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Chair

Mr. James Rajotte

Standing Committee on Finance

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• (0900)

[English]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): Good morning, everyone. Thank you all for being here this morning. We are very pleased to be here in Moncton, New Brunswick. Thank you all for coming to present to the finance committee.

This is the 13th meeting of the Standing Committee on Finance. We are continuing our pre-budget consultations for 2011.

We have four organizations to present to us this morning: Every Woman's Centre, the Atlantic Provinces Community College Consortium, the Canadian Real Estate Association, and the Certified General Accountants Association of Canada.

You will each have up to five minutes for an opening statement, and then we'll have questions from all members of the committee.

Ms. Smith-MacDonald, could we please start with your opening statement?

Ms. Louise Smith-MacDonald (Coordinator, Every Woman's Centre): First of all, I'd like to say thank you for inviting me to present. I'm going to be talking off the brief that I had presented to the committee much earlier.

My name is Louise Smith-MacDonald, and I'm from Every Woman's Centre in Sydney. We're an organization that offers support services for women and adolescent girls who are living in low income.

Geographically, the area we serve is Cape Breton Island, and it is made up of a small urban area, a large rural area, and many coastal communities. The island has many social and economic issues, such as high unemployment, pegged at 17.7%. There's a lack of adequate and affordable housing, and of course a loss of traditional industries that have existed in Cape Breton for many years, not unlike the situation in any rural community, I suppose, in Canada. The total population of Cape Breton Island stands at 105,000, with 22% under the age of 19, 53% between the ages of 20 and 59, and 24% over the age of 60, and therefore we have an aging population.

The immigration rate is very small in Cape Breton. There were only 155 new immigrants between the years of 2001 and 2006. As for educational attainment, for the population aged 15 to 24, 79% have no certificate, diploma, or degree, although some have a high school certificate. For the population aged between 35 and 64 years of age, 44% have no certificates, diplomas, or degrees, so we have a very uneducated, in some ways, older population. In the total experienced labour force aged 15 years and over, only 2.66% of

females are employed in non-traditional jobs, compared to the average of 5.22%, and in the retail sector, 58% are women.

These statistics show that we have an aging population who are not highly educated, and there are very low numbers of women working in non-traditional jobs, instead relying on retail positions, which are considered to be precarious employment.

I will move into our recommendations.

Recommendation 1 is to develop a national poverty reduction strategy with a long-term vision and measurable outcomes and timelines.

I'm sure this isn't the first time you've heard that. We feel a national poverty reduction strategy is the responsibility of the federal government, and therefore the leadership must come from the federal government. We are aware of the social, health, and justice consequences of poverty, but to put it simply, we cannot begin to address these issues until money is put in the pockets of families in order to secure adequate and safe housing, and to meet their basic needs. Work training, volunteerism, and health are not uppermost in the minds of those who do not know where their next meal will come from. Poverty is not the outcome of not working hard; in fact the opposite is true. How hard is it for a mother to provide food, clean clothes, and a safe and secure living space when resources are scarce? A guaranteed livable income would ensure that amounts paid would meet family needs at realistic rates, unlike the present system.

We have been asked to give the cost of our recommendations. This is an ominous task, for sure, for someone with my experience, I suppose. The National Council on Welfare, in its study of 2007, estimated the cost to be in the range of \$23 billion, but we know that Canada spends billions of dollars on social programs currently, and still families, seniors, youth, and women continue to live in poverty.

Recommendation 2 is to create sustainable jobs and training.

Over the past few years there's been an emphasis on shovel-ready projects in an effort to create sustainable jobs for Canadians; unfortunately, most of these jobs did not include women. Speaking to my own local area, there was, and continues to be, road work and some construction, but as you've seen in the statistics presented earlier, only 2.66% of females in our area are employed in non-traditional work. Most women employed in these shovel-ready projects were used as flaggers. This is not sustainable work.

● (0905)

There should be a federal strategy to allow women to be part of the economic recovery in Canada. The strategy does not need to create any additional cost; in fact, it could save the government money. There are hundreds of programs now being offered, but it requires fitting into them.

Calls made for proposals are now designated before they come to community, instead of community being asked to have support for projects that they see necessary for their own area.

The Chair: You have about one minute remaining.

Ms. Louise Smith-MacDonald: Our third recommendation is to develop a national housing strategy. As referenced in the statistics above, 81% of homes in our area were built before 1986. This indicates an aging stock.

The revitalization of the housing market could be a great boon to the economy. Trades training programs and a program of government guarantees for loans that are directed at women would enable women to form cooperatives to build and repair homes in their communities. This could provide the opportunity for thousands of jobs across Canada.

I look forward to the other presentations and any discussions and questions the committee may have.

Thank you so much.

The Chair: Thank you very much for your presentation.

We'll now hear from the Atlantic Provinces Community College Consortium, please.

Dr. Brian McMillan (President, Holland College, Atlantic Provinces Community College Consortium): Thank you very much. I'll get right to my speaking points.

We're obviously very pleased to be here today representing APCCC, which is a publicly funded consortium that comes together to identify common strategic goals and share resources and best practices, etc.

We have five community colleges that are members of this consortium, representing all of the Atlantic provinces. We have over 25,000 full-time students and we're in over 50 communities. I think that speaks to the notion of why we call them "community" colleges. We're in larger centres, such as Halifax, and we're also in small communities of 3,000 to 4,000, in places like Alberton, in Prince Edward Island, where we just recently built the new training facility.

Community colleges help to revitalize communities. This is how we do it. Number one, as you would expect, we provide a skilled labour force. We're a labour force developer. We're also a collaborator and partner with the private sector and with govern-

ments in policy and in helping to leverage our resources to reach the objectives of the respective organizations. We're an employer, a large one, and in fact in some ways we are actually in the business of training—that's how we view it. We're a purchaser of goods and services and therefore we are a community developer.

Whenever you get a college in a community, the economic spinoff from each one of those areas is substantive. Just to give you a sense of the economic impact, it's estimated that the community college consortium produces over \$2.9 billion annually for the economy. The return on investment—and I wish my investment portfolio was doing this well—to taxpayers is 13% and to students 17%. We have spoken to our provincial governments about this being a wise investment of taxpayers' dollars.

Colleges, of course, are responsible for developing a skilled workforce and helping industry reach its objectives. In a recent study by the Canadian Federation of Independent Business, they said they need six college graduates for every university graduate. Not only is there a need for college credentials and training, but 90% of our graduates across the region are employed.

We're also called upon when new initiatives emerge in the community. For instance, on Prince Edward Island we've set up a bioscience consortium. The college was asked to design two new programs to support that industry. The same could be said in Newfoundland and Labrador in the oil and engineering field. The same could be said...and let's hope shipbuilding goes to Nova Scotia.

We're also key parts of a solution when an industry gets into trouble and they either need to retool or are financially struggling. Colleges often get asked to come in and do some upgrading and skills....

When we talk about our labour force, I'm sure all of you are aware of what the issues are. The challenges are daunting. We have a shrinking labour force. The ManpowerGroup reports that 29% of companies are looking for skilled workers.

The problem is that when new industries come to town, you can't just take those people who are unemployed and plunk them into an industry, because often they don't have the necessary skill sets. We also know that 70% of new jobs require some type of post-secondary credentials. One of the challenges we face in Atlantic Canada, which is not uncommon across the rest of the country, is in regard to our low literacy and numeracy levels: they are substantive, at up to 35% to 40% depending on the province.

What this all boils down to is that it's projected that by 2031 there will be 2.7 million vacancies for skilled workers. What's the solution? We've talked about and you've talked about immigration. We've talked about raising the overall rates of participation in PSE; 30% to 35% of students do not go on to post-secondary education. We need to have more outreach and more support services for what we call the underrepresented groups: aboriginals, persons with disabilities, and people with lower socio-economic status.

If you take a look at Statistics Canada and the four quartiles of levels of income, when you look at college representation you see that each one of those levels is equal across the bar about who attends colleges. If you look at universities, I think you know which way the scale will go. The third and fourth quartiles—in other words, persons with higher levels of income—tend to go to university.

● (0910)

The people who need the most support in order to be able to contribute to our economy are many of the ones who have come to the college system. We have large numbers of single parents—women in particular—who are trying to make a life for themselves and their families.

So what are the solutions? Well, one of the things that has happened, for which we're most grateful, is that KIP came along. With the recession, there can be a good news story. I know that Atlantic community colleges benefited from the KIP funding. It did help us take care of some of our wait lists, but I have to share with you that there is still a need for more bricks and mortar and for funding for capital equipment. Our programs are not lecture-based; they're hands-on programs. You must have the technology and you have to lead in the technology.

Barack Obama has said that if the U.S. or any economically developed country wants to compete, they have to be able to compete educationally. Those who train and develop the brightest will succeed. That, I think, is what we need to look at. Despite our receiving KIP funding across the region, you can see that there were 8,000 qualified candidates not going to the college system. These are people who meet the entrance requirements.

The other comment I'd like to make is that I think we need to put more energy into the underrepresented groups. There are significant literacy challenges. For many people, it's not that we don't know how to help them; we just need the resources to help them. Each college has a story to tell about somebody who was 32, who got laid off or whatever and who had taken a different path out of high school, but who suddenly came back, got their academic upgrading, and now has gone on to a career and is contributing.

The other area we need to work on is the area of innovation and productivity. We know that our productivity levels here are dropping. We need to address that, so we're looking for research funding.

Lastly, we're asking that there be a separate envelope for colleges in the transfer agreement in 2014.

Thank you.

The Chair: Thank you very much for your presentation.

We'll now hear from the Canadian Real Estate Association.

Mr. Gary Simonsen (Chief Executive Officer, Canadian Real Estate Association): Thank you, Mr. Chair and committee members.

Let me start by saying that, like you, our members' work and personal lives are inseparable. They live where they work and they work where they live. They are in tune and engaged with their community. They work every day to make local neighbourhoods better places to live, work, and raise a family.

Acknowledging that fact, we have representatives of the local Moncton Real Estate Board and the New Brunswick Real Estate Association at this session. I just wanted to acknowledge their presence.

We understand the budgetary challenges facing the government at this time of global economic uncertainty and the need to drive Canada's recovery through job and economic growth. Moreover, we understand and respect the government's commitment to return to a balanced budget by 2014-15.

In this context, we have spent over a year developing policy proposals with our federal affairs committee, which works on behalf of 100 real estate boards and associations and over 100,000 realtors across the country.

I want to underline that throughout our policy development process, our members wanted to be realistic and respectful of the challenges facing our economy and political leaders. So, first and foremost, our proposals for the 2012 budget are fiscally prudent. They will accelerate our economy, create jobs, and make our communities better at little cost.

The first one, called community reinvestment, is to remove a significant disincentive to selling and reinvesting in rental and income properties. This impediment is holding back a chain reaction of economic, community, and environmental benefits. Many income property owners are reluctant to sell, because doing so would trigger the collection of previously claimed depreciation. This is technically known as capital cost allowance recapture. This reduces funds available for reinvestment and leaves insufficient equity after tax to acquire a property of similar or greater value.

Our proposed solution is simple and does not reinvent the wheel. Income property owners should be allowed to defer the collection of previously claimed depreciation when they sell and reinvest. Large developers already have a similar deferral mechanism. This simply levels the playing field. Over half of the individuals who would benefit from this policy change have net incomes below \$50,000.

This is a main street proposal to generate economic and job growth. Income property transactions also create opportunities for tradespeople in renovations and redevelopment. It creates income for industries that mine, harvest, and manufacture construction materials, fees for professionals, as well as tax revenue for all levels of government. In fact the typical income property sale in three of Canada's largest cities generates \$287,850 in spinoff benefits and more than one job for every two transactions.

Oftentimes, because of their age, properties held long term to avoid tax consequences are underutilized, energy inefficient, and rundown. Removing this disincentive to reinvestment would turn over properties and allow new investors to enter the market and owners of older properties to build their portfolios. In the process, buildings would be upgraded by their new owners and made more energy efficient through renovations and retrofits. Furthermore, redevelopment would create more rental housing spaces.

As mentioned earlier, we recognize the government's fiscal situation. Indeed, the cost of this proposal would be offset by the collection of other revenue, including capital gains tax from property sales, GST and HST, and income tax from spinoff activity. Furthermore, all deferred tax would be collected by the government in the future, when investors decide not to reinvest, or later through their estates.

We are currently working with a leading economist to pinpoint the exact budgetary impact of this proposal and will report the results to you when we receive them.

• (0915)

Our second proposal relates to home ownership. There is one government program above all others that helps make home ownership a reality, and that's the Home Buyers' Plan. The plan has assisted over two million Canadians since its introduction in 1992. By allowing Canadians to borrow up to \$25,000 from their RRSP, the Home Buyers' Plan is effectively a repayable zero-interest loan. It allows Canadian families to save for both retirement and a home, eliminating the need to choose one over the other or greatly dilute both goals.

Unfortunately, inflation steadily erodes its purchasing power. This was recognized by the 2009 budget, which increased the withdrawal limit for the first time in the plan's history. To ensure that tomorrow's homebuyers receive the same value from the Home Buyers' Plan, it needs to be indexed to inflation. We propose indexing in increments similar to the way that tax-free savings accounts maintain their value.

Using Budget 2009 as a starting point, indexing in \$2,500 increments would delay implementation until after balanced budget targets are achieved in 2014-15. Based on estimates contained in Budgets 2009 and 2010, the cost of this proposal in 2015 would be about \$7.5 million. A further \$2,500 adjustment in 2020 would also have a cost of \$7.5 million.

We understand that the costing of this program is not a cost unto itself but rather a cost attributable to individuals who are assumed to contribute more to their RRSPs in the year of a home purchase in order to maximize their withdrawal under the Home Buyers' Plan. As a result, the plan has added benefit of encouraging long-term savings.

On a wider scale, the Home Buyers' Plan is a proven creator of jobs and economic growth. In 2009 more than 50,000 homes were purchased using the Home Buyers' Plan, which resulted in \$2.1 billion in spinoff spending and more than 17,000 jobs.

Thank you in advance for your consideration. I look forward to your questions. Thank you.

• (0920)

The Chair: Thank you very much for your presentation.

We'll now hear from the Certified General Accountants Association of Canada.

[*Translation*]

Mr. Denis St-Pierre (Chair of the Tax and Fiscal Policy Advisory Group, Certified General Accountants Association of Canada): Mr. Chairman, members of the committee, thank you for the opportunity to take part in the pre-budget consultations leading up to budget 2012.

My name is Denis St-Pierre. I am a certified general accountant, and Chair of the Tax and Fiscal Policy Advisory Group of the Certified General Accountants Association of Canada, CGA-Canada. I am from New Brunswick and my work focuses on estate planning and tax strategies for the business sector.

We are pleased to appear again before the committee. I would like to begin by presenting our one and only recommendation for the next federal budget.

[*English*]

CGA Canada has one recommendation to put forward for the next federal budget: that the Government of Canada take immediate steps to simplify Canada's tax legislation and tax regime.

Although the federal government has been working to bring tax rates down in recent years, Canada's income tax system has continued to grow in volume and complexity. I have copies of the act, if you want to have proof of that, in both French and English.

Businesses and individuals are subjected to hundreds of various taxes from all levels of government, taxes that are unnecessarily complicated, difficult to understand, and even duplicative or contradictory from one jurisdiction to another, often making compliance cumbersome and labour intensive.

At the same time, more targeted tax relief measures have been introduced by the government. That may be of assistance to some, but it complicates Canada's elaborate tax regime even further. I'm talking about the bus passes, about the little credits that have been introduced.

[*Translation*]

Faced with a tight fiscal situation and the requisite to control public expenditures, the federal government will need to look for efficiencies and revenue-neutral or low-cost initiatives as it manages the economy. Taking concrete steps to address tax measures or policies that unnecessarily add complexity to the tax system is an obvious solution. In its submission to the finance committee, CGA-Canada proposed a number of steps the Government of Canada should take.

I would like to briefly reiterate these proposals: tackle the backlog of unlegislated tax proposals by introducing a technical tax bill this fall; implement a sunset provision for unlegislated tax proposals to bring greater clarity and certainty to tax legislation; avoid introducing any further targeted tax relief measures and examine the effectiveness of existing targeted tax relief measures; keep tax rates low to facilitate compliance and reduce the possibility of aggressive tax planning and more complicated legislative measures to close loopholes.

• (0925)

[*English*]

To collect taxes, strengthen enforcement efforts on existing tax rules instead of adding new rules and regulations; increase parliamentary scrutiny over federal tax expenditures to ensure they meet certain established principles such as simplicity, fairness, and efficiency; and seek advice from subject-matter experts by appointing a panel of independent experts to review Canada's tax system while ensuring that the House of Commons Standing Committee on Finance is involved in the process.

Now is the time to modernize Canada's tax regime. The benefits are crystal clear. A simple tax system increases transparency and reduces uncertainty and the likelihood of aggressive tax planning. It means higher compliance rates, lower compliance costs for taxpayers, less paperwork for business, and lower administrative costs for the government. It means a stronger system with a more secure tax base and predictable revenue. In fact, a simple transparent and fair tax system with a low internationally competitive tax rate encourages investment and job growth, both of which are integral to the well-being and sustained revival of the Canadian economy. Some of Canada's trading partners, like Australia, the United Kingdom, and the United States, are realizing that inefficient tax systems reduce their competitiveness and they're now taking steps to strengthen and streamline their tax regimes.

To help build a strong, competitive 21st century economy, we believe the federal government should set a clear course to streamline and modernize Canada's tax regime.

Mr. Chairman, thank you for your time. I would be pleased to respond to any comments or questions from the committee on CGA Canada's behalf concerning tax simplification. Thank you.

[*Translation*]

The Chair: Thank you very much for your presentation.

We will now move to questions from members, beginning with Mr. Mai.

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

Thank you to the witnesses for coming today, and thank you for your submissions and your explanations.

[*English*]

First I'd like to quickly ask a question regarding poverty to Every Woman's Centre. We know that in the House of Commons and also in the Senate in 2009-10 there were studies and reports regarding measures to take in order to abolish poverty. I'd like to know if you have seen any improvement in terms of measures the government has taken within the last two or three years to address poverty.

Ms. Louise Smith-MacDonald: In our own area we have seen some reduction in poverty, which is the best thing we could hope for at this time. Some of the changes to personal income tax have been very helpful to women. We work very much with the provincial system so we can take advantage of some of the federal programs that have come out, but again, very often some of the federal programs that are introduced are targeted before we get at them. So if you have a project that will fit into the particular criteria—seniors, for example—then you can apply for this money. We have been very successful in accessing some of that money.

However, it doesn't always fulfill the needs of the community as much as it gives us some income, so everyone takes advantage of that, but sometimes we question the results. As I mentioned in my brief, a few years ago, because seniors were really being targeted, there were eight projects going on in our small community that were probably valued at close to a million dollars, and yet we were all doing the same thing. If there could be some flexibility to allow us to address particular community needs, that would be more helpful. But certainly there has been an effort.

Mr. Hoang Mai: Thank you very much.

[*Translation*]

I have a question for Mr. St-Pierre regarding certified general accountants.

I studied law myself, and the Income Tax Act was a nightmare for me. I think it is in the best interest of everyone here, the Standing Committee on Finance as well as the government, to simplify measures. I see you have given a few examples.

Could you give us a really broad, rough summary of the main points, without going into too much detail?

Mr. Denis St-Pierre: It would be hard to pinpoint exactly what the problem is. However, it is definitely important to agree on removing the proposed measures.

I urge everyone to have a look at the existing legislation after today's meeting. Look at both the French and English versions, and note just the parts in grey. I brought only the last version, but the past 20 have all been like this. If we flip through it, we can see that there is a lot of grey. All of the grey parts represent proposed measures, some of which go back as far as 2001. Thus, it can be very hard for those of us working or studying in the field to navigate our way through it. We sometimes have to study measures that may never be adopted. The government could simply eliminate those old measures, especially those that date back more than three years. Removing them would make things much simpler and more clear.

CGA-Canada is also requesting or suggesting that a committee be created. It is difficult for any one individual to pinpoint exactly what the problem is. Instead, a panel of tax experts should be established. I am convinced that if we were able to put a man on the moon in the 1960s, surely now, in 2011, we can find a way to cut this down, by at least half.

● (0930)

Mr. Hoang Mai: Thank you.

[*English*]

I have a question for the Atlantic Provinces Community College Consortium. We know right now that investing in infrastructure is something that can help create jobs and move things forward. It is part of your recommendation number one. Can you tell us what types of infrastructure investments you're asking for or targeting?

Dr. Brian McMillan: Thank you.

With regard to infrastructure, each of the colleges, not only in Atlantic Canada but nationally, has certain programs that are in greater demand, whether it's in health care or in some of the new emerging technologies—I've used the example of bioscience. It's college- and community-specific. But basically we need infrastructure to respond to the wait list of students who want to get into the workforce, students who we know will have jobs, because colleges have worked with our industry partners to identify what types of employees they need and what skill sets they need to have.

One of the things that makes colleges different—I'll compare this with my years of working at a university—is that each college program has an advisory committee. Whether it's architecture, civil engineering, or carpentry, each year we meet with these committees to discuss their needs and demands and to ask how we can change our course to respond to their needs. Tied in with that, though, is not only infrastructure but capital equipment; they will share with us in order to be competitive. Today, most of the work is done with computer-assisted equipment. We have women in welding programs, carpentry—

The Chair: I'll have to ask you to wrap up, please.

Dr. Brian McMillan: I apologize, Mr. Chair.

So we need equipment as well.

The Chair: Thank you.

We'll go to Ms. Glover, please.

[*Translation*]

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

I would like to begin with Mr. St-Pierre, if I could.

As you know, the government recently announced that it was conducting a strategic review and an assessment of its programs.

We believe that this is something that all organizations should do in order to find inefficiencies, to see what is working and what is not working. If any resources are being wasted, it is very important to identify that, so that the money can be used in programs or administrative practices that work.

I know you have commented on this matter in the past. I would like to know a little more about what you think of our plans to conduct a review. Do you think this is a good way to find wasteful spending, so that the money can instead be invested in effective programs?

Mr. Denis St-Pierre: I worked at Canada Revenue Agency for six years before moving to the private sector. I therefore saw certain inefficiencies first-hand. They exist in all organizations, whether private or at the federal level. I also worked in the area of internal audit, focusing on the economy, performance and so on. Certainly, within the government, there are areas that require some cuts, as in any business.

As an advisor, I would tell business owners to look closely at their expenses. In times of fiscal austerity, we need to examine and monitor spending. Trying to balance the budget and making the economy more efficient definitely makes sense, in our opinion, whether within the government or for clients in the private sector.

Mrs. Shelly Glover: We decided to turn to experts to help us find these inefficiencies. Do you think this is a good idea?

● (0935)

Mr. Denis St-Pierre: It is hard for CGA-Canada to express an opinion on things like that. The government, in good faith, must have had good reason for doing so. I do not know the exact reason. We would really have to look at the numbers to know what the government is saving by using the services of an external third party instead of the Office of the Auditor General of Canada, for instance.

Mrs. Shelly Glover: Perfect. Thank you.

[*English*]

I'm going to turn my attention to you, Mr. McMillan.

I would love to take you home with me: I have five children that I continue to push toward college. Unfortunately, they're not quite prepared at this point to switch directions.

You mentioned financial literacy as a huge priority. In fact, it was a priority in previous years, when we put together some experts to give us some ideas on how we might improve financial literacy for Canadians. When you mentioned it, I wondered what you were doing in the colleges to actually promote financial literacy amongst your students.

Dr. Brian McMillan: There are two things.

First, many of our programs do have a business element to them because a number of our graduates will go out and become self-employed. I would say that in about 65% or 70% of our programs, the students will develop a business plan, whether it's photography or whatever the case may be.

In the area of financial literacy, actually our student unions have been quite active in that regard. One of the biggest challenges is young people managing their money when they leave home. It doesn't always go to groceries, as we can appreciate. There are programs run through our student associations, and the colleges work with the student government to provide them resources. They bring in people from the community to talk about how to manage your money, how to do a budget, etc.

Mrs. Shelly Glover: That's excellent.

We actually are looking to put in place a leader of our financial literacy task force to implement some of those recommendations. Do you think that's a wise thing for this government to invest in?

Dr. Brian McMillan: I do.

If I can wear another hat, I also sit on the national board of Junior Achievement. I've been involved with them for 20 years now, and I think they have some excellent financial literacy programs across all grade levels. I think they do a pretty good job.

So we may want to take a look at what's working and how to leverage that. That would be my suggestion.

Mrs. Shelly Glover: Thank you.

I'd also like to point out that the FCAC has quite a bit of information on their website. They actually work with the schools to promote an education plan. Teachers have been very satisfied with the help they're getting.

Have you heard of the program?

Dr. Brian McMillan: No, I haven't.

Mrs. Shelly Glover: Please use it, and feel free to share it with your students.

I actually asked for the study books and the teachers' books so that I could teach my own adult children about financial literacy. So please, feel free.

I'd like to turn my attention for just a moment to—

The Chair: Very brief.

Mrs. Shelly Glover: Very brief? Okay.

Ms. Smith-MacDonald, you mentioned \$23 billion. I'm wondering if you could tell me what programs are inefficient right now within government and that you would see us perhaps redirect funding from to pay for your recommendations.

Ms. Louise Smith-MacDonald: I think there's a lot of money spent by all levels of government to try to reduce poverty in this country—

Mrs. Shelly Glover: But what are the specific programs?

Ms. Louise Smith-MacDonald: Well, I believe there are training programs, I believe there are work programs—

Mrs. Shelly Glover: Do you know of any specific ones, though, not just generally?

Ms. Louise Smith-MacDonald: No, I'm sorry; I wouldn't be able to say federally.

Mrs. Shelly Glover: So you didn't study those.

Ms. Louise Smith-MacDonald: No.

Mrs. Shelly Glover: Okay.

Ms. Louise Smith-MacDonald: I just believe that, from the results, what has been going on is not working. When we look at the results, when we look at women's lives, when we look at levels of poverty in this country, obviously the money that is being directed at this is not working.

Mrs. Shelly Glover: I would argue that it is working. In fact, I have people phoning me quite frequently saying that the program they have taken has actually pulled them out of—

Ms. Louise Smith-MacDonald: Training programs have been very successful for women. Training programs through community colleges have been very successful. But there is a level before this that women aren't ready to access.

The Chair: Thank you. We'll have to continue this conversation later.

We'll go to Mr. Brison, please.

Hon. Scott Brison (Kings—Hants, Lib.): Thank you very much, Mr. Chair.

Thank you to each of you for your interventions this morning.

Ms. Smith-MacDonald, some of your constituents and the people you serve are similar to the people I grew up with. One of the things I observed in the little elementary school I went to, where there were 23 kids in grade six and only eight graduated from high school, was that those who did drop out—in many cases women dropped out and became part of the group that's currently without a diploma, certificate, or degree—had arrived in grade one without any educational background because their parents didn't have the capacity. That was not because they were bad parents; they just did not have the literacy skills to read to those kids.

To what extent could early learning and child care, and a robust program of early learning and child care, help break the multi-generational poverty that exists in rural Canada?

• (0940)

Ms. Louise Smith-MacDonald: Making early childhood development programs available to everyone would be a huge step in the right direction. Currently day care seats are very limited. They're limited because there aren't enough of them and they're limited because women can't afford to access them.

There is also a great need, I think, for education in terms of allowing young moms especially to know that this is a very important step in their parenting. Young women who drop out of school, a lot of whom I work with, didn't have a good educational grounding themselves, and therefore they don't see a huge value in it. Mind you, when those same women are 30 and 35 years old, they come looking for training programs because they realize that's what they need. They need an education.

So I think early childhood development programs are hugely valuable, but they have to be accessible to everybody.

Hon. Scott Brison: Thank you very much.

With regard to the Canadian Real Estate Association's recommendation concerning income properties, one of the ways you can sell that is to look at what's happening to the capital markets these days. For those people who always say, "I never buy stock, I buy only mutual funds", we will find out at the end of this month what the reality is. The issue of financial literacy, which Ms. Glover raised, is an important one.

Whether you look at the Harvard endowment funds or hospital foundations or the CPP Investment Board, they always put a little money in real estate. You have 20% or 30% in real estate. You also have some in publicly traded equities and some in private equities, but there is always some in real estate, and we should be trying to encourage Canadians, as individuals, to do the same thing. So your proposal, which is a fairly modest proposal, simply enabling the rollover, is one that actually creates good financial planning incentives as well, or at least gets rid of some of the disincentives or barriers to it. So I would add that to your...

[Translation]

Mr. St-Pierre, I fully support your idea that we need to modernize our tax system for this country to be competitive and more fair.

[English]

The last time we had a tax reform or a study of our tax system in any meaningful way was in 1971, and that was by the Carter commission, which actually brought in capital gains tax in the first place. We had the inheritance tax before that, which made Canada a good place to die in but not necessarily a good place to build anything in.

Do you think one of the things we should consider is taking this whole tax reform idea away from short-term politics and maybe using things like royal commissions? They were probably overused in the seventies and eighties, but there haven't been many for a long time. Is that one thing we should consider to really get the best possible advice—to actually have a royal commission on tax reform in Canada?

Mr. Denis St-Pierre: CGAA Canada believes that an outside party might bring something new to the table, someone who would not have a particular idea. When you have a bunch of experts panels...we've been saying that for a few years now. We said that last year, too. And the government is not a stranger to these types of consultations. There's been the advisory panel on Canada's system of international taxation and an expert panel on securities regulation. Maybe it's a royal commission. But certainly people still talk about the Carter commission, which predates my birth. That means it had a

significant impact on what we did, and maybe now is the time to redo that whole exercise.

Hon. Scott Brison: The selflessness of your organization to be promoting tax simplification, when your members benefit disproportionately from tax complexity, is really quite impressive to all of us.

You mentioned the boutique tax credits. There's been a proliferation of boutique tax credits. You're suggesting getting rid of a lot of the boutique tax credits and instead perhaps lowering tax rates on lower and middle income or some other measures. Has your organization quantified the cost of some of these boutique tax credits?

•(0945)

The Chair: Please keep your response brief.

Mr. Denis St-Pierre: Well, each year it costs about \$4 billion to \$5 billion to produce personal tax returns, and I would say that the cost to prepare an income tax return has risen by almost the exact amount you will save through those boutique credits. So I'm not sure what the net gain to the economy will be. We didn't cost it, but I'm certain that there is not that much of an advantage just because of the increased accounting costs.

The Chair: Okay, thank you.

Thank you, Mr. Brison.

We'll go to Ms. McLeod.

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

It's my privilege to join you here today.

I agree that having a group of general accountant associations look at simplifying the tax act would perhaps make things much simpler for you but would also decrease the opportunities.

Quickly, in terms of the sports credit or whatever, with electronic filing and with parents and families who have these very simple tax credits...I do my own filing, and if I had a tax credit for sports, I can't imagine that it would really involve, to the degree you're talking about.... But that's perhaps just a comment.

You did talk about technical changes. Of course, in a minority Parliament it was always very challenging to move many pieces of legislation through. Can you speak to the importance of those technical changes and going forward with them? Has there been enough consultation done in terms of moving forward with those changes that need to be made?

Mr. Denis St-Pierre: Well, the changes sure bring in a lot of uncertainty for the tax practitioners. I'll take subsection 56(4), for example, which is an income tax section that has been there since... and it's retroactive. If ever assented to, it will be retroactive to October 2001, so we would have to refile for 10 years in the past. There's also section 18, paragraph 2.1(c), for the deduction of interest. That has been there for the longest time.

These bring in a lot of uncertainty. How much consultation there has been within the government, I do not know, but for me, in my private practice, in giving advice to my clients and telling them that something from seven years ago could come back and haunt them, it's certainly against the spirit of the act, which says that after three years you should have a filing position that is dead and you can move on.

So passing these would certainly help, and again, I invite you afterwards just to flip through it: the grey sections in the Income Tax Act are the proposed sections. This is not a catch. I have the French and English; just flip through it and you will see how many there are. They need to move or disappear after a certain period of time. Certain countries make them disappear after three years.

Mrs. Cathy McLeod: Thank you.

My next question is for Ms. Smith-MacDonald. Certainly, as I have the opportunity to travel across this country, I see the vastness, and I perhaps look at the wisdom of our forefathers who really created provincial jurisdiction. I look at what happened over the last stimulus program, whereby significant dollars were put into supportive housing, for example.

I know that in the riding I'm in I think we doubled supportive housing for seniors, on top of increases to the GIS. Because it was done in partnership with the province and because it was done with communities, I saw many creative models coming out. I mean, people can argue about how much money is available, and that's a fair argument, but when I hear people talk about a national housing strategy, I think it is absolutely the wrong way to go constitutionally and in terms of allowing the creativity that we have seen.

Again, I appreciate that we can debate the amount of money that's focused in that area, but try to convince me that we don't have a good system, whether it's with regard to the opportunities for communities to be creative and for provinces to really look at what they need... because there's such a difference between Newfoundland and British Columbia.

Ms. Louise Smith-MacDonald: I agree with you. I certainly don't want to be in a critical role. I think that whatever programs are being offered are offered in the best spirit of where they come from.

With the housing, for example, if it's a partnership between the feds, the province, and municipalities, very often the province doesn't pick up on it, or they decide they're not going to partner because that's not their priority. The money may be available, but it may not be accessed by the province because they have other priorities.

I think that creativity in housing, such as cooperatives, non-profit associations... A lot of communities are looking to get into the housing market. For housing that was made available to the homelessness initiative, for example, you had to be in a certain area in order to access that money. You had to be in larger areas. We have taken advantage of that in Sydney. However, there are other areas like Antigonish, Port Hawkesbury, or other smaller communities that can't take advantage of it.

● (0950)

Mrs. Cathy McLeod: See, again, I saw that even our smallest communities said they...

If I have time for another quick question...?

The Chair: Just very, very briefly.

Mrs. Cathy McLeod: Mr. McMillan, yesterday at Memorial University, and also where I come from, we've seen that funding from the governments has created equipment where there have been partnerships. They're actually making revenue...so again, we have this fancy spectrometer or something at TRU, and they're putting that out to private people who can really use that. On the costs, is it really helping your bottom line when there are investments?

Dr. Brian McMillan: It is helping us, yes, and it's all part of our applied research agenda. I think every college can speak very specifically about how we've leveraged our capital equipment and resources and have made them available to industry so that they can either test new products or enhance their use.

I think it is working well. Colleges get only about 1.9% of the money made available for research. In our submission, we're requesting that this amount be increased to 5% over the years. There's quite an imbalance.

The Chair: I'll just remind members that when the chair says "brief", he means really brief. I think we're all stretching it a bit. We do want to give the witnesses the opportunity to answer. I apologize for cutting people off here.

We'll go to Mr. Marston, please.

Mr. Wayne Marston (Hamilton East—Stoney Creek, NDP): Thank you, Mr. Chair. I'm back home again. I was born in Plaster Rock, New Brunswick. I don't know whether to say this or not, but my first marriage started here in Moncton.

Ms. Smith-MacDonald, you talked about poverty. A study done recently in Hamilton by our Social Planning and Research Council said the rate of women's poverty is double that of men in our city of Hamilton, and that was amongst seniors. We just heard one of the members speak about the increase to the guaranteed income supplement. The poverty rate is \$22,000 a year. OAS plus GIS is about \$15,200 a year. To my mind, the impact of that \$50 wasn't very great. What was your experience with that?

Ms. Louise Smith-MacDonald: It was my experience that it didn't go very far either. There needs to be a serious look at this in terms of senior women and men and what their income is. With their expenses, with other systems, with people being encouraged to stay in their own homes, with the lack of nursing home beds, and with all the health issues that are involved in that, a huge dilemma is created for seniors who are trying to maintain their own homes. There's now a moratorium on placing nursing home beds in Nova Scotia, so people are expected to stay at home. It's more expensive to stay at home. If you're at home, your drugs aren't covered, and there are all kinds of other things. There has to be a realistic look at what that means for a senior, and income has to be adjusted to cover that.

Mr. Wayne Marston: Thank you.

Mr. Simonsen, we had witnesses in our first hearings in Ottawa, the Conference Board of Canada and others, and they talked about the level of indebtedness of Canadians, combined with the business community holding about \$500 billion back because they have to protect themselves in case the banks seize up on them, as they did a couple of years ago.

According to FCM, we have an infrastructure deficit of about \$130 billion. The NDP had proposed, in its election platform, the greening of Canadian homes and buildings. You mentioned the stock being in terrible shape, with 81% of it from before 1986. Our belief is it's time for the government to do some strategic investment. In fact their deficit target should be delayed at least one year to start instituting some of this movement. What are your thoughts on that?

Mr. Gary Simonsen: I relate it back to one of our proposals, about the reinvestment side of things. That proposal will encourage small investors—these are folks who are earning \$50,000 a year—to indeed upgrade their properties, to reinvest in other properties, and to do some of the greening initiatives I think you're describing.

● (0955)

Mr. Wayne Marston: Mr. McMillan, at Mohawk College in Hamilton I chaired a labour advisory board, and you were speaking about advisory boards. I also was a school board trustee, and we had 28% dropout in our schools. When we asked kids in grades 10 and 11 what their expectation was, they were going to program video games or win the lottery. They're out of touch with reality by a long shot. We have to find a way to bring them together. I'm a great believer in the community college system and the ability that organization has to give some hope to these people, but do we need a federal program of some sort to bridge the ones who have dropped out?

Dr. Brian McMillan: I think it would be helpful. They've become part of that unrepresented group. Many of the colleges have started to put together transition programs.

Just to give a personal example quickly, our college works with the high schools on the island. They identify kids who are underperforming but have potential. They come to the college for half a semester and do a day with us. We rotate them through the various programs so they can make informed decisions about a career option. Plus they are with adults, so they model up, and they understand there are certain expectations and requirements.

I think once again if there could be an envelope or something identified to help those underrepresented groups, it would be helpful.

Mr. Wayne Marston: Mr. St-Pierre, you talked about tax credits and how tax credits don't benefit the poor. At least that's what I read into what you were saying. This government has offered a variety of tax credits. Is there a more progressive way than doing that in which they might be able to help people?

Mr. Denis St-Pierre: It goes back to an expert panel; it's difficult for me to talk for the Canadian government or for the population as a whole. I think an expert panel would be the best place to look at these types of credits: how much do they cost the system, are they really working, and do they make a change...? There needs to be more study and consultation on that topic, for sure.

Mr. Wayne Marston: Well, our contention was that they weren't working.

Mr. Denis St-Pierre: My contention, too, is that they are not.

Mr. Wayne Marston: I think that was clarified in the question.

Thank you.

The Chair: Thank you, Mr. Marston.

We'll go to Mr. Adler, please.

Mr. Mark Adler (York Centre, CPC): Thank you, Chair.

Thanks to all of you for coming today.

My first question is for Mr. St-Pierre. As we all know, tax is a very effective policy tool, and the lower the tax rate, the more compliance we tend to have. Would you agree that, as some have said, increasing corporate taxes would be a step in the wrong direction?

Mr. Denis St-Pierre: First I'll comment on your comment about targeted tax measures. Some are good. CGA Canada is not against all of that. As a policy, RRSPs are good, for example, but they're targeted, so that's good to allow people to retire.

For corporate tax, I understand from my own experience that when a client has an increase of 2% in corporate taxes, for example, he still has the same financial projections he gave the bank two years ago. The rates are announced in advance and he makes his financial projections based on those rates. When there's no stability in the system and it changes all of a sudden, that person will still have the same payment on the business.

So what will he do? He will pass that 2% increase on to the customer. So at the end of the day, the taxpayer will pay, not the corporate entity, because it still has the same capital requirements. It's my personal experience that the taxpayer ends up paying the corporate tax increase anyway.

Mr. Mark Adler: So corporations don't really pay taxes?

Mr. Denis St-Pierre: They don't pay taxes. It's unfortunate, but that's true.

Mr. Wayne Marston: Yes, it's unfortunate.

Mr. Mark Adler: Again, you also indicated, with respect to the corporate tax rate, that Canada, given its leading stature in the global economy and in leading the G-8, is well positioned right now on the global scene to attract foreign investment and encourage economic development.

Mr. Denis St-Pierre: I think our own system that we have in place right now is what is attracting foreign investors: we have advantageous tax rates globally.

What is more difficult, though, is that if you have large corporations they will usually work in all provinces. I believe in 2008 a study was done by PricewaterhouseCoopers, if I'm not mistaken, which showed that if you had a place of business in all these provinces, you would have 295 taxes to comply with. So is that attractive in and of itself? No. I think that's where tax simplicity would be more attractive.

As a globally well-positioned country, yes, we are; on the taxation compliance side, maybe less.

• (1000)

Mr. Mark Adler: Could you elaborate on that a bit?

Mr. Denis St-Pierre: Well, the mere number of 295 taxes to try to comply with...that would be something to dumbfound any accountant, right? Then, when any other taxes come in, the auditors from the CRA say, "Well, you should have known that: ignorance of the law is not...." Well, when you have 295 taxes to comply with, it's very difficult not to ignore at least one, so on that side I think we're not competitive.

Mr. Mark Adler: Thank you.

My next question is for Mr. Simonsen. The government undertook steps earlier this year to support the housing market by making the maximum mortgage period 30 years and that sort of thing. At the time, the Canadian Real Estate Association said that these were "wise and prudent" measures. Could you elaborate on that? Could you also speak to whether further steps may be necessary on this front?

Mr. Gary Simonsen: I'll make two comments. In order to temper the marketplace and to ensure that consumers were acting in a prudent manner, I think it has had the desired effect. We've seen some slowdown in the overall activities, so it has had its desired effect. Certainly, in our projections for next year, we think it will be a very, very stable market, but we think it's important to maintain that stability and to not diminish the marketplace.

It has been a driver, certainly, for the Canadian economy, so we think the measures that were taken were prudent ones and have had the desired effect, and we would recommend staying the course.

Mr. Mark Adler: Would you recommend going any further or...?

Mr. Gary Simonsen: No.

Mr. Mark Adler: Okay. Thank you.

The Chair: Thank you, Mr. Adler.

Monsieur Giguère, s'il vous plaît, pour cinq minutes.

[Translation]

Mr. Alain Giguère (Marc-Aurèle-Fortin, NDP): Thank you, Mr. Chair. My first question is for Ms. Smith-MacDonald.

At present, the Canada Mortgage and Housing Corporation, a crown corporation under exclusively federal control, has a social housing component. At this time, that organization does not have any specific allocation plans or mortgage support for women living alone or single parents who would like to buy existing housing. Could the Canada Mortgage and Housing Corporation not make it easier for underprivileged women to access housing?

[English]

Ms. Louise Smith-MacDonald: It's my experience with single women that they have the most difficult time in purchasing housing. They may be able to get a mortgage, but then they don't have the extra money that's needed for the closing costs and things like that. They're always kind of chasing after that, because it's not incorporated in their mortgage.

So I do believe there's a role to be played—a fund that women can access. Women have proven time and time again that they meet their obligations, and can do so on very little resources, but they need that jump-up in order to access housing. I believe that would be a good move.

Mr. Alain Giguère: To Mr. McMillan....

[Translation]

Right now, the Canadian government is wondering if it should introduce another infrastructure program. If such a program is brought in, in your case, could many buildings be built in your network of colleges or is there any equipment that could be purchased?

[English]

Dr. Brian McMillan: Yes, most definitely.

Mr. Alain Giguère: Thank you very much.

Mr. Gary Simonsen,

[Translation]

your first recommendation presents a problem, I think. In terms of taxation, your recommendation does not work. You want to make recaptured depreciation tax-free while allowing the crystallization of \$400,000 of capital gains deductions for a Canadian controlled private corporation. In fact, you are asking us to promote speculation.

That is how I see it. In terms of taxation, this furthers speculation. I think this is extremely dangerous, especially considering the housing market bubble in Vancouver.

• (1005)

[English]

Mr. Gregory Klump (Chief Economist, Canadian Real Estate Association): Perhaps I can comment first and address what you've claimed is the housing market bubble in Vancouver.

I think it's important to recognize that the prudent measures put in place by the government in terms of mortgage regulation reform have cooled the Vancouver market. I agree with the assessment of the finance minister, and of the Bank of Canada, that there is no housing market bubble in Canada. The Bank of Canada has been most concerned, in that if there were one, they would be looking most closely at Vancouver. Well, the Vancouver market is down 30% in terms of activity since the beginning of the year. Prices have also receded to the tune of almost 5% since the beginning of the year. So I would say that the housing market there is cooling.

In terms of the proposal to roll over the capital cost allowance, I don't think it would encourage speculation, especially since at this time the global economy is cooling and the Canadian economy is vulnerable to that. This is a time when it's unlikely that it would spur speculation. What it would do is cause a turnover in properties by those who are holding on to them because of the tax implications, without generating speculation.

[Translation]

The Chair: You have 30 seconds.

Mr. Alain Giguère: My second question is for the accountants. I myself was a tax specialist in advanced taxation in a large accounting firm. If I am not mistaken, the current cost of tax expenditure programs is \$100 billion. I mean all possible deductions. The Social Economy Research Chair at UQAM identified a series of expenditures that clearly demonstrate that we are in a state of fiscal inequities.

Recently, about a month ago, two entrepreneurs withdrew \$200 million in capital and did not pay one red cent in taxes thanks to what is known as tax trust planning—

[English]

The Chair: Monsieur Giguère, we're going to have to come back to this in the next NDP round, unfortunately.

We'll go to Mr. Van Kesteren, please.

Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC): Thank you, Mr. Chair. Thank you all for appearing this morning.

I have a question for the Atlantic Provinces Community College Consortium. We had a quick chat. I'll share with the others what we talked about, and that was that the economic downturn that we witnessed in 2008 provided us with an opportunity to do something extraordinary. I remember serving with the chair in industry, and whenever there were requests from colleges or universities, we reminded them we were not involved in bricks and mortar. However, this opportunity was presented to us, so as a government we recognized that we needed to invest to help create jobs and stimulate the economy.

One of the decisions, as you said, was KIP. I know in my hometown of Chatham, we have two colleges, St. Clair College and Ridgetown, which is actually part of Guelph University. There were three major projects. One was done through another means, but the significance of those projects, the ramifications, I think, are used.

I agree with you wholeheartedly that we need to stimulate the economy and improve by educating our workforce.

You must have these statistics, but currently—I think this probably falls in line with a lot of the things that Ms. Smith-MacDonald was saying too about the need for education and training—do you identify certain areas so you can tell students they are crying for women in this area, or young men or whatever? Have you identified those areas and what is going to be right? It just seems to me to be common sense that if we need to help somebody who needs a job now, we train them for jobs that are needed right now, but if they're entering the workforce, there's good promise to suggest going into a particular field because in five years' time this is where it's going to be at.

Have you done that? Can you share with us some of those findings?

• (1010)

Dr. Brian McMillan: Each of the community colleges works at several levels. One is that we take a look at the federal priorities for economic development. Then when we do our strategic planning, each community college looks at the economic development strategy of the province, and each province has identified certain sectors. Our province has identified four, and we are providing training in those four areas, plus at a much more micro level we work with local business and industry.

So there is a good alignment. The issue we have is that as industry's needs change, we need to mobilize the workforce to get in sync with it. That's the challenge and that's where the gap is. You have people without jobs, and some of them are skilled but some of them aren't skilled. So that's where the colleges can step in.

If I may, I have one other quick comment, Mr. Chair. Infrastructure money was great, but one of the things we have to be sensitive to, and it was in one of our recommendations, is the CST, the transfer envelope. It's great to have new buildings, but we have to have the operating budget to support them. I think that's very important. In our second recommendation we ask that there be a separate envelope, just as with the health accord, where there will be accountability measures but there will be opportunities to see funds go to post-secondary, be directed so that we don't end up being misguided.

Mr. Dave Van Kesteren: We spoke about that yesterday. We talked about cross-jurisdiction, and somebody mentioned that again this morning. That is provincial, and we'd have to have some arrangement. We did do a number of things in the last budget supporting.... I think we had 30 new industrial research chairs. We provided \$80 million, and I think this probably came out of the Red Wilson report, exactly the things you're talking about, where industry is working in conjunction with colleges and universities to help small and medium-sized enterprises to move into the areas we're talking about, and allocating \$12 million to joint college-university commercialization projects.

Are you familiar with them, and would you like to comment?

Dr. Brian McMillan: Yes. They're excellent programs and they have significant merit. Springboard is another group in the Atlantic region that just received federal funding from ACOA to do the very things you're talking about. So it's money very well spent, and it's a reinvestment in existing capital in infrastructure, which I think is very smart. From the colleges' perspective, there still is quite an imbalance between the amount of funding that goes to colleges versus the amount that goes to universities. All we're suggesting is that there be consideration to giving colleges more access to research funding.

The Chair: Thank you, Mr. Van Kesteren.

We're going to go to Mr. Mai, but because I cut him off, I am going to allow Mr. St-Pierre to answer Mr. Giguère's question.

Mr. Denis St-Pierre: I'd have to be refreshed on the question.

I understand there was some tax planning done that was fairly aggressive. I can't talk to individual taxpayers' positions.

All I can say is that there are certain things, but there is very good work that has been done by the government at challenging these types.... If you look at the Antle decision, Copthorne...these are trusts that were done outside. Antle, for example was caught by the government and it didn't work. So I think the government is working very hard—the CRA.

Unfortunately, when you talk about \$200 million, there are some people who will hire people like me to try to find a loophole. Simplifying the tax system might cut off those loopholes. I don't know.

[Translation]

The Chair: Mr. Mai.

Mr. Hoang Mai: I would like to continue with Mr. St-Pierre.

You mentioned that large corporations plan their adjustments in relation to tax cuts. We know that in 2008 the corporate tax rate was already fairly competitive, compared to our neighbours to the south. Do tax cuts benefit consumers? I have to wonder, since you keep making a connection between tax hikes and the fact that they are bad for consumers in the end.

Do tax cuts not benefit only the shareholders of the companies, which consequently make more profits?

• (1015)

Mr. Denis St-Pierre: A distinction needs to be made in that regard. People need to understand that investors receive the money after taxes. It is up to the corporation to decide how much to give to its shareholders.

Based on my observations, in real life, most of the time, a tax cut results in additional cash flow. In times like these of fiscal austerity, those people can then use that money to respect their obligations or, in times of prosperity, they can create more jobs. Cash flow is what makes a business work. The more cash flow is paid out in taxes, the less there is available to the company to be used at the discretion of the head of the company.

Personally, I do not think that a tax cut can—

I think you understand what I mean.

Mr. Hoang Mai: However, some \$500 billion remains in the coffers of businesses. That is another issue.

That said, I will now don my hat as my party's critic for national revenue. Once again, we agree that reforms are needed to simply our tax system.

As for the increasing number of tax credits, but only for certain... For instance, we talked about the tax credits offered by this government. Could you tell us what direct financial impact these really have on the government, the benefits they provide?

Mr. Denis St-Pierre: In terms of statistics, a 2010 study shows that seven out of ten people do not file their own tax returns. This demonstrates that preparing an ordinary personal tax return has become very complicated.

There are various kinds of credits, like the one given for public transit passes, that are given in communities like mine where there is no bus. These credits only weigh down the legislation and make it harder to know how much it costs compared to what the taxpayer must pay in compliance costs. But I don't have the numbers.

It is only logical that any time a tax form is made more complicated, it becomes harder and harder for people to prepare their own tax returns. So people are spending their money on accounting fees. Our profession is probably the only one that is in no danger of disappearing.

Mr. Hoang Mai: So make the most of it.

Thank you very much.

[English]

I have a question for Mr. McMillan.

You were talking about levelling the playing field in terms of large real estate investors and small real estate investors. Obviously, within the official opposition we've been pushing to help small businesses. Can you tell us what type of levelling of the playing field you want?

I'm sorry, the question is more for the Canadian Real Estate Association.

Mr. Gary Simonsen: I'd be interested to hear your response.

Dr. Brian McMillan: Do you want me to try?

The Chair: Mr. Simonsen.

Mr. Gary Simonsen: You were asking in terms of what...?

Mr. Hoang Mai: What the actual target...the goal of levelling the playing field in terms of helping—

Mr. Gary Simonsen: Well, there are a couple of things. Certainly, there are a number of properties that we know are simply not being turned over, by virtue of that tax disincentive. So it's going to be and it is targeted to the small investor, not to the real estate developer, to provide a more equal playing field, a level playing field, that would treat the small investor in the same manner that a real estate developer is currently being treated.

Mr. Hoang Mai: Thank you.

The Chair: Thank you, Mr. Mai.

We'll go to Mr. Jean, please.

Mr. Brian Jean (Fort McMurray—Athabasca, CPC): Thank you, Mr. Chair. I'm pleased to be here today.

My question really relates to what the future is of Canada, and it is that we're going to have a very low number of workers and a very regional high demand for workers, depending on where we are. My interest is in relation to the housing question.

I would say to you, Ms. Smith-MacDonald, that I actually knew a single mother from Port Hastings, and I'll just give you the story. The gentleman she finally married is from Miramichi. He went to Port Hawkesbury after the pulp mill closed down and he worked in the heavy water there, and then he moved to Fort McMurray. In fact, he was able to work in Port Hawkesbury and Fort McMurray because his employer provided housing. Many employers aren't able to do that; in fact they can't do it.

I think the best way to help with poverty, single mothers or otherwise, is to enable work to happen in different areas of the country.

My interest is not in a national housing strategy, but a housing strategy that actually allows a tax credit to follow work in certain areas that are designated by the government, such as Fort McMurray, Newfoundland, and other places where there's going to be high demand, the Northwest Territories, the Yukon, etc.

I'm wondering if the Canadian Real Estate Association, or indeed others at the table, have ever looked at something like that: a housing strategy on the basis of a tax credit for high-demand areas for work, so that it would encourage the flow of human traffic from one area to another in the country for workers. Has anybody looked at that in the Canadian Real Estate Association, for instance? What do you think the long-term effect would be to designate areas, such as we do for economic zones in the north for tax credits, etc.?

• (1020)

Mr. Gary Simonsen: To the best of my knowledge, it's not something we've looked at. But certainly we would take your question under advisement, reflect on it, and we'd certainly be happy to get back to you.

Mr. Brian Jean: Thank you. I would appreciate it if you could do that with the chair directly. I think it's very important because of the nature of our economy and what's going to happen, and it certainly would give an advantage.

I will tell you this. In Fort McMurray, where I've lived for 45 years, I've seen the housing market go up and down, and right now you can't get a single family house for under \$600,000, whereas in many parts of the country it's \$150,000. I would suggest that this type of tax credit would help the poor and single mothers. It may not be short term but long term, because of course this would encourage people to move from one part of the country to another, where there is high employment and where there would be good wages, and at the same time it would free up houses where they live now, which doesn't have the demand. I do want to say that would happen. So if you could provide that, I would appreciate that.

I think the capital cost allowance recapture, the six months that I know have been proposed by some parties, has a lot of value and a lot of merit. I was wondering if you could comment any further on where you see it today and whether or not there have been any changes to the proposals that have been made in the past regarding that.

Mr. Gary Simonsen: Sure.

We've certainly modified our proposal, and it was to recognize the fiscal circumstances that are present now. Our prior proposal dealing with capital gains in general...we recognized there was a bottom-line impact on that. As such, we narrowed it down to looking at the depreciation aspect to try to adapt and promote something that was going to be fiscally as neutral as possible. That's the reason we've put forward this proposal.

Mr. Brian Jean: When you provide the proposal in relation to the housing strategy, and the possibility of that, would you also put your mind to this capital cost allowance, because it's the issue of rentals, it's not the issue of homes.

I'm also thinking of a designated zone. I know it's something new, and it's an anomaly, and maybe not that attractive to people in Toronto, but in places where there's a very low demand for housing generally, which are boom towns and resource towns, to go to that place there's triple or quadruple the amount of demand and people living in houses than there are in other places. I would like you to put your mind to that as well, if you could.

Thank you.

The Chair: Thank you, Mr. Jean.

We'll go to Mr. Hoback, please.

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

I want to thank each and every one of you for coming out this morning and sharing your ideas with us. As we go through this process, it's always looking for different ideas from different parts of the country that really helps us solidify what we need for a budget for all Canadians. And there are some good ideas here today.

I'm going to start with Mr. St. Pierre on the tax loopholes. We've done a lot of work in closing tax loopholes. Do you think we need to be more aggressive in closing tax loopholes? Or have we been aggressive enough? Where do you feel we are on that?

Mr. Denis St-Pierre: I believe tax loopholes are the nature of higher taxes and the nature of having complex systems. If everything was a little more simple, you wouldn't need the tax loopholes because it wouldn't be that complex. When you use terms like "all or substantially all" in the Income Tax Act, instead of "85%", or if you use "a reasonable period of time" instead of "36 months", you open the door to tax loopholes because it's subject to interpretation.

Sometimes there's more clarity now, I think, when it's being legislated, but I'd say that's the exception.

Mr. Randy Hoback: So you would probably be more in favour of closing these tax loopholes, getting more exact wording in some of these areas, so you have proper guidance when you do the income tax.

• (1025)

Mr. Denis St-Pierre: Sure, when you say the term "tax loophole", by its whole nature people don't like that term to start with. It looks like it's not fair. I think everybody should pay their fair share of taxes. The issue with the loopholes is that the legislation is not clear, so it opens up the door to something.

It makes our job complicated too. Our clients know how to read; they have tax lawyers too. They say, "Well, why can't you as an accountant accept this strategy? This is an accepted loophole because here's the wording of the law." It puts us in a difficult position that we would rather not be in. As an accountant, we want to be straight, honest, and to have integrity, and then we have that type of language in front of us.

Mr. Randy Hoback: Earlier there was a comment that companies don't pay taxes. I think that's not a fair statement.

Mr. Denis St-Pierre: Yes, it's an unfair statement.

Mr. Randy Hoback: I think a more fair statement is that companies pay dividends, and people who receive dividends, whether they're pension funds or RRSPs, pay taxes. That would be a more fair assessment.

Mr. Denis St-Pierre: A fair assessment is that once the money is in the pocket of the taxpayer, there's been an integration. There have been corporate taxes remitted and there have been personal taxes remitted. The total of that is the same as if the individual were in business. So whether you operate through a business or you operate under your own name, the amount of taxes sent to the government will equal the same, or they should equal the same, under integration principles.

Mr. Randy Hoback: Okay. I see where you're going with that.

I'm going to move on to the real estate and the capital cost allowance. It's an interesting proposal.

I know Mr. Jean asked you a question on it, and I'm curious. If you were to go down that route—and I guess where I get into trouble is that a lot of times real estate doesn't depreciate in value, it actually appreciates—how do you justify to taxpayers that we should allow depreciation every year on the real estate, yet we all know that 5, 10, 15 years out that property is going to appreciate? How do you tell taxpayers that's still fair?

Mr. Gregory Klump: The appreciation of the price, being the capital gains end of things, and the depreciation of the building, recognizing that there's a certain amount of upkeep that is required in order for it—

Mr. Randy Hoback: But those are expenses you would see any time.

Mr. Gregory Klump: Exactly. Those are two solitudes. Certainly the original proposal that the association had was for the deferral of both capital gains and depreciation, but it has since been modified because we were advised that that's a special carve-out for real estate that is never going to happen. Looking at the bigger picture, it would be great if capital gains were eliminated for everything, but recognizing reality for what it is—putting water in our wine—and in consultation with our members, to improve the chances for success for this proposal and put money into the government coffers by way of the taxation of those capital gains once the property is sold, the proposal was modified so it would just be the carry over of the depreciation to investment into new property.

When you ask the question on how you square that circle about the price of the place increasing over time with depreciation, they're really two solitudes.

Mr. Randy Hoback: Then, of course—

The Chair: Last question.

Mr. Randy Hoback: Thank you, Chair.

The ecoENERGY retrofit program was brought back with the last budget. Could you give us an example of how that's impacted your industry? I'm sure the lumberyards are pretty happy right now, but could you give me your opinion of the retrofit program for housing?

The Chair: Very briefly.

Mr. Gary Simonsen: Based upon a survey of our members, I think it's a welcome program.

Mr. Randy Hoback: So you're generally happy with it.

Mr. Gary Simonsen: As far as I know, yes.

The Chair: Thank you.

I want to follow up on a few small points, and members can certainly follow up on any questions informally after the session.

Mr. St-Pierre, with regard to your recommendation on the panel of independent experts, this is something that's been recommended to me many times by the past chair of the Edmonton Chamber of Commerce, Carman McNary. I want to allow you to flesh that out a bit in terms of how big a panel you would recommend, how long to study and report, and composition. Do you have any thoughts on that?

Mr. Denis St-Pierre: For sure, this committee should be on that panel to start with. On the composition and all that, I would have to refer you to CGA Canada, Carole Presseault, vice-president. I believe she has a clear idea of what the question is. Unfortunately, she is not here, but I'll get Carole Presseault to contact you on the size and format—

The Chair: And timeline. Okay. I appreciate that.

I want to go to Mr. McMillan, on the 8,000 qualified students. I certainly concur with my colleagues in the sense that in my area the need for people is ramping up again, and it's only going to get worse. When you say there are 8,000 qualified people who cannot get into a college, that is certainly something that needs to be addressed.

You talked about physical infrastructure and operating budgets. One of the challenges we have with our colleges out west is a lack of teachers or professors, because often, for example, industry notices a person teaching plastics who it thinks would be great in its company and the teacher moves. Then the company asks why we don't have any professors in plastics.

Is that a challenge you're facing as well on the human resource side?

● (1030)

Dr. Brian McMillan: To some extent it is, but we've tried to partner with our local industries and say it is in their best interests. I will give you an example: aerospace. We have people working in aerospace who are teaching at the college on secondments, so we try to deal with it through secondments, Mr. Chair, but at times it is a challenge.

One of the nice things about colleges is that we also benefit from persons who are nearing retirement who might want to have a different type of employment opportunity, so we are able to leverage that sometimes.

The Chair: The second point is this. Are you cooperating with high schools in terms of very much gearing students towards perhaps an alternative route, or showing them there are various options available?

Dr. Brian McMillan: We are, very much so. In fact, we have seen quite a change with colleges in the last three to five years about who is attending, not just in Atlantic Canada. I would say the profile of the learners has changed substantively. We are now getting the honour students out of high school, which is right, I think, but there is still more work to be done. We also have done articulation agreements, with some of our high school students getting credit from college programs, and also with universities.

The Chair: I appreciate that.

My final point, Ms. Smith-MacDonald, is that I appreciate what you said in terms of federal tax changes, especially for lower income levels in the sense of actually taking people right off the tax rolls. That is absolutely essential.

I did want to just get your quick reaction to any impact of the changes with respect to the introduction of the working income tax benefit and also the extension somewhat of the national child benefit recently. Have you seen these two programs have some effect and some impact with regard to addressing poverty?

Ms. Louise Smith-MacDonald: Yes, we have seen the results of the national working income tax benefit. Some of it is positive, but the ceilings are so low that I believe if you're a single person and

make over \$14,000 you don't benefit. So the ceilings need to be raised. The working income tax credit of \$1,014, or whatever, again, is very much lost if a woman is only working part time, and very often her personal allowance will be enough to take her off.

It's a benefit that is there, but it's not usable by everybody. I guess that is what I am trying to say.

The Chair: On the national child benefit, obviously for families

—
Ms. Louise Smith-MacDonald: There are big improvements in that. The national child tax benefit itself has improved, but again, most organizations that I work with would like to see the supplement, or the \$100 early child tax, go toward day care, to a federal day care program.

The Chair: Okay. I'd love to continue this discussion, but I want to thank all of you for being with us here this morning, for your presentations and your responses to our questions.

Colleagues, we are a little bit flexible on time so we can certainly exchange views informally after the session.

Thank you. The meeting is adjourned.

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