, the question of income averaging is raised by you from the perspective of the cultural communities. I would urge you to think about it more broadly than that, because increasingly with young people, or with people working on a contract basis, income levels can change dramatically. I think the committee ought to consider the idea of income averaging more broadly than just in cultural communities. In fact it could affect very positively a wide range of Canadians working in a wide range of sectors.

I would appreciate your thoughts on that.

The Chair: Just very briefly, sir, please.

Mr. Alain Pineau: Income averaging is an issue that has been put forward for years by the cultural sector. We're again making the case, in particular because of the specifics and because of the statistic I quoted, that 26% of our people are self-employed in the sector. As I said, that's twice the national average in the rest of the economy. The answer we've always received, through a series of ministers of finance, has been that it also applies to others, and therefore you won't have it.

The Chair: Thank you.

Thank you, Mr. Brison.

Mr. Hoback, please.

Mr. Randy Hoback: Thank you, Chair.

Again, thank you for being here this afternoon.

Just as with the previous group, I read through your submissions and saw stuff I'd like to ask all of you about. Of course, you're all aware of the five minutes that you each had to speak; well, I only have five minutes to ask questions. Maybe I'll just zone in on a couple of areas.

Contraband tobacco is definitely something that I want to talk about. My constituents have been very clear to me that this is something they want to see some action on, one way or the other. We've had some great debates amongst our constituents—i.e., maybe the taxation's too high on contraband and we just should drop the taxes; then it's no longer a market for contraband. Then there's the argument that if you did that, you'd encourage more smoking and you'd see the other effects in there. It's one of those issues where you're damned if you do and you're damned if you don't—if you'll excuse my language.

So I'm kind of interested in your suggestions and some of the discussions that you've had around your group. You had your three suggestions. Is there anything outside those three suggestions that you think we should concentrate on?

Mr. Gary Grant: Yes. I think a greater public awareness will help bring an end to the problem.

I know that both the federal and provincial governments have promised in the past to bring forth public awareness campaigns to educate the public about the dangers of contraband tobacco. I mean, about 75% of people don't smoke, so this type of thing is not on their radar screen. And even a lot of the people who are doing it think it's a victimless crime, forgetting about the numerous victims that are

involved, from retailers to our youth to organized criminals being out there and to the victims of the government—the taxpayers—for not getting the funds they need to do proper things in our society.

So there should be a public awareness campaign. Some people out there don't know that their kids are buying cigarettes from a criminal out of the trunk of a car. I teach at Humber College, and one of my students told me that in his last year of high school, two fellow students were selling contraband cigarettes out of their school locker. Where did they get them? They got them from their parents, who went to some of the smoke shacks and bought them. They were using it to supplement the family income.

So it really is an issue. I think if more people knew how many victims there were, that it's not a victimless crime, that it's something that deals with organized crime, that it is severely impacting our youth as the smoking rates go up again, there might be a lot more people who voluntarily stop buying contraband cigarettes. Also, hopefully a lot more people will speak to their MPs and MPPs and city councillors to demand that something be done.

• (1235)

Mr. Randy Hoback: I'm sure you've talked to different police forces in regard to this, and about some of the frustrations they have. What have they said to you about the implications in a situation where they go out and make an arrest, and it goes through the legal system and...? Do they view it as just being an exercise in frustration, or is there actually some teeth?

I know we have some new criminal legislation coming in right now, which of course our opposition members are against. I think they look at a victimless crime as the victim actually being the guy committing the crime, not the person the crime's being committed on. In this case, they would look at the smugglers as being the victims instead of the kids at the high school.

I think you quoted the fact that something like 43% of students—the ones who are smoking, I assume—are using contraband. I think the numbers around Parliament here are based on a survey last year; it was something like 80% or 85%. Don't quote me on those numbers.

Again, your public awareness makes a lot of sense to me, because you're talking not just about the victims and the people involved. We also don't know what's in these things. We don't know what else they're selling, either. They might be selling cocaine and other drugs. What else is on their menu of things that kids can buy from them?

Do you have any comments on that?

Mr. Gary Grant: You're exactly right; the Centre for Addiction and Mental Health study indicated that teen smoking rates in Ontario, which were declining, are now starting to go on the rise again, likely because of contraband. They said that 43% of the young people who smoked were smoking contraband cigarettes. Because of the cigarettes' cheapness and poor quality, the young people were smoking more of them, so obviously they would get hooked faster.

The problem I have as a father and a police officer is that if you buy these cigarettes off basically criminals, number one, yes, you can also get something else for the weekend, if you like. Would you like that baggy of cigarettes? Would you like a little ecstasy for going to the club this weekend? Would you like a bottle of vodka? No ID is required. They'll sell it to people 12 years old. The youth are also learning that it's okay to break the law, which is a very concerning thing to me. They hear that, yeah, it's okay to break the law, don't worry about it; I'll sell you this, and very cheaply.

I'm not sure if there was another point that you wanted me to cover.

Mr. Randy Hoback: Just quickly on the police forces—

The Chair: Be very brief.

Mr. Randy Hoback: —and their...

Mr. Gary Grant: The police services, even when I retired...it was sort of under our radar screen in Toronto. This was predominantly seen before as a Revenue Canada and an RCMP problem. Police officers, provincial and municipal, might get a seizure, and they'd call the RCMP or the revenue people. They couldn't do anything with it until those officers came.

The legislation has been changing. Ontario passed Bill 186 just before the legislature rose for the summer. It gives police greater powers for seizure and stopping and arresting. And I know the current federal government has a bill before the court. I think this would be very beneficial.

The Chair: Thank you.

Thank you, Mr. Hoback.

We'll go to Mr. Marston, please.

Mr. Wayne Marston: Thank you, Mr. Chair.

Not to diminish what we've just heard, the real crime sitting before this committee right now, in my opinion, is national poverty rates. The presenter Mr. Rainer talked about 20% of the cost of health care being directly related. We have an opportunity to make a significant difference in the cost to our health care, which is coming up for major debate in the next couple of years.

In Hamilton, we had a series in our local newspaper called "Code Red". You mentioned a statistic in your brief: between one area of Hamilton that is poor and one that is more affluent, the disparity in the life expectancy rate was 21%. If we're talking about crime, that's our crime. It's a crime against the people, as far as I'm concerned.

The Social Planning & Research Council of Hamilton raised a report last Friday that talked about seniors' poverty in our community as well; there is 7.5% seniors' poverty. But the striking statistic is that women were living in poverty at two and a half times the rate for men.

So we've proposed an increase to the guaranteed income supplement. People receiving that receive approximately \$15,000 a year, and the poverty rate is \$22,000 a year. The government's response was \$50 a month increase.

What is your response to that?

●(1240)

Mr. Rob Rainer: It's clearly insufficient, and I think it also points to half measures. We have a history over forty years of half measures on this, so our poverty rates have barely budged. In fact we've been around for forty years as an organization, and tonight we have an event at which we'll mark that occasion. I'm putting up some slides that show people who are homeless in the 1970s. You can see the exact same picture today, except that there's a Starbucks in the background that wasn't there in the 1970s.

It's a case of half measures, a lack of a comprehensive approach, too much patting ourselves on the back.

Yesterday we heard again from Dr. Jeff Turnbull, and also from Mark Chamberlain, a very prominent businessman from Hamilton who is very outspoken on this issue, that we do too much patting our backs about the things we are doing and not enough about what needs to be done. We have a long way to go, including for seniors. Despite the fact that their poverty rate, of all the demographic groups in the country, is the lowest, there are still very troubling concerns that the rate is bouncing in the other direction.

So we have a lot to do. Again, the Senate and the HUMA reports laid out a number of recommendations that I think are well thought out and well considered; lots went into them, and I would encourage the committee to revisit those documents.

Mr. Wayne Marston: Thank you.

Mr. Christie, 63% of working Canadians don't have a pension and have next to no savings. As well, there is a pressure in our country to move from defined benefit plans to defined contribution plans. And last week we saw the market drop 7% in that week.

Would you like to talk about the impact on someone who was about to start on a pension plan with a defined contribution, keeping in mind that we've been suggesting for over three years now that we need a phased-in doubling of the Canada Pension Plan because of the necessity to backfill for this situation?

Mr. James K. Christie: Thank you for your question, Mr. Marston.

I will defer to my colleague, Michel St-Germain, from the Canadian Institute of Actuaries, who is a pension expert and will respond.

Mr. Wayne Marston: Thank you.

Mr. Michel St-Germain (Member, Canadian Institute of Actuaries): Thank you for your question. I'll try to address it. You're covering a number of points here.

The position of the Canadian Institute of Actuaries is that we need to encourage Canadians to save more for retirement, and in the package that has been distributed we have a number of options that are being analyzed, including an expansion of the CPP. We have provided through this paper the pros and the cons of this option.

Here are a couple of comments related to what you've seen. I think we need legislation in this country that is neutral in terms of whether or not an employer is encouraged to offer a defined benefit or a defined contribution plan, and this is not the case now. The legislation is very complex and frankly discourages employers from maintaining a defined benefit plan.

I want to say, concerning the expansion of the CPP, that it certainly is an option in terms of efficiency, but I would encourage you to look at an option that does not transfer additional burden to the younger generation and doesn't unduly encourage people to save, in the sense that there are in the population people who should not save. The advice we give to many individuals is that if you're young, have a mortgage, and have kids, the priority should be to repay the mortgage and take care of your kids. It is possible to defer saving to a later date.

The Chair: Okay. Thank you.

Thank you, Mr. Marston.

We're going to go to Mr. Van Kesteren, please.

Mr. Dave Van Kesteren: Thank you, Mr. Chair.

I'll follow Mr. Marston.

I'd like to go to you, sir, and I want to talk a little bit about poverty. I want to understand. When we hear those statistics, they're staggering. I don't think there's anybody who doesn't look at poverty, the type of poverty you're looking at: the homelessness, on the reserves, single moms, often people who really don't have much of a chance. And they didn't create these problems. These were problems they were either born into or sometimes circumstance. But isn't it true too that many of the statistics are moving targets? What I mean by that is aren't there many people in those statistics who are in flux, their lives are actually improving, and when we check them five years later we see they have improved? As I said, I'm not talking about people who were institutionalized at one time but now for whatever reasons, right or wrong, were opened into society. Is that a fair assessment?

• (1245)

Mr. Rob Rainer: The data does show that for most people who experience poverty, it tends to be a portion of their lives, not for their entire lives, although certainly there are those who sadly spend their entire lives from cradle to grave never escaping the conditions. So I think what that really points to...I'll just back up. We also know that the pathways into poverty are many.

Again we heard from Jeff Turnbull yesterday that among the people he treats right here in this community are two former professors who are homeless. How did two former university professors end up on the street? And we know that doctors end up on the streets, we know there are professionals, there can be politicians who end up on the streets. It points to the fact that we have not created a social security system that is there to catch people if they actually are falling. There are so many triggers.

Harriett and I met a woman in Montreal at a workshop we put on. She used to have two Mercedes in her driveway. She didn't go into the reasons for why she ended up on welfare in Montreal, but it happened to her. It can happen through divorce, it can happen

through injury, it can happen through mental health problems, depression, etc. So we have to construct a better safety net than what we have to date, and I think we have the tools to do that.

Mr. Dave Van Kesteren: And it's also true, I think you would agree, too, that the measure of poverty that we apply in this country, of course, would be.... I returned from a trip to Ghana, and of course we would not use those same standards—not to minimize, but we need to take those things.... I think that's important, because I think the whole focus of our discussion, when we talk about our friends from the actuaries, and even from the insurance companies—and I don't say “even” to minimize that. But education.... We all have a role to play in these things, and as we improve our lot there....

Often I think this is politics and we criticize one another, but we'd all have to agree that this government—and successive governments as well—often does things that don't directly address those problems or don't appear to, but in essence do improve people's lives and subsequently we have a better society. Would you agree?

Mr. Rob Rainer: As I said before, I think we pat ourselves on the back too much. Yes, there are some things we do well. Yes, seniors' poverty has come down, but child poverty rates are pretty much the same as they were in 1989 when the House of Commons, the MPs at that time, said they were going to end child poverty by the year 2000. The problem was there was nothing to back that up. There was no plan, there were no investments; it was simply a statement of good intentions. So we have to go well beyond that. We have to stop patting ourselves on the back and look at what we still need to do.

The Chair: Three seconds.

Mr. Dave Van Kesteren: I would agree. It's a balanced approach, but on the other hand, we must recognize that there are other programs, because we need a strong society. We need a strong financial position to address those things, and I think you would agree with that as well too.

Mr. Rob Rainer: For sure. I'd just like to emphasize that the evidence shows that nations that are prepared to invest significantly in social development and social security, social protection, have stronger health outcomes, equity outcomes, community, democratic outcomes, and competition and productivity outcomes. The evidence is there, and we can provide some of that to you if you're interested.

The Chair: Thank you.

Thank you, Mr. Van Kesteren.

[*Translation*]

Mr. Giguère, go ahead. You have five minutes.

Mr. Alain Giguère: Good afternoon. Would the pensions expert, Michel St-Germain, please come forward? I have a few questions to ask about actuaries.

Mr. St-Germain, the document that is part of the results presented by the Canadian Pension Plan and the study conducted by the Chaire d'études socio-économiques at UQAM, headed by Léo-Paul Lauzon, seems to indicate that we are obviously headed toward a major economic Walkerton in 30 years. The money that would provide people with a comfortable retirement won't be there.

We don't have to be rocket scientists to figure that out. Am I right?

•(1250)

Mr. Michel St-Germain: Your question is actually twofold. I want to point out that, if we compare them with other countries' plans, we realize that the Canada Pension Plan and the Québec Pension Plan each have some of the best governance structures out there.

I don't want your question to imply that the Canada Pension Plan and the Québec Pension Plan are poorly managed, as that is not the case. However, our society has a hard time saving money. Some people do not save enough, even though there are countless options for doing so.

Mr. Alain Giguère: Well, Léo-Paul Lauzon said that out of 18,500,000 Canadians who earn less than \$50,000 a year, barely 15% have RRSPs. It's not that they don't want to save, but rather that they don't have the money for it.

Mr. Michel St-Germain: You just put your finger on one of our problems. People who don't have enough money to save have insufficient resources. They have insufficient resources prior to retirement and, unfortunately, their money troubles will continue after retirement.

Mr. Alain Giguère: Currently, I think that out of all the proposals, be it a voluntary retirement savings plan or an individual retirement plan, the only option that can truly guarantee a pension equal to 50% of a person's income is the one offered by the Canada Pension Plan, which is mandatory for everyone.

Mr. Michel St-Germain: You are right.

Mr. Alain Giguère: Thank you very much, Mr. St-Germain.

My next question is for Alain Pineau. Mr. Pineau, regarding intellectual property, there is currently a tax imposed on CDs. In some countries, that tax was extended to certain types of equipment that make it possible to make copies using small digital devices. Most countries, such as France and Argentina, have that type of tax in place.

How does Canada's not imposing that type of tax negatively affect our artists?

Mr. Alain Pineau: First off, I want to make it clear that it is not a tax. And that has nothing to do with semantics. In actual fact, it is not a tax, but payment for a right, the right of a user to make copies. It is not a tax either in the technical sense of the word or in the fundamental sense underpinning the concept.

This regime exists in Canada and is part of the collective administration regime introduced in the late 1990s in response to new technologies. Far from perfect, this instrument has been the target of much criticism. Anyone could claim that they were not using a tape or CD for artistic purposes. So it is definitely not ideal, but it's the best regime that was found as far as collective administration goes. That is why the cultural sector as a whole has campaigned so hard, unsuccessfully thus far, for the preservation and expansion of this regime, which represents the lesser evil in terms of ensuring some revenue for artists and creators in general.

If there were a better solution, we would be the first to get on board, but that has not been the case so far.

Mr. Alain Giguère: Thank you very much.

The Chair: You have 30 seconds left.

Mr. Alain Giguère: I read something about tobacco control that gave me a bit of a start. It was about society's undesirables and problems with organized crime. Actually, I haven't heard much about it and I don't deny that organized crime is an issue, but in 1763, General Murray gave aboriginals the right to engage in trade.

Are we considering the possibility, first, that aboriginals are not a people and, second, that General Murray's treaty is no longer valid?
[English]

The Chair: Mr. Grant, just make a very brief comment, please.

Mr. Gary Grant: There are two types of people we're talking about here.

If you're discussing the aboriginals, the majority of people who live on the native reserves are law-abiding and want to get on with their lives. They're basically being intimidated and terrorized by the criminal element in their communities, which is manufacturing these cigarettes and reaping huge profits. Nobody wants them there, but there are bad apples in every community.

Contraband is then being smuggled over to the provincial sides and turned over to the hands of organized crime. The RCMP has estimated there are 175 organized criminal gangs, and we're not talking about mum and dad going to the smoke shack and picking up five cartons for their home; we're talking about organized gangs that bring truckfuls of cigarettes.

•(1255)

The Chair: Thank you.

We'll go now to Mr. Jean, please.

Mr. Brian Jean: Thank you, Mr. Chair.

Thank you, witnesses.

I want to let you know that, in relation to the cigarette issue, you not only have a staunch supporter in me but also in Larry Miller. He's an MP from Ontario, obviously, and he brings that forward constantly. I agree with you. I have many family members who are aboriginals, and this is organized crime using the most vulnerable of our society for its own profit, its own gain, and trying to avoid taxes and nothing more. It is criminal activity.

But my interest is really in the colleges, Mr. Knight, primarily because I think, first of all, our government did some great work on the knowledge infrastructure program, and in particular in my riding in northern Alberta, which is a hot spot of economic activity right now. It has a very low unemployment rate and can't find people to do any kind of work. The colleges are working in partnership with many of the industries. Syncrude and Suncor, for instance, have positive relationships with Keyano College in Fort McMurray. Lakeland College, which is also in my riding, but in the south, and Portage College, as well as Athabasca University, are all creating partnerships with the oilsands industry and different industries that facilitate that type of work. Let's face it, all these people who work at Syncrude and were hired back in the eighties are retiring—and I'm not talking about 200 people, but 8,000 people—and Syncrude is paying huge dollars to try to keep them there. But the reality is that it can only do that on a one-off basis for a short period of time.

So my question to you, Mr. Knight, is this. What can we do as a government through legislative initiatives, tax initiatives, to encourage these partnerships and to encourage these colleges to train more people, because that is the future of our country, at least in western Canada? What can we do to train more people in all parts of the country, whether it be in Mr. Brison's riding or in Newfoundland, etc.? As you know, most of my population is from Atlantic Canada; probably in my riding 50,000 or 60,000 people are from Atlantic Canada. I very much appreciate that, because they vote for me. What can we do to encourage the colleges across the country to move towards this by way of tax incentives and to have these people trained?

Mr. James Knight: I think you've identified one of the great strengths of the college system. Engagement with local businesses is very much a part of the culture, part of the strategy. I think in your part of the country, you're uniquely situated to do that, because you have these very large industries with large amounts of money, desperately needing more trained people to work for them.

This isn't the case everywhere in the country. We don't have that concentration of very large industries prepared to do this. We have many strong relationships. In Winnipeg there's a great relationship with the New Flyer bus company and with the military, but it's not at that scale and not at that size. So I think public investment in education matching or parallel to the private sector investment you mentioned is quite important.

Mr. Brian Jean: If I may, I don't have a lot of time and I want to get to this.

If we created a tax incentive for corporations to partner or to encourage colleges at the local level to go into these training programs.... What discourages me is that I have so many people from Atlantic Canada who come to Fort McMurray, for instance, and are not trained in a skill. They don't have a class 1 or even a class 3 licence. In Fort McMurray, somebody with a class 1 licence can find a job that would pay upwards of \$150,000 a year to work six days on, six days off. These are the types of initiatives that I think would move us forward as a country, to be more productive and to have that at every college across the country, not just in Fort McMurray or Lac La Biche. How do we move forward to allow that in every part of the country?

The Chair: Just give a very brief response, please, Mr. Knight.

Mr. James Knight: Well, if every part of the country had the dimensions of economic success of your part of the country, it would be easy. It's a little more difficult in other environments; it's clearly more difficult. Why are people coming out of Nova Scotia without the right education for your industries? It's because they don't have that support in their own province. That's one of the reasons.

The Chair: Okay, thank you.

We'll go to Mr. Nicholls, please.

• (1300)

Mr. James Knight: We could have further discussion on this, though.

Mr. Jamie Nicholls: I'd like to thank you, Mr. Chair, and the witnesses who have appeared.

I'm glad, Mr. Rainer, that you mentioned that there are even politicians who fall into poverty. It reminds me of a member of Parliament from my own riding, Mr. Louis-René Beaudoin, whose portrait hangs out in the hall next to us. He was also a Speaker of the House. He unfortunately died virtually penniless in the back of a Montreal taxi cab in 1970. So no one's immune to poverty.

I would like to look specifically here at poverty and the role of poverty in child sexual abuse. I'm sure you'll agree with me that poverty is one of the factors in child abuse, physical and sexual. Given that 85% of perpetrators are someone the child knows, such as a father or a step-father, do you believe that a crime bill compensating victims would have any effect on eradicating the cycle of abuse, given that both the perpetrator and the victim will likely be living in poverty?

Ms. Harriett McLachlan: I'd like to speak to that.

I grew up in violence and experienced child sexual abuse from a very young age. It has crossed my mind over my 50 years to take my father or my mother to court for some kind of compensation. Now they're in their eighties, and it's not possible. But it has crippled me, and I ended up walking on my ankles, on my knees, to move forward to try to put the pieces of my life together. If there were some kind of compensation, as a victim, with that kind of thing, as a child, absolutely, 1,000%.

Mr. Jamie Nicholls: Thank you.

Can you elaborate and expand upon the role of poverty in social problems? And perhaps elaborate as well on how making poverty history would act as a positive stimulus to the economy, even though there might be an initial investment in terms of taxation.

Mr. Rob Rainer: Right.

Poverty is linked to a range of negative outcomes. It's been shown that right from birth poor nutrition can affect brain development, capacity for learning, and so forth. So it's right from that very starting point.

And then as children move through their young years, if the proper supports aren't there, if the parents are under stress, if there's divorce, parents absent from the household, a whole range of things influence child outcomes, child development. So you end up with a large percentage of young people who move into their adult years ill-prepared for what we face as a society.

Obviously, investing in those early years is critical. The chief public health officer has written extensively on this. Again, we need to be doing a lot more in that area. It's one of the top thematic concerns that we and many organizations have: looking at early childhood development and care.

I know time is brief here, so I'd say that just with that one issue alone, we have so much more we could be doing. And we know that downstream, when adults have had those supports, they're going to be able to participate in the kind of economy we were just talking about for northern Alberta and other regions. If we want to have skilled people able to innovate and be creative, you have to invest in those early years. We could be allocating more resources there, for sure, and maybe taking away from other areas that aren't as critical.

Mr. Jamie Nicholls: I'd like to thank you so much for your transparency.

Thank you.

The Chair: Thank you, Mr. Nicholls.

We'll go to Mr. Armstrong, final round, please.

Mr. Scott Armstrong (Cumberland—Colchester—Musquodoboit Valley, CPC): Thank you.

Mr. Knight, I've got 18 years of experience as a public school educator and some years at the post-secondary level as well. There have been two programs I've been very supportive of, and I think they've gone over very well at the small college and university level, at least in Atlantic Canada. One would be the Canada Excellence in Research Chairs, and the other would be the knowledge infrastructure program.

Have those been as supported across the country by the educational community as they have been in Atlantic Canada?

Mr. James Knight: Absolutely. The knowledge infrastructure program was widely celebrated across Canada. It really made a difference, and we were proud to be a participant in it.

The first program you referenced is more targeting universities than colleges, although I have to say that there have been some developments. In the last budget there were some suggestions of investment in applied research chairs in colleges, which we welcome very much also.

• (1305)

Mr. Scott Armstrong: Great. Thank you for that.

You said in your presentation that one of your requests was to commit 5% of research and development spending to colleges, particularly targeted towards the SME sector. I think you quite responsibly said you're not looking for new money; you're looking for the reallocation of the existing budget.

Do you have any suggestions of where we would move it from? Where would we cut in order to do that?

Mr. James Knight: Well, I think you'd have to look at some of the pure research programs that are very costly and often produce no economic outcomes. They're all very interesting, but will they produce an economic outcome? I think we have to think about our investments in research in relation to economic activity.

Our suggestion is that you will probably get more bang for your buck by putting more into SME-applied research partnerships with colleges than you get in very large, very expensive investments, which may or may not produce economic outcomes.

Mr. Scott Armstrong: I'm going to pick up on something that my colleague Mr. Jean was speaking about. As he mentioned, we often joke with each other that a large percentage of my residents actually live and now work in his riding because that's where the jobs are. I know several of these young people personally. In fact I've had several ex-students who are now working in the oil sands in Mr. Jean's riding.

There is a difficulty, and I think he's onto something there. When they leave our community college system in particular and move out

there to take positions, they don't have the necessary requirements. I think Syncrude and the other big companies would partner with some of the community colleges if there were a proper tax incentive in place so they could do it.

Would there be support in the educational community to do something like that, so we can train our people out east and prepare them for future positions out west, let's say, from the Muskrat Falls project, from fibre optic linesmen jobs, which are going to be to coming up? Would there be some support for that initiative?

Mr. James Knight: I want to emphasize that there is a lot of private sector engagement with colleges, but I think this is an interesting thought that we should explore further. I think there's an opportunity here.

Mr. Scott Armstrong: I appreciate that.

I do have one more question, if I have time, Mr. Chair.

The Chair: Very briefly.

Mr. Scott Armstrong: I'm going to go back to Mr. Grant on the smoking issue, the contraband tobacco issue.

You said that 43% of high school students who are currently smoking are actually smoking illegal cigarettes. Is there already legislation in place to deal with this? Is this more of an enforcement issue or is it more of a legislative need? And if it is a legislative need, what can we do?

Mr. Gary Grant: It is an enforcement issue. It's a legislative need as well. Some of the laws that have been in place have restricted officers in what they could do, but that has been slowly improving. There are powers of search and seizure.

I think now it's more of a let's get to the source of the contraband tobacco issue and a public awareness issue. And it's a resource issue. A lot of police services are very busy and they don't have enough time to be dealing with guns and gangs and drugs and domestic calls and sexual assaults and then look for the kids buying cigarettes from the backs of cars.

The Chair: Thank you.

Thank you, Mr. Armstrong.

I want to thank all of our witnesses for being here today, for your presentations and responding to our questions. I do apologize about the shortness of the time, but we are trying to hear from as many organizations and individuals as possible.

Colleagues, we do have committee business, in particular we have a motion, so I'm going to thank our guests and then I'll ask our colleagues to stay at the table.

We'll suspend for a minute and then start with committee business.

Thank you.

• (1305)

_____ (Pause) _____

• (1310)

The Chair: I would ask colleagues to take their seats, please, and we'll move to committee business.

I will recognize Mr. Hoback, who will be presenting his motion.

Mr. Randy Hoback: Thank you, Chair.

And thank you, members, for taking the time so we can go through this motion today.

Mr. Chair, would you like me to read the motion and then go through it from there?

The Chair: I think everybody has the motion, so let's just go to the debate.

Mr. Randy Hoback: Is everybody comfortable with doing this motion out of camera? Is everybody comfortable with that?

The Chair: We're not in camera, we're in public now.

Mr. Randy Hoback: It's fine? Okay.

Basically I'm trying to create a system so that when a private member's bill comes forward, we as the finance committee and members of Parliament can actually have an idea of what the costing of that private member's bill will be and what the impact will be to the treasury. So when we go to vote on a private member's bill, which a lot of us vote on independently because they're not government-whipped votes, it will give us a better breadth of knowledge as we make that decision, so we have all the information in front of us.

There was a history in the last session of private members' bills coming through with no costing done, and the impact would have been substantial. I also have examples where he has done costing and provided some really good information on certain private members' bills. That allowed members who were voting on bills to make educated decisions on whether or not to support them.

It's one thing to have a piece of legislation from a private member come forward. In intent, it sounds really good. But when you see the financial consequences, you have to sit back, weigh them, and ask if this is really the best use of Canadian taxpayers' dollars.

That's the intent behind this. He has the facilities, staff, and budget to do this. All we're doing is formalizing the routine so that we as a committee, which he reports to in this case, will see this. Then we'll be able to proceed forward on private members' bills with a complete deck of information. That's the intent behind the motion.

The Chair: Thank you, Mr. Hoback.

I have Mr. Jean and Monsieur Giguère.

Mr. Brian Jean: Thank you, Mr. Chair.

Having been on this committee just a short period of time, I think it's a great idea, and I commend Mr. Hoback for it.

I also see that a second motion will soon be before the committee, and it seems to be very consistent with this motion. I don't know why we wouldn't just deal with them as one motion. The first one could be amended to include exactly the recommendations in the second. They're very similar.

Unless anybody, or Mr. Hoback himself, has any opposition to that, I would like to make a friendly amendment to it. It seems it would be consistent to include that.

Does everybody have a copy of the motion? It was sent out a couple of days ago. It deals with the Parliamentary Budget Officer's mandate to provide independent analysis, and that on....

Can I read it into the record, Mr. Chairman?

• (1315)

The Chair: Mr. Jean, should we deal with this one first?

Mr. Brian Jean: We could just amend the first one to include the wording of the second one. Would it be possible, while we discuss the first one, to have the second one...?

The Chair: The mover has to move his motion.

Mr. Brian Jean: I understand.

The Chair: I think members have it, but why don't we pass this motion out?

Mr. Brian Jean: But if we pass it, isn't it the case that we can't amend it? Do you want him to move it, discuss it, amend it, and then pass it?

The Chair: The issue here is that the second motion almost has 48 hours—I think it has 45 hours. I thought members of the government were going to talk to members of the opposition and ask if they could deal with both motions today because they're on the same subject. That's the way we should proceed. We ask the opposition, since it's 45 hours.... Is that correct? So it's two sleeps, and it's dealing with the same topic. I can address the second motion as well, because I've talked to Kevin Page about it.

Mr. Brian Jean: That was my suggestion—that we talk about it together and possibly amend it.

The Chair: Let's deal with the arguments on the first one and see if we can deal with the second one.

I'll come back to you if necessary, Mr. Jean.

[*Translation*]

Mr. Giguère, your turn.

Mr. Alain Giguère: I understood Mr. Hoback's notice of motion perfectly. It is nice and may provide some useful information.

The problem is whether the Parliamentary Budget Officer has the resources to comply fully with the request. Here is my problem: I don't want the Parliamentary Budget Officer's attention to these requests to compromise his ability to carry out all the duties that will be asked of him.

Can you guarantee that he has and will continue to have the resources necessary to carry out these extra duties? I would like Mr. Hoback to answer.

[*English*]

The Chair: Mr. Hoback, I'll let you respond to that.

Mr. Randy Hoback: Again, thank you for your question.

When it comes to the Parliamentary Budget Officer, he has to schedule his budget accordingly. He has a budget, just like any other department in the House of Commons.

I guess when I look at the type of work he's doing and the priority he puts on it, I would probably put this at a higher priority because it has such an impact on the treasury, possibly, in a private member's bill. I would put that into a higher priority than a forecast that he may or may not do, depending on his free time.

I suspect that he would have the ability to do it. Again, not every bill would need extensive analysis. If you had a simple bill, such as we had come forward on the flag, that's not going to have a huge analysis attached to it. But if you had a bill that was going to, let's say, extend unemployment insurance for another year or two years, then there's some dire—not dire, but serious financial consequences to a private member's bill such as that. As a member, I would then like to know what it would cost, versus the benefit, versus what's in the bill. I need to have all that information in front of me so that when I vote on that private member's bill, which again is not a whipped vote—it's a private member's bill, so the members vote independently—I'd like to have that information. I'd like to make sure all my colleagues have that information too.

[Translation]

The Chair: Mr. Giguère.

Mr. Alain Giguère: Mr. Chair, this has nothing to do with the importance of being well-informed. On the contrary, everyone quite enjoys having all the information on what they will be voting on and what it's going to cost.

What we are looking for is an absolute guarantee from the government that the Parliamentary Budget Officer will always have the resources he needs to do his job, and not just to respond to requests of this nature.

[English]

Mr. Randy Hoback: When I tabled this motion.... No, I have not talked to the Parliamentary Budget Officer because I didn't think it would be appropriate to talk to him before I talked to my colleagues on the finance committee. Can I do guarantees based on a private member's motion? No, I don't have that for you, Alain. I'm sorry, I don't.

Again, he has a budget; he has finances at his disposal to use as he sees fit. All we're asking of him is to put a priority on this type of legislation and put his resources toward that. I think that is a good use of his time and a very good use of his resources, and it would be very beneficial for every member of Parliament for him to use his resources accordingly in something like this. It simply formalizes that process.

• (1320)

The Chair: Thank you.

I have Mr. Marston, Mr. Brison, Mr. Jean, Mr. Nicholls, and Monsieur Mai.

Mr. Wayne Marston: There are a couple of things that have come up, and in fact I'm working from some notes. We just went back and forth very quickly with Peggy.

What's important to us, if we're expecting the PVO to do this work, is that they have the input of the necessary information from the government departments that might be involved. We may be in a

position in a moment to propose some amendments to this to be helpful.

The other thing we're concerned with—and Mr. Hoback came over and spoke to us for a moment and I raised this with him—is that there are 12 to 14 people who work in the PVO. What is this going to do to them as far as staffing? Will there be need for more staffing, or would there be room for a budget increase to allow for that?

One of the things that was mentioned was that the “45 days” in the motion might be changed to “as quickly as possible”. This kind of leaves a little bit of flexibility for the work.

We certainly will consider this. If you could take a look at those, perhaps Mr. Mai might move them as amendments when his turn to speak comes. I can't, because I just spoke.

The Chair: Thank you, Mr. Marston.

Mr. Brison.

Hon. Scott Brison: I don't think there's anybody at committee who is averse to the costing of legislation. In fact, in the last Parliament, there were members of the House of Commons finance committee who sought information on the cost of government legislation that was not forthcoming. In fact, the Parliamentary Budget Officer in the last Parliament was not provided with information on the cost of government legislation, on the crime bills, on the F-35s. He was not provided with adequate information to actually cost those bills, which represented billions of dollars of tax expenditures.

So if the principle is that we want all legislation costed, I would propose a friendly amendment, in fact two amendments. One would be after “Private Members' Business Order of Precedence”, I would add, “and within 30 calendar days of a government bill appearing on the order paper”.

Further, I would add at the end of Mr. Hoback's motion:

The committee also requests that all relevant departments and agencies provide the PBO with the information required for the PBO to carry out this analysis, or provide a detailed response to the committee explaining why the required information either does not exist or cannot be shared with the committee under Canadian law.

That would be consistent with Mr. Hoback's motion that members of Parliament ought to have the costing of legislation, and it would broaden it so that not simply private members' business but also government legislation would be costed by the Parliamentary Budget Officer. I'm certain that this friendly amendment will be received warmly by members of this committee seeking full transparency of government and private members' legislation.

The Chair: Can you read your amendment again, Mr. Brison?

Hon. Scott Brison: Certainly. I'll start again.

After “Order of Precedence”, add “and within 30 calendar days of a government bill appearing on the order paper”, and at the end I would add:

The committee also requests that all relevant departments and agencies provide the PBO with the information required for the PBO to carry out this analysis or provide a detailed response to the committee explaining why the required information either does not exist or cannot be shared with the committee under Canadian law.

Mr. Chair, I assume this will be embraced by the committee, because it would certainly be inexplicable to Canadians if this committee believed that the private members' business should be costed by the PBO but government legislation ought not to be.

• (1325)

The Chair: I have six speakers who want to speak to Mr. Hoback's motion, and I have an amendment now. Does someone want to speak to the amendment?

I have Mr. Jean, Monsieur Nicholls, Monsieur Mai, Mr. Albas, and Mr. Marston on the motion. Now because you're on first, does any one of you want to speak to the amendment?

We can certainly start with Mr. Hoback and Mr. Jean on the amendment, and then I'll come to you.

Mr. Hoback on the amendment.

Mr. Randy Hoback: Thank you.

No, I do have some problems. First of all, I have problems with the context in which the amendment was made, around Mr. Brison's reference to last year. Those numbers were given. He just wouldn't accept them. He wouldn't accept the fact that those were the actual numbers, and he kept driving in further and further trying to get different numbers that didn't exist.

So again, I'm not sure where he's going with that, but that's just pure politics. The reality is, too, when it comes to government bills—the opposition members do know this, or if they don't, I'll tell them—they have the ability on government bills to ask the government for the costing. They have that ability right now, whereas they don't on private members' bills. With most government bills, the costing is already figured into it. So you'll see the costing on a government bill when it's introduced in the House, and if it's not there, then you can request that the government provide a costing or the department provide a costing on a government bill.

So you do have that process in place right now. Unfortunately, when it comes to private members' bills, you have no ability to do that, and that's why it would be important to have the Parliamentary Budget Officer do that work for you. Thus, your amendment is not really necessary, Mr. Brison, because you already have that ability through the use of government resources that are available to you right now. So I don't think that amendment is necessary at this point in time.

The Chair: Okay. We can add you to the list.

We're now at 1:25. We probably could go back and forth on this issue all day, so if we can just have people make very succinct points, then we'll vote on the amendment.

We'll go now to Mr. Jean.

Mr. Brian Jean: This is not on the amendment suggested by Mr. Brison.

The Chair: Okay, then, I'll come back to you.

Monsieur Mai, on the amendment.

Mr. Hoang Mai: I haven't seen the amendment yet.

The Chair: Mr. Brison, do you want me to go to you, and then I'll come back to Mr. Mai?

Hon. Scott Brison: Yes, please.

The Chair: Okay, Mr. Brison, and then I'll come back.

Hon. Scott Brison: The amendment doesn't talk about the contempt of Parliament that the government found itself in last spring. The amendment simply provides the same treatment of government legislation, on a go-forward basis, that is being proposed for private members' legislation. That is absolutely sensible, given the fact that the government...in fact, last time, when the finance committee requested information and when the Parliamentary Budget Officer requested information, it took four months for the government to provide a response. When it ultimately provided a response, the response answered only 30% of the data points requested.

Clearly, if it's important for the Parliamentary Budget Officer to scrutinize the cost of private members' legislation, it is equally important that the Parliamentary Budget Officer scrutinize government legislation and that the government provide that information.

The Chair: Okay, thank you.

We'll go to Monsieur Mai, and then I'm going to call for a vote on the amendment, and then we'll go back to the motion.

Mr. Hoang Mai: I'll just say quickly that I agree with the fact that the government has to come up with the cost, so I'll agree with the amendment.

The Chair: Okay. So the vote is on the amendment as proposed by Mr. Brison.

(Amendment negatived)

The Chair: We'll now go back to debate on the motion.

I have Mr. Jean.

Mr. Brian Jean: Very quickly, Mr. Chair, I really don't understand this. As a backbench MP, I think this is an opportunity for opposition parties and non-government ministers and non-government parliamentary secretaries to have a real say and to have something happen.

I moved a private member's bill in my first year here, Mr. Chair, you might remember. It was agreed to by all parties except the Liberals, who were in government then, and I had no ability to cost it because I do not have the resources. It certainly would have been helpful for a backbench MP moving a private member's bill to have that, because that would have given me the ability to go to end users. In that particular case, it was a guarantee for cattle producers on the NAFTA agreement. It would have been very helpful for opposition parties in that case.

So I don't understand why there's this negativity toward this, which I actually think is a real plus for private members' business—I really do—and especially for opposition parties.

• (1330)

The Chair: Okay, thank you.

I have Mr. Nicholls.

Mr. Jamie Nicholls: Thank you.

I'm a new member, but I've been told that private members' bills, even though they're not whipped, tend to fail when they require royal assent. Frankly, costing them, in my view, will not help to influence government members to vote for a private member's bill that comes from the opposition. So when the private member's legislation fails in the House, what value will the costing information be? What's the value of this info in the long term to members of this House?

I agree with the points that have been brought up by other members. Does the PBO really have the capacity to deal with an onslaught of private members' bills and costing them? There are 12 to 14 people working in PBO, I think. Is that correct? If members of all parties flood the PBO with private members' bills, and they have to do this costing information, maybe they won't be able to do more important work.

The Chair: Thank you.

I have Monsieur Mai.

Monsieur Mai, did you want to speak to this?

Mr. Hoang Mai: I want to speak to this, or I want to have an amendment.

The Chair: Do you want to amend the motion?

Mr. Hoang Mai: I'd like to amend the motion, yes. So I'll speak to the amendment?

The Chair: Present your amendment, yes.

Mr. Hoang Mai: The amendment would be that "Consistent with the Parliamentary Budget Office (PBO) mandate to provide estimates of the financial cost of proposals before Parliament... provided the PBO has the necessary resources, that the PBO provide as soon as possible the Committee...of a Private Members' Business item's appearance on the Private Members' Business Order...."

And then the rest.

Do you want me to show it to them?

The Chair: Yes.

Mr. Hoang Mai: Okay.

The Chair: You're basically adding, "provided that the PBO have the necessary resources"?

Mr. Hoang Mai: Yes. Basically, we agree with the fact that it is a good resource to have the costing of private members' bills, but our concern, as we mentioned, is that we don't have assurance or a guarantee that the PBO will be able to come up with the necessary information in time without affecting the PBO's work.

Also, instead of putting in the 45 calendar days, we're saying as soon as possible, again to make sure that we have the best results and work from the PBO. If we really want to have the numbers and if it's really important regarding a private member's bill, a strict 45 days might not guarantee those results.

Again, we agree with the idea that we need to be more informed, we need to understand the cost of private members' bills, but we just want to make sure that the information we actually get is the right information.

The Chair: So the debate is now on the amendment. I have Mr. Albas and Mr. Marston on the motion.

On the amendment?

Mr. Albas, do you want to speak to the amendment or the motion?

Mr. Dan Albas: The motion, please, Mr. Chair.

The Chair: Mr. Marston, to the motion or the amendment?

Mr. Wayne Marston: Actually, both.

At this point, on the amendment, I think it's more than reasonable.

I do have a question, and perhaps the chair can answer this. When we pass something like this in our committee, how can we address what happens in the House? It strikes me as strange. Committees, you would believe, pass recommendations to the government to implement, as opposed to us passing something that would say to the Parliamentary Budget Officer that they must do this. Is that because they report to us? Is that where we get that?

The Chair: The Parliamentary Budget Officer does typically report to the finance committee.

Mr. Wayne Marston: So that gives us the authority to pass something of this nature?

The Chair: The argument is that it's consistent with his mandate. His mandate is actually quite broad in terms of legislation.

Mr. Wayne Marston: I assumed that's what it was. I have no problem supporting the amendment, because again, we're very concerned on this side as to the resourcing of that department, of the importance of that independence. With that in mind, I certainly would support the amendment.

• (1335)

The Chair: Thank you.

I have Ms. Glover, Mr. Hoback, and Mr. Brison on the amendment.

Mrs. Shelly Glover (Saint Boniface, CPC): Thank you, Mr. Chair.

I haven't spoken on this issue yet, but I'm quite concerned about some of the language being used by other committee members. I'm not going to take that tactic. I'm going to do what's right for the House of Commons and for parliamentarians and remind the committee that the PBO position was actually created by this government to help us make decisions that are in the interests of Canadians. It is very difficult to make decisions when we don't have costed documents and details.

Mr. Brison is acting, frankly, in an irresponsible manner by trying to talk about things that are misleading to Canadians. We are in fact trying to make this a better system. When members like Randy Hoback come forward with motions that we think make it better for everyone, I'm happy to support that as the Parliamentary Secretary to the Minister of Finance.

I do have to say that 45 days would be problematic, if extended, simply because quite a few of our private members' bills can jump the queue, so to speak. They can trade them up, and they could be finished before the 45 days are done. So I do want to remind members of that.

I know Mr. Nicholls is new. There have been private members' bills—in fact just last session—that have reached royal assent. Unfortunately, you're misinformed as a new member. They are very important to Parliament. They can create some advantages and some benefits to Canadians that we respect and support.

I have a problem with the fact that we're over time. I'm wondering if we just continue and set another meeting to—

The Chair: The chair is the one who's causing that.

Mrs. Shelly Glover: I know that, Mr. Chair.

The Chair: As the chair, I'm going to say that the issue is this: does this committee wish to have the Parliamentary Budget Officer provide costing for private members' bills? As the chair, I found his costing very helpful for private members' bills. It certainly helped me in terms of analyzing private members' bills. That's one issue. There seems to be agreement on that, but then there's a concern with respect to whether he has the budget to do so. That's tough to say because it varies according to what kinds of bills are on the order of precedence.

My suggestion is that there's an amendment that clearly states something and there's a motion that clearly states something. We can debate this until four o'clock. I sort of know where everybody is and everybody else knows where everybody is, so I'm recommending, as the chair, that we move to a vote on the amendment and then a vote on the motion. I'm not sure whether the opposition is okay with the second motion by Mr. Hoback or whether that has to be introduced as an amendment, but that is my recommendation.

Again, the committee members can put their names on a list and speak until whenever. I still have Mr. Hoback and Mr. Brison.

Mr. Randy Hoback: Chair, actually, that's where I'm going to go here, the 45 days. I can understand your problem with that and I can also understand what Ms. Glover is saying.

Maybe “before second reading” might be a better way of putting it, because second reading is when it goes to committee out of the House. If he has the information to the committee members before second reading, that might be a compromise I could possibly live with.

The Chair: Do you mean before the start of second reading?

Mr. Randy Hoback: Yes.

The Chair: Okay, that's an amendment to the amendment.

Mr. Brison, do you want to speak to that?

Hon. Scott Brison: In terms of the NDP amendment, the issue of resources is important. The Parliamentary Budget Officer has been drowning without resources, and what this motion effectively does is instead of trying to rescue the PBO with more resources, it actually puts a firehose in its mouth to completely drown the work of the PBO. I support the amendment's intention of increasing resources for the PBO. I'm not sure how that can be done legislatively by this

committee when the PBO currently reports to the Library of Parliament for its funding.

In terms of Ms. Glover's comments on doing what is right for Canadians, we have, as members of Parliament, regardless of party, regardless of government—

The Chair: Mr. Hoback, you have a point of order?

Sorry, Mr. Brison, but Mr. Hoback has a point of order.

• (1340)

Mr. Randy Hoback: Chair, I believe that I was seeking agreement on the second reading, and I think I have agreement on a friendly amendment to the amendment on that point.

The Chair: It's on the subamendment and Mr. Brison is speaking to this issue.

Mr. Randy Hoback: Is he speaking to the subamendment or the amendment?

Hon. Scott Brison: I'm speaking to the NDP amendment.

The Chair: Okay, so let's come back to you.

Let's do the subamendment. The subamendment is to say “before the start of the second reading”.

I don't see any speakers on that, so we will vote on “before the start of the second reading”.

It's unanimous.

(Subamendment agreed to [See *Minutes of Proceedings*])

The Chair: So now the debate is on the amendment.

Mr. Brison.

Hon. Scott Brison: If the amendment is seeking to address the resource issue, I think all members of the committee would want to do that, because we don't want to increase the mandate of an agency that is already starved of resources. In keeping with Ms. Glover's assertion that committees and members of Parliament have a responsibility to do what is right, we are constitutionally obligated as members of Parliament, regardless of party, government or opposition, to scrutinize the cost of all legislation and to ensure that the resources are there to achieve it. That does not simply mean private members' legislation; it includes government legislation. That is paramount to our jobs as members of Parliament. That is why the Speaker ruled in the last House that the government was in contempt of Parliament.

Ms. Glover referred to the government's having appointed the Parliamentary Budget Officer. She didn't report that the government then refused to provide the Parliamentary Budget Officer with the information and the resources to do his job. What the government is doing now is simply using this committee as a branch plant of government, not of individual members of Parliament but as a branch plant of the government's partisan agenda to quash any dissension from any public servant or any agency within the public service. This committee is being manipulated and is part of the government's ongoing attack on the independent advice of the public service.

The Chair: I have a point of order by Ms. Glover.

Mrs. Shelly Glover: Just to correct my colleague, it is not government who controls that. It is in fact members of Parliament, through the Library of Parliament and other means. So it is not government that controls that, just to correct the record.

Unfortunately, he is wrong on that.

The Chair: Okay, that's a point of debate, not a point of order.

I'm going to move to—

Hon. Scott Brison: You're stupid.

Mrs. Shelly Glover: Pardon me?

A point of order—

The Chair: Mr. Brison, that is out of order—and you know it's out of order.

Hon. Scott Brison: I should have said “misinformed” or “intentionally dishonest”.

The Chair: Mr. Brison, that is out of order and you know it's out of order. You've been a member of Parliament since 1997 and you know that's out of order.

Hon. Scott Brison: [*Inaudible—Editor*]...partisan and not constructive—

The Chair: I have the floor, Mr. Brison. You know that's out of order. You know that as well as I do.

Okay, we're going to go to a vote on the amendment.

(Amendment negatived)

The Chair: Now, on the motion, I have Mr. Albas and Mr. Marston.

Mr. Albas, do you want to speak to the motion?

Mr. Dan Albas: Thank you, Mr. Chair.

Actually, I am going to heed your comments earlier about keeping the time down. Thank you.

The Chair: Thank you.

Mr. Marston.

Mr. Wayne Marston: I'll pass.

[*Translation*]

The Chair: Mr. Giguère.

Mr. Alain Giguère: I just have a simple comment. The amendment, in and of itself, was not all that bad. We are asking a mandate of someone. If we really want him to meet the deadlines, he should have the resources he needs. It would not be pleasant to have the Parliamentary Budget Officer come and tell us that he cannot respond to our requests because he lacks the resources. And that is very likely to happen.

Mr. Hoback, you, yourself, could amend your motion to guarantee that that never happens. You, yourself, would need to guarantee us, through a friendly amendment to your resolution, that the Parliamentary Budget Officer could always respond to questions that, for goodness sake, are extremely relevant.

It would be highly beneficial if he could indeed provide us with accurate figures. Not only is the principle behind your motion completely reasonable, but it is also desirable, so much so that we genuinely want to see this work done—and done well.

• (1345)

[*English*]

The Chair: Thank you.

I have Mr. Marston.

Mr. Wayne Marston: I have just a very quick comment.

One of the things I think we're struggling with here is, what would the impact be on the PBO? We really don't know that. In all honesty, I think your motion is coming in good faith; our amendment was as well. But I would caution that maybe we should ask the PBO for their response to this motion as to what impact it would have. I don't want us to go down a road that creates more of a problem than it is helpful for the PBO and to Parliament.

Why don't we hold this over to the next meeting and invite a representative from the PBO to inform us properly? Nothing is worse than functioning partially in the dark.

The Chair: Thank you.

I have Monsieur Mai.

Mr. Hoang Mai: It was more a technical issue and maybe a question. Is it possible to defer this motion until we maybe get information from the PBO, so that we know we can...? Again, we agree with Mr. Hoback's motion and the intent is really there. We all want to know the cost; we just want to make sure it's possible to get it.

Is it possible to defer?

The Chair: We're dealing with the motion now. We have to deal with the motion. The committee, unanimously, can decide to deal with something at a later date, but we are dealing with the motion now. We have to do so.

I just want to come back to a question because I did stop Mr. Jean from moving his amendment. Is there agreement of the committee to deal with the second motion from Mr. Hoback today?

Mr. Wayne Marston: [*Inaudible—Editor*]...or separately?

The Chair: Well, either/or, because my understanding is that Mr. Jean won't move the amendment if there is agreement to deal with both motions.

Is that correct, Mr. Jean?

Mr. Brian Jean: Absolutely, there's no sense in wasting time, Mr. Chair, but it is the same issue and identical in nature. I think we have pretty much—

The Chair: Do I have agreement to deal with both today?

Mr. Wayne Marston: We have no problem with the second one at all. It's just the concerns we've expressed so far.

The Chair: Thank you.

I have Mr. Hoback.

Mr. Randy Hoback: Call the vote.

The Chair: Okay, the vote is on the motion from Mr. Hoback.

Mr. Brian Jean: I know you called for the vote, but there's uncertainty in relation to.... I thought we had agreement to include the second motion within the first.

The Chair: No, I'm going to deal with the second motion right after this vote.

(Motion agreed to [See *Minutes of Proceedings*])

The Chair: You all have the second motion from Mr. Hoback.

Are you going to move it, Mr. Hoback?

Mr. Randy Hoback: Chair, on the second motion, again I believe you all have it in front of you. I think it's pretty straightforward. I'll just leave it at that for now.

The Chair: I think the answer is yes, but I just want to clarify that you will give the chair some flexibility in terms of scheduling if this passes. For instance, if it's the first week of November, you'll give me flexibility...?

Mr. Randy Hoback: That is assumed, Chair.

The Chair: That's understood?

Mr. Randy Hoback: That is assumed.

The Chair: I appreciate that; I just wanted to clarify it.

I'll just speak to this. I did speak to Mr. Page, because last year we tried to have him come at scheduled times twice a year, which frankly seemed to work better. We did have him included in a panel with other economists, which frankly did not seem to work that well.

So this would be for him to come twice a year. It's a fairly straightforward motion.

(Motion agreed to [See *Minutes of Proceedings*])

The Chair: Thank you, colleagues.

The meeting is adjourned.

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