



HOUSE OF COMMONS  
CHAMBRE DES COMMUNES  
CANADA

## **Standing Committee on Finance**

---

FINA • NUMBER 016 • 1st SESSION • 41st PARLIAMENT

---

**EVIDENCE**

**Tuesday, October 18, 2011**

—  
**Chair**

**Mr. James Rajotte**



## Standing Committee on Finance

Tuesday, October 18, 2011

• (1000)

[English]

**The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)):** Good morning, everyone. I'll call this meeting to order. This is the 16th meeting of the Standing Committee on Finance. We are continuing our pre-budget consultations for 2011.

We have two panels this morning. In our first panel we have seven organizations joining us here: the Canadian Construction Association, the Canadian Cooperative Association, the Canadian Healthcare Association, the Canadian Institute of Chartered Accountants, the Canadian Union of Public Employees, the Canadian Wireless Telecommunications Association, and the Hotel Association of Canada.

Thank you all for being with us. You'll each have a maximum of five minutes for an opening statement.

We'll begin with the Canadian Construction Association, please.

**Ms. Nadine Miller (Chair, Canadian Construction Association):** Thank you, Mr. Chair.

On behalf of the more than 17,000 members of the Canadian Construction Association, I want to thank you for providing us with this opportunity to appear before you today and share our views regarding the economy and our recommendations for this year's federal budget.

My name is Dee Miller and I'm chair of the Canadian Construction Association. In my outside world I am vice-president of JJM Construction, based in Delta, British Columbia. We're involved in road building, marine construction, and highway and bridge construction. I'm joined here today by our president from CCA, Michael Atkinson.

With ongoing global economic uncertainty, it's not surprising that construction remains the choice of governments around the world as the best investment for economic stimulus. In Canada, construction accounts for 7% of our nation's GDP and employs over 1.25 million Canadians. We are by far one of Canada's largest economic drivers, and our industry is projected to continue to grow throughout the decade.

A recent report commissioned by PricewaterhouseCoopers forecast that Canada's construction market will become the world's fifth largest over the course of this decade, in part due to strong global demand for Canadian energy and natural resource exports. In short, new infrastructure requirements to support the growing commercial needs of our economy as well as the long overdue

renewal of our public infrastructure assets will become the primary driver of construction activity in Canada for the foreseeable future.

Given that infrastructure is critical to the functioning of our economy as it impacts not only productivity but ultimately business profitability, we believe new solutions will be required to help share the tremendous costs associated with the expansion and renewal demands of our nation's infrastructure. One solution to help lower the fiscal burden on governments will likely be public-private partnerships, which is something we have considerable experience at in British Columbia. However, this has drawn to Canada a large number of international firms that carry out much of their engineering and other back office functions in lower-cost countries. Furthermore, these firms often bring with them below market financing that makes it very difficult for Canadian firms to compete within our very own home market. While our industry does not support protectionism, we expect that the federal government, when tendering P3 projects, will ensure that a level playing field exists and that Canadian companies are not disadvantaged.

We're also very concerned about the capacity of cities to continue to fund their share of the infrastructure renewal burden. Since most cities do not have access to growth taxes, the annual transfers they receive from the federal government through the gas tax fund have become instrumental to their capacity to pay for infrastructure renewal. Making this transfer permanent, as outlined in the government's last budget, is an important first step, but unless this transfer is indexed, inflation will erode the effectiveness of this program over time. So our first recommendation is that the federal government index the current gas tax transfer fund to the cost of inflation.

Canada must also ensure that it has an adequate supply of labour. In construction, we expect a shortfall of 325,000 workers by 2019 due to retirements and increased demand for construction across Canada. In a best-case scenario, we expect colleges and other training facilities will help fill approximately half of our new labour requirements, still leaving a shortfall of 150,000 workers. Therefore, going forward, our industry will continue to rely on Canada's immigration system to help fill nearly half of our workforce requirements. However, with chronic processing backlogs within Citizenship and Immigration Canada, our pressing demand for foreign skilled workers will never be realized unless significant new resources are dedicated by Parliament to overcome this challenge. Therefore, CCA recommends that Parliament increase the annual budget to Citizenship and Immigration Canada, so as to permit the department to reduce, if not eliminate, the processing backlogs within the skilled foreign worker program.

Another area of concern for our members is red tape and the cost of regulatory compliance. We are pleased to see the government taking action on this issue, and we look forward to the outcome of the red tape commission's review. One example we used to illustrate our frustration with red tape to the commission is that of security clearances. When a contractor works on a military base for DND, it needs to obtain security clearances for firms and employees. If we decide to work at an airport, we have to go through this entire process again, which makes no sense, since CSIS and the RCMP are responsible for carrying out these reviews.

**The Chair:** You have one minute.

**Ms. Nadine Miller:** CCA members believe Canada needs to streamline its regulatory systems. To this end, we recommend that the federal government engage with the provinces to undertake a broader review of federal government regulations, with a view to eliminating duplication and streamlining the regulatory compliance process.

• (1005)

Finally, we believe the federal government can play a significant role in improving economic productivity through the use of tax incentives designed to encourage Canadian industry to invest in the modernization of our businesses.

CCA strongly recommends that the government extend the application of the current accelerated capital cost allowance for machinery and equipment to diesel-powered mobile equipment and machinery as well as to heavy-duty off-road vehicle purchases.

Mr. Chair, this concludes my presentation. I hope you found it of interest and I look forward to answering any questions you might have.

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

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

**Mr. John Anderson (Director, Government Affairs and Public Policy, Canadian Co-operative Association):** I want to thank you very much for giving the Canadian Co-operative Association the chance to present to you today.

The 9,000 cooperatives and credit unions in Canada have over 18 million members and \$376 billion in assets, and they employ over 150,000 people.

We are particularly pleased to be here this year because 2012 has been declared by the United Nations to be the International Year of Cooperatives. We want to thank the Government of Canada for its consistent support for this UN year. We will be launching the international year on November 29 at our parliamentary reception and across Canada on January 12 in 12 locations.

We are also happy to be presenting here this week because it is Co-op Week, an annual event aimed at recognizing the contribution of cooperatives. The theme of this year's Co-op Week is the same as the theme of the international year: "Cooperative Enterprises Build a Better World".

In his Co-op Week message to CCA, Prime Minister Harper noted:

Co-operatives have helped many people and organizations find solutions to social and economic challenges in their communities, and this special week offers Canadians a chance to express their appreciation for the benefits that co-operatives provide.

Recently the cooperative model is back in the news. For example, in the U.S., in the recent health care debate, and in the U.K. around public policy, there is talk of how to use the co-op model on a wider and more effective basis.

During the recent years of economic downturn, co-ops generally did well around the world because they are community-owned, make profits that go back into communities, and have set reasonable levels of staff pay, including that for CEOs. Just two weeks ago, out of the top 100 employers featured in *The Globe and Mail*, three were cooperatives. In Saskatchewan, 11 of the top employers were cooperatives and mutuals.

Cooperatives generally last much longer than investor-owned businesses, as a 2008 Quebec government report and a new B.C. study have both shown. But they often need help in getting started.

This is why we are proposing three legacy budget projects for the international year. All of them are partnerships between the co-op sector and the federal government; thus, for moderate amounts of government funding or foregone taxes, substantial amounts of capital can be leveraged.

But it is not only capital that will be leveraged. One of the fundamental principles in the co-op sector is that of self-help; of communities and groups of people pulling themselves up with their own sweat equity. This is the working principle that built an oil refinery in Regina in the depths of the crisis of the 1930s, a federation of co-ops in Nunavut and the Northwest Territories in the 1960s, and more than 800 credit unions across Canada since 1900.

These three projects are backed by many prominent cooperative organizations, including the Credit Union Central of Canada, Desjardins, Co-operators General Insurance Company, and the Co-operative Housing Federation of Canada.

The first project is a federal cooperative investment plan based on Quebec's Régime d'investissement coopératif, which has existed since 1985. It would provide a federal tax credit for co-op members and employees who invest in producer—that is to say, agriculture, fishery, forestry—and employee-owned cooperatives. Such a plan at the federal level is estimated to cost between \$17 million and \$20 million per year and would produce \$120 million per year of new investment across Canada. This is a plan that the Canadian Federation of Agriculture has consistently ranked as one of their top priorities.

The second project is a cooperative development fund, which would be co-funded by the federal government and the co-op sector, that would provide large and medium-sized capitalization loans to new and emerging cooperatives. This sector is requesting a one-time federal government contribution of \$70 million, after which the fund would be self-sustaining. This federal contribution would leverage important contributions from the cooperative sector.

In 2008 the federal government commissioned PricewaterhouseCoopers to examine the model for this new fund, and they concluded that the potential impact of the fund is positive and will assist emerging and existing cooperatives to grow and expand.

These two projects were endorsed by the House of Commons finance committee in your December 2009 pre-budget report.

The third project, the last one, is a permanent and expanded federal cooperative development initiative. This is a program that provides grants and technical assistance to new and emerging cooperatives, and we hope can help also in providing solutions to business succession when new employee- and community-owned businesses can provide an alternative to the closure of family owned firms.

This program was started in 2003, renewed in 2009, and goes until March 2013. This program is managed by the two national cooperative organizations. Since 2009, 521 groups have applied for project funding, 140 projects have been funded in the last three years, and over 346 cooperatives have been created through another arm of the program. It has also helped to leverage additional resources from provincial governments and our own charitable fund.

In conclusion, I would say that cooperative enterprises can indeed help build a better Canada.

Thank you very much.

•(1010)

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

We'll now hear from Ms. Fralick from the Canadian Healthcare Association.

**Ms. Pamela Fralick (President and Chief Executive Officer, Canadian Healthcare Association):** Thank you, Mr. Chairman, for the opportunity to speak to the committee.

[*Translation*]

I am going to speak to you in English, but I am always ready to try to answer your questions in French.

[*English*]

I thought I would take a moment to make sure that everyone on the committee understands on whose behalf I am speaking today: the provincial and the territorial health associations and organizations across the country. This runs from the Newfoundland and Labrador Health Boards Association, through the Health Association of Nova Scotia, all the way across to the Health Employers Association of British Columbia, and also into the territories.

You may have heard of us many years ago as the Canadian Hospital Association, but we now cover the continuum of health, and thus our name reflects the broader mandate. We're currently celebrating our 80th year of work on behalf of Canadians.

Our board of directors is a bit different from many in the health world. It reflects the face of the public. Members have emerged from local hospital and health boards. They've risen to govern at the provincial level and they now come to speak at the national level with CHA. They are HR experts from the mining and forestry sectors, registrars of community colleges, superintendents of educational systems, and chartered accountants. They run insurance companies and real estate firms; they work in sales and retail. They are the public, they are the voters, and they have strong messages to deliver. Perhaps most importantly, they are responsible for the allocation and monitoring of billions of dollars of public funds.

You have asked us to help you deal with ongoing difficult financial times, and we get that. You've asked us to bring concrete, doable solutions. We get that as well. You've asked us to be as specific as possible and you've also asked us to limit our recommendations to three.

Well, we have more than three, but we're committed to respecting the committee's parameters and we're pleased to offer three concrete, doable recommendations, which I'll briefly review today, knowing that you have received the material in advance.

One additional comment that I would make before I do so is that CHA supports a very strong role for federal leadership in the health of the nation within our Canadian model, which confers the constitutional responsibility for health to the provinces and territories. We specifically require that this federal leadership help us move from a focus only on the illness system to one that truly addresses the need for a wellness system. We need to keep Canadians out of hospitals; we need to prevent their becoming ill and move them quickly from acute care to appropriate continuing care; and again, we need courageous federal leadership to do so.

That is a nice segue into the first recommendation.

The recommendation is to reduce health system costs over time and target funds from current resources—new ones, if we have them, but current resources—to population health initiatives. The Naylor report, with which you're probably familiar—and I can go into more detail, of course—recommends funding public health services in the amount of \$1.1 billion per year and is a good starting point. The annual economic burden of direct and indirect costs of illness in Canada is estimated to be \$188 billion. We need prevention. There is currently no earmarked funding for health promotion and disease or illness prevention activities under the Canada health transfer to date.

Recommendation number two is to leave needed dollars in the health system by modernizing and bringing equity to the current interpretation of rules concerning the GST-HST rebate eligibility criteria in the Excise Tax Act. This is a complicated issue, but we estimate that \$300 million is being taken out of the health system. It's being given with one hand and taken away with the other, and we feel it needs to stay where it is initially given.

Our recommendation number three is to enhance the health sector. It's about EHR and EMR, folks. We need to get these moving. There are funds being made available to emerging health professionals only within the physicians', nursing, and pharmacists' professions. The rest of the workforce has never had this training. If we truly want to start taking advantage of the innovative processes and pieces that are coming forward, there are programs existing, we feel, that could be opened to these other health professionals to make them more amenable to the new technologies.

I will finish with a thank you for hearing me, and I look forward to questions.

●(1015)

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

We'll now hear from the Canadian Institute of Chartered Accountants.

**Mr. Gabe Hayos (Vice-President, Taxation, Canadian Institute of Chartered Accountants):** Good morning. My name is Gabe Hayos, and I'm vice-president of taxation with the Canadian Institute of Chartered Accountants.

On behalf of Canada's 78,000 chartered accountants, thank you for the opportunity to appear before this committee. In my remarks today, I will cover the CICA's views and priorities for the 2012 federal budget, highlighting measures we believe will support the nation's economic recovery by helping Canadians and Canadian business prosper.

Recommendations include simplifying taxes and easing the personal income tax burden, reducing red tape, enhancing Canada's tax incentives for innovation, enhancing financial literacy, encouraging retirement savings, and continued support for international credential recognition.

With respect to red tape reduction, an element of key importance to the CICA's view is that the federal government's administrative agencies should focus first on providing compliance assistance, rather than focusing principally and perhaps almost exclusively on regulatory enforcement. We believe that a positive attitude change towards compliance assistance, motivated by a supportive tone from the top being expressed by ministers and their deputies, will

contribute meaningfully to red tape reduction and enhanced efficiency in government.

Canada's domestic tax system must be simplified to lessen the regulatory burden placed on Canadian business, and we recommend that the federal government establish a national consultation process to obtain input on tax simplification initiatives.

Measures that merit consideration include pursuing greater federal-provincial tax harmonization across all tax systems, adopting a loss transfer system of taxation for corporate groups, and extending personal income tax filing dates for those with income from trusts or partnerships.

The government's commitment to reducing the general corporate income tax rate to 15% by 2012 is important to our ongoing economic recovery and should be applauded. We also encourage the continued adoption of policies recommended by the Advisory Panel on Canada's System of International Taxation.

We believe that action should be taken to improve our scientific research and experimental development tax incentives and that tax credits should be made partially refundable for all businesses.

In order to stay competitive and attract and retain human capital, Canada must stay attuned to the personal income tax burden placed on Canadians. Canada's chartered accountants favour the use of broad-based tax reductions over targeted measures.

Over time, we encourage the government to increase the top two tax thresholds and the rates that apply to them, in order to bring them in line with those of our global competitors. Key to balancing this broader approach is the need to examine the appropriate mix of personal tax and consumption taxes. Canada relies on personal income taxes to a greater degree and on consumption taxes to a lesser degree than the OECD average. Adjusting the revenue mix would improve Canada's tax competitiveness. We recommend that the government consider changing the revenue mix to bring it closer to the OECD averages.

Reducing income tax on personal savings is crucial to helping Canadians prosper over the longer term. With this comes the need to enhance financial literacy to ensure Canadians have the financial skills to make the best choices on planning for their retirement. Our research shows a clear link among financial literacy, higher rates of savings, retirement preparedness, and financial planning. We urge the government to continue its commitment to financial literacy.

The CICA is working to support a national collaborative financial literacy strategy and will soon be launching a program to provide Canadians with the knowledge and confidence required to take control of their finances.

With respect to the retirement income system itself, we support the government's commitment to increasing contribution limits to tax free savings accounts. We believe reducing the income tax on personal savings will provide an incentive for savings and make the tax system more efficient, effective, and competitive. As an example, we recommend raising the RRSP maximum contribution limits and also taxing RRSP withdrawals according to the nature of the underlying income—that's capital gains, dividends, or interest—rather than all of it being taxed as ordinary income.

Finally, skilled professionals are vital for Canada's future, and the CA profession encourages the government's ongoing commitment to easing the transition of internationally trained professionals into the Canadian workforce. We support the development of streamlined bridging programs that help these professionals resolve any educational or experiential gap, so they can contribute their full potential as quickly as possible.

To conclude, we believe the nation's economic recovery can best be supported by enacting measures that help Canadians and Canadian business prosper.

Mr. Chairman, thank you for the opportunity of appearing before this committee. I would be pleased to respond to any questions.

• (1020)

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

We will now hear from the Canadian Union of Public Employees, please.

**Mr. Paul Moist (National President, Canadian Union of Public Employees):** Thank you very much, Mr. Chairman.

Good morning. CUPE is very privileged to represent just over 600,000 Canadians, people delivering front-line public services from coast to coast. Our members don't just deliver these services; they depend on them as accessible, affordable, and quality features of our lives, and they're hit twice by restraint measures if they occur: they lose their jobs and they lose the services.

The average salary for a CUPE member is just under \$40,000 a year. The value of public services in totality that each Canadian receives is worth about \$17,000 a year. Three years after the financial crisis struck, we continue to be in very difficult economic times. We ask this question: are we any further ahead? Further recessions are imminent or arguably under way in the United States and Europe, thanks in large part to austerity measures, little progress on financial sector reform globally, more bank failures, particularly in Europe in the last week, and bailouts.

We still have in Canada officially 1.3 million Canadians out of work and many more who have given up looking for a job. We've had slow job growth and negative real wage growth since the recession hit three years ago. Household debt—and I know Mr. Carney has spoken to this committee about this—is at record levels: 150% of income. Public services are being cut and workers are being laid off while government maintains planned corporate tax cuts,

which are adding \$0.5 trillion in excess cash that, for the most part, corporations are hoarding and not investing at this point in time.

The sale of luxury goods going up and dependence on food banks rising speaks to rising inequality in our country. Supply-side economic policies of corporate tax cuts, deregulation, and cuts to public spending haven't worked. We have a demand-side problem, worsened by structural inequality. The International Monetary Fund, and recently the Conference Board of Canada, raised alarm about rising inequality hurting economic growth in Canada.

Warren Buffett and many others are calling for government to raise taxes on those with the best ability to pay. Alex Himelfarb, a former Clerk of the Privy Council, wrote in *The Globe and Mail* on the weekend about that very subject matter. No wonder people are fed up and increasingly taking to the streets around the world. We need job growth, and workers also need decent real wages and services. We don't need government policies interfering with free collective bargaining rights. That will make labour relations worse in our country. If workers don't have a voice and are constantly threatened by strong-arm measures favouring employers, they can't be expected to work productively.

Austerity measures and federal spending cuts announced in the last budget were a mistake. We need to sustain and expand services, jobs, and spending, which are historically low in terms of the share of our economy. Public infrastructure investment was instrumental in stimulating economic recovery three years ago. Funding for future years has been depleted. We need additional infrastructure investment, better planned, with a long-term commitment.

I'll close with our three general recommendations. First, we need to sustain and expand services, jobs, and spending, in particular cancelling damaging federal program spending and job cuts from the last budget and protecting current rates of increase for social and health transfers to our provinces.

Second, we need to promote investment in sustainable growth and job creation, in particular making a long-term federal commitment to investment in public infrastructure, particularly public transit, to the tune of \$18 billion needed over the next five years. We could start with an additional cent from the federal gas tax, which would be worth about \$400 million, provided to municipalities to devote to public transit.

Finally, Mr. Chairman, we need to implement fair tax reform both to improve the functioning of the economy and to generate revenues to pay for public services. Here are two examples: set aside planned corporate tax cuts, and implement fair taxes on the financial sector—a financial transactions tax or a financial activities tax could generate about \$5 billion a year in Canada.

Thank you, Mr. Chairman. We look forward to any questions.

• (1025)

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

We'll now hear from the Canadian Wireless Telecommunications Association.

**Mr. Bernard Lord (President and Chief Executive Officer, Canadian Wireless Telecommunications Association):** Thank you very much, Mr. Chair.

Good morning to all of you. I'm pleased to be here this morning.

I have a good news story to tell this morning. It's about the wireless sector in Canada. It's a fast-growing sector. It creates thousands of jobs. It enables our communities and our families to be better connected, and it makes our communities safer as well.

[Translation]

The industry is enjoying tremendous growth. We are not here to ask you for money, but to tell you that things are going well and that certain steps can be taken to ensure that things keep going even better.

[English]

The wireless sector in Canada is a major driver of economic activity across all sectors of the economy, and it's one of the few true enablers of success and growth in all other sectors of the economy.

Just to give you an example, traffic on Canada's networks is growing exponentially. Some of our networks are growing at 5% per week. Now, most other sectors of the economy would be thrilled to have 5% growth in a year. But 5% growth a week means that the traffic on our networks will more than double; it will be 26 times more by 2015. This means there's an ongoing requirement to make massive investments in networks to make sure Canadians continue to enjoy the service they want.

We provided a submission to the committee. We also shared with you a slide deck. On one of those slides, slide 3, you can see the contribution of the wireless sector in Canada. You can see it's \$41 billion a year.

[Translation]

This is a contribution of \$41 billion to the Canadian economy, \$17 billion of which is a direct contribution to the gross domestic product, \$15 billion is in indirect flow-through and \$9 billion is in consumer supplies.

[English]

And you can see how this compares to other sectors of the economy. But what we see and what's happening in the wireless world is something truly remarkable, and that is the combination of wireless telephony with broadband Internet to create the mobile

broadband Internet. That's truly what Canadians want from coast to coast to coast, and that's what the wireless sector wants to deliver.

If you look at slide 4, and this is a very interesting slide, you will see it gives an indication of what's happening in the wireless sector. A smartphone will consume 24 times the bandwidth of a traditional feature phone. A laptop will consume over 500 times the bandwidth of a traditional feature phone. This is exponential growth. If you compare it to highways, for instance, it's as if we had a four-lane highway this year, and next year we'd have to have an eight-lane highway and a sixteen-lane highway the year after just to satisfy the traffic. The increase will be 26 times between now and 2015.

One of the roadblocks we face in Canada is high government spectrum licence fees. I refer you to slide 5. This compares the spectrum licence fees that are paid by the wireless sector to governments in all G-7 countries. You can see that Canada has the highest spectrum licence fees in the G-7. In fact, Canadian wireless carriers hold licences for less than 2% of all the licensed spectrum in Canada, yet they pay for over 50% of all spectrum licence fees in Canada.

If we had a regime comparable to that of the U.S., the wireless sector would pay \$4 million in fees. In 2009, the wireless sector paid \$130 million in fees. This is simply an obstacle to investment and an obstacle to growth in one of the fastest growing sectors of our economy.

If you look at slide 6, you will see the investments that have been made by this sector in recent years. While other sectors were struggling from 2007 to 2010, this sector of the economy made record investments in our networks around the country.

All this is to say, Mr. Chair, that we have three recommendations to make. The first is to introduce in 2012 a temporary accelerated capital cost allowance for broadband network-related assets and move it from 50% to 100%. The second is that the government set a timetable for bringing the administrative licence fees paid by Canadian wireless carriers in line with comparable fees paid by wireless carriers in other G-7 countries. The third is that Industry Canada eliminate outdated regulation and red tape on conditions of licence that impose an unnecessary regulatory overhead on both licences and the government.

Thank you, Mr. Chair.

• (1030)

**The Chair:** Thank you.

We'll now hear from the Hotel Association of Canada.

**Mr. Tony Pollard (President, Hotel Association of Canada):** Thank you very much, Mr. Chairman.

[Translation]

Thank you for the invitation to appear here today.



[English]

Ladies and gentlemen, travel and tourism in Canada is a \$74 billion industry. We employ about 594,000 people.

In the lodging sector, last year we generated in excess of about \$16 billion. We employ 284,000 people across the country.

I like to say that every time I appear before the committee we're the good news sector, because we create jobs and generate a lot of money for the federal government. Last year \$3.2 billion went to the feds, so we usually get a pretty good welcome when we come here.

But ladies and gentlemen, we have some issues before us that I want to briefly touch on. The first one is that I'd like to say we welcomed Minister Bernier's announcement of the federal tourism strategy a couple of weeks ago, particularly making various government departments accountable and also setting out a target of \$100 billion of revenue for tourism by the year 2015. This is all good news.

But what is needed? What are the problems? Well, Canada right now is the fifteenth most popular destination in the world, and yet our brand is number one. About ten years ago we were the seventh most popular destination and we had a travel deficit of about \$1 billion. Now it's up to about \$14 billion. So obviously we have some issues. What we'd like to be able to do is get Canada back among the top ten destinations globally.

What would this do for us? It would bring in 5.7 million more people a year, it would create about 46,000 jobs annually—you're going to hear me keep on talking about jobs in a brief period—and it would generate another \$1.5 billion in taxes.

But what is the problem that means we are not in the top ten? One of the biggest things is the aviation sector and why it is so expensive.

Let me tell you, one of the biggest problems we have right now is that 21% of Canadians leave this country to get onto a plane in places such as Bangor, Maine, or Buffalo or Bellingham, or whatever, right across the country. That represents about 2.5 million people, or 5 million people inbound return. That's far too high. We need to reduce the aviation cost structure.

The second thing is that we have a problem with visas. Let me give you Brazil as an example. Brazil's is the seventh largest economy in the world, soon to become the fifth largest. What happens if you're a Brazilian wanting to go to Canada, the States, or Australia?

Well, in Canada you go into the Canadian embassy, you surrender your passport, you surrender all the documentation, and hopefully within a week to three weeks you'll get your visa.

If you're going to the States and you go into an American embassy, you surrender your passport and you get a visa the same day.

If you're going to Australia, what do you do? You go online. You get your visa online immediately, the same way as when you purchase an airline ticket in Canada and the airlines ask where you are going in the States and what your passport number is, etc.

We need to speed it up. So visas are the second thing.

The third item is funding for the Canadian Tourism Commission. The Canadian Tourism Commission budget has gone from basically \$100 million in 2001 to about \$72 million today. That's a drop of about 27%, but in real dollars it's 40%.

We know that all budgets are being looked at right now across the board. In fact, we like the government doing that; we want the government to do it. Why? It's because they will then come to the realization that the value of support for promotion is something that's real and will create jobs and will benefit everybody right across the board.

I want to give you a quick example of what happens when you don't enhance your budget. The State of Michigan has a new Republican governor who was elected on the basis of cutting costs. He came in with a budget. He cut funding right across the board, in education, mental health, health promotion, correctional services. But what did he do in March of this year? Remember, this is a Republican governor in Michigan. He increased the budget, first by \$10 million and then by \$25 million, because he saw the value in it.

Ladies and gentlemen, we have an unemployment rate in Canada today of 1.7 million. We have 1.3 million Canadians looking for jobs. If you look at the StatsCan report, you will see that the sector that created the most jobs in the last quarter is the lodging industry and the service sector. We are a solution for the government in its economic recovery.

Ladies and gentlemen, thank you very much for the opportunity to be here today with you. I welcome any questions.

●(1035)

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

We'll now begin members' questions, with Ms. Nash for a five-minute round, please.

**Ms. Peggy Nash (Parkdale—High Park, NDP):** Thanks very much, Mr. Chair.

And thank you for all of those very interesting presentations.

I want to spend about an hour discussing your presentations with each of you, but I have five minutes.

Let me start on the issue of health care. I completely agree, and I think it's completely intuitive that to reduce our health care costs and be more effective for Canadians, we need to promote wellness and we need to be more preventive in our approach. I'd like to hear you give a couple more examples. I know something that has been raised with me, for example, is the issue of midwives—that if there were greater recognition of midwifery across the country, especially in first nations communities, we would reduce our health care costs tremendously and really promote well-being, especially amongst mothers and newborns.

Could you talk very briefly about the impact of some preventive measures and specifically address the midwives issue?

**Ms. Pamela Fralick:** Thank you very much.

I can't actually speak to the midwifery issue. It's not my area of expertise, but I know you have other witnesses coming forward in the coming days who will be able to respond to that question. I might, though, suggest that there are at least two areas I would highlight. They both fall under the determinants of health.

Again, in the history of our system we've focused on illness. We've focused on acute care. We all know now that it is not going to solve the problem.

You mentioned the aboriginal population. I would say that is a huge conundrum that we must address. It's not just about providing medical services. It is about good water and housing and employment. Mental health is the other issue that—

**Ms. Peggy Nash:** Would you agree that investing in, for example, infrastructure to create potable water systems in first nations communities and investing in mental health services might in fact be an investment and produce savings later on, because we are preventing these kinds of problems?

**Ms. Pamela Fralick:** That's exactly what I'm saying. You've nicely highlighted that thought. The reason I mentioned the Naylor report by Dr. David Naylor after the SARS crisis—I have the executive summary here, and we can get you the link—was that it was really focusing on public health. It's about safe water, air, food, housing, and employment. They are the determinants of health. To get very concrete, he has recommendations in there as to how much money for what, etc. We could go on for hours, of course.

However, absolutely key to the health of this country are the determinants of health. This is not to exclude; we all want our doctors and hospitals there when we need them, with the greatest of respect, of course. It's about the future, and it is why I spoke to this need for courageous leadership, because we know that at a political level, you have a four-year window of opportunity, if you're lucky. This is not a short-term solution, but this is the solution.

**Ms. Peggy Nash:** Great. Thank you. We could have a long discussion about that.

Paul Moist, I'd like to ask you a question. We've raised many times in the House of Commons the issue of infrastructure investment. Again, this is another investment that saves money and helps our economy. Can you describe in your experience the situation of public-private partnerships, where they work and where they don't work, and any recommendations you might have on them?

**Mr. Paul Moist:** Through the chair, thank you.

Yesterday we presented to the transportation committee and spent a good deal of time talking about infrastructure. There's an appropriate role for the private sector in building Canada. But in the financing area and in the operation area, we're replete with examples of auditors general across Canada talking about deals that are not good. We're at historically low interest rate levels for government to borrow and invest. We work closely with the FCM and the Canadian Urban Transit Association, and we don't need any Metronet examples, such as we've had in the United Kingdom.

● (1040)

**Ms. Peggy Nash:** Can you describe what happened there?

**Mr. Paul Moist:** What happened in the United Kingdom was that the government was left to run the Metronet system after the private operator collapsed. The same things happened in health care. We have examples from across Canada of the public being left at the gate when private companies fail, and Metronet is the largest failure in the world so far.

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

Thank you, Ms. Nash.

We'll go to Mrs. McLeod, please.

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

I'd also like to thank all the presenters.

I'm going to start by directing my questions to Mr. Hayos. I think we've noted a couple of times that people who perhaps have the biggest vested interest in a complicated tax system are telling us to simplify it. We've heard that again from a number of different folks. I appreciate those comments.

I'm going to give you what is perhaps a two-part question. Typically if government makes changes, you hear some significant criticism. We perhaps have programs that have run for 33 years and have never been reflected on. As you're aware, we're undergoing a review right now in terms of government expenditures and we're looking at where we can perhaps fine-tune things. I'd certainly like your comments in terms of the expenditure review process.

You've also heard that perhaps we shouldn't be doing any cutbacks, but right now what we have, of course, is a sovereign debt crisis, and really, we're trying to grapple with that. If you have any more general comments in that area, I'd really appreciate hearing your thoughts.

**Mr. Gabe Hayos:** I'll just repeat a comment on the government's program on expenditure reduction. First, I agree that they should be doing that generally. The fact that they are doing it sort of across the board is maybe a bit of the easy approach. To some extent, I would have appreciated a more targeted expenditure reduction. That would be my comment on the first one.

On the sovereign debt issue, I'm not sure how to address that because I'm not sure it specifically fits into any.... It's a broader economic issue, so I don't know that I have a comment for you—not in a minute, anyway.

**Voices:** Oh, oh!

**Mrs. Cathy McLeod:** Okay. Thank you.

For my next questions, I'm going to go to Ms. Fralick.

You talked about targeting money for public health. My background is within the public health system. I know that the provinces and the health authorities actually have targeted the budgets they have in terms of how much they want spent on population measures. You've talked about \$1.1 billion. Do you have an existing figure in terms of what the health authorities or provinces are currently targeting towards these initiatives?

**Ms. Pamela Fralick:** If you're looking for a consensus or a discussion that has already taken place to come up with a different figure, no. The support is there for the Naylor report and the divvying up, if you will, of the funds within his recommendations.

Because we're here talking at the federal level, there is a wonderful example through the federal government: the primary health care transition fund, in which \$780 million was put into a federally driven—but shared with the provinces—initiative that is generally viewed as one of the most successful ventures in a long time.

So could we not do something like that, but target it more specifically to...?

**Mrs. Cathy McLeod:** I worked within population health and I knew that they targeted, so I would be very curious if we currently have, across the country, close to the targeted amount that you were talking about.

My other quick question—and I absolutely agree—is on the critical importance of the electronic health records, what we're doing and where we're going. Certainly, through Canada Health Infoway, we've put significant dollars into that. Is there any recent summary in terms of the success of what has been happening? I think there's some frustration that in spite of the considerable dollars that have gone into that program, and the importance of it, our uptake is not nearly where it should be. Do you have any quick comments on it?

**Ms. Pamela Fralick:** Because there have been a few glitches along the way and we've put in an awful lot of money, it's a really tricky subject, isn't it? My recent conversations with Richard Alvarez, the CEO at Canada Health Infoway...and I have seen some reports, but I don't have them in front of me, and we'd be more than happy to provide you with that information. They are indicating success. I saw something very recently coming out of Ontario, which, as we know, had maybe the biggest challenge of all, or at any rate the most public challenge. They are starting to produce some results that are being viewed positively.

We could certainly get that information for you going forward.

• (1045)

**The Chair:** You have 30 seconds.

Okay? Thank you, Ms. McLeod.

We'll go to Mr. Brison, please.

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

Thank you to each of you for your interventions and valuable input this morning.

I'd like to start with the whole issue of taxation, Mr. Hayos. We've heard from the CGA organizations about the need for tax reform or a comprehensive study of our tax system in Canada. There hasn't been

a really comprehensive study of tax reform or the tax system since 1971 with the Carter commission, and the economy has changed dramatically since then.

You talked about tax simplification. There's been a trend in recent years for boutique tax credits for different types of activities that individual Canadians may participate in. If you look at different types of personal tax credits in Canada, there are a lot of costs associated with these. Just in this current budget, three of the tax credits add up to around \$300 million per year. Do you think broadly that we'd be better off to—instead of going into these boutique tax credits for specific types of behaviours or activities that families or individuals are participating in—just cut personal income taxes and perhaps focus on lower- and middle-income tax cuts instead of the sort of niche boutique tax credits?

**Mr. Gabe Hayos:** The CICA has been quite public about that, and you couldn't have stated it better. We believe that would add a significant amount of simplification. Frankly, the evidence we have shows that most of the people who could benefit from those credits don't even understand them or can take advantage of them, so I would agree fully.

**Hon. Scott Brison:** They generally would be doing the activity in any case.

**Mr. Gabe Hayos:** Exactly, so it's not really encouraging any increase. We just think that a general rate reduction, tax reduction, for the people you mentioned is exactly the approach that should be taken.

**Hon. Scott Brison:** Prior to 1971, Canada didn't have a capital gains tax. We had an inheritance tax. There have been proposals over the years to create a rollover provision for capital gains tax that, as long as you invested within six months, you wouldn't have to pay capital gains tax until, ultimately, the divestiture of the investment. During that period, you could invest in several cycles, in different asset classes. Do you think in general we should look at possible reform of our capital gains tax system to encourage more investment and capital accumulation and also to help Canadian individuals and businesses strengthen the productivity of the country?

**Mr. Gabe Hayos:** I think that's probably something that requires a bit more study. There are a number of provisions in the Income Tax Act that actually do allow for rollovers, some between generations and some in the public sector. I think there are number of implications with what you propose. I think it's something that's worth looking at, but I think it requires further study.

**Hon. Scott Brison:** Mr. Pollard, it's good to have you back at our committee. Your organization, your members, pay out a lot in payroll taxes. Last January, the government increased payroll taxes, about \$600 million was the take. Next year, it's scheduled to be a \$1.2 billion increase in January. Do you feel that during these times of high unemployment and the challenges that employers face in trying to expand hiring, it would be prudent for the government to freeze payroll taxes where they are now and not to increase them in January?

**Mr. Tony Pollard:** I think we would definitely respond positively to that, Mr. Brison, and in fact I think most other sectors would as well. We've seen over the course of the last two or three years the great reductions in numbers of people working in sectors right across the board. We lost about 120,000 employees since 2008. Anything that we can do to be able to facilitate the re-engagement of those people and to enhance our profitability, which right now is very flat—we lost about \$4 billion in the downturn—would be very welcome news for us.

•(1050)

**Hon. Scott Brison:** You employ a lot of young people, and your members employ a lot of young people, and youth unemployment is around 15% now in Canada, so that would make a difference.

Mr. Lord, on the—

**The Chair:** Sorry, you've got 10 seconds, Mr. Brison.

**Hon. Scott Brison:** We can have another discussion, Mr. Lord, sometime, about the costs of wireless spectrum licences.

**The Chair:** Thank you.

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

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

Thank you, witnesses, for appearing this morning.

Mr. Moist, I have to tell you that I think you hit it right out of the park in your executive summary when you talked about how to “achieve sustained economic recovery in Canada” and also to “create quality...”. I take some issue with that, though, and if I could, I'll just suggest making a little correction there to say “that the government create a climate where quality sustainable jobs can be created” and “ensure relatively low rates of taxation, and achieve a balanced budget”.

Congratulations, sir. I think you're absolutely right.

Mr. Lord, you have had a distinguished career. You're a former premier of New Brunswick. I want to ask you, however, because the opposition is quite critical of the government's position of lowering corporate taxes and the importance of that, if you could just give us your feelings. I've read that a recent study says you expect to fill 100,000 new positions in the IT sector. If you could just tell us how important the position is that the government is taking to keep corporate tax lower and tell us if you would agree with that...maybe you could just enlighten the group on it.

**Mr. Bernard Lord:** Thank you very much for the question.

It's certainly my pleasure to answer this question. I think that for every sector of the economy it's important to make sure we eliminate

barriers for growth. At the same time, I think it's important that we do not penalize those who succeed, simply to subsidize other sectors. We need to realize that our economy is changing. You will see sectors that will grow and you'll see sectors that will not grow. Some may actually reduce in size. That's actually okay. It's okay that some sectors grow and others may not, and for that, often we look at governments and we ask governments, “Can you tax somebody more so you can subsidize somebody else?”

I certainly feel personally—and it is the position of the CWTA—that we're better off with lower corporate taxes, and lower taxes in general, to sustain economic activity, to create more jobs, and to create a climate for investment and for growth, where we invest in strategic infrastructure but we don't simply subsidize sectors. That's what will enable more growth and more job creation, and that's in the end what enables us to pay for the social programs we want, whether they're health care, education, or senior care, whatever we need.

But in all this discussion, I think one thing that we have to keep in mind, whether we talk about corporate taxes or personal taxes, is that we can't ask our kids to pay for us. Passing on a debt and a deficit to our kids just because there's something we want today is just not the right approach.

**Mr. Dave Van Kesteren:** Thank you.

Maybe I could go to the Canadian Construction Association. The recent budget of 2011 announced that we would legislate a permanent annual investment of \$2 billion in a gas fund to municipalities. This obviously has been welcomed by groups from the municipalities. Do you agree with this measure? Do you feel that this has helped your industry?

**Ms. Nadine Miller:** Yes. The Canadian Construction Association absolutely supports dedicated funding to help pay for the cost of renewal of our infrastructure in Canada. We think that's one measure. There are other measures that we would like considered as well.

As I mentioned, our industry is the biggest creator of stimulus in the economy, as has been found throughout the world. So if governments, in their provincial transfers to the municipalities, could look at increasing additional amounts in those transfers in addition to the gas tax.... In the States, they're looking at ways that states can raise more money to help with that infrastructure renewal. A lot of our infrastructure is the responsibility of the municipal level, and they don't have ways to raise additional money, typically, outside of property tax. It has created some real hardships at the municipal level.

So the dedicated tax is absolutely a great measure, but we need it indexed, as we said, and any other way that we can look at increasing funding for infrastructure.... The government committed in the budget to work with all levels of government for developing a permanent, long-term, sustainable infrastructure plan, which is for water treatment plants for communities, for infrastructure for the fibre optic field...I mean, it's every area. We've been told that natural resources in Canada are going to grow—

**The Chair:** Okay. Thank you.

**Ms. Nadine Miller:** —and we need infrastructure—

**The Chair:** *Merci.*

**Ms. Nadine Miller:** —to stay competitive in our global marketplace, so anything that gets money there will help.

**The Chair:** Thank you very much.

**Voices:** Oh, oh!

● (1055)

**The Chair:** Thank you very much.

Thank you, Mr. Van Kesteren.

We'll go to Mr. Marston, please.

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

Mr. Hayos, you said the government's ongoing corporate tax cuts were necessary for the country's economic recovery. I would like to know what specific analysis you base that on, but I'll go a little further. Witnesses before our committee have talked about the fact that the corporations are now holding in the area of \$500 billion that they're not investing. That has to do with fears of a credit crunch again. The FCM and the Conference Board of Canada have been calling for more government intervention particularly in the area of investing in infrastructure. We have interest rates at practically record-low levels. It strikes me that this is the time for the government to leave or to take a leadership role in investing in the infrastructure the \$130 billion that's outstanding.

The Department of Finance figures say that every dollar invested by the government in infrastructure generates \$1.50 in the GDP. I'd like you to comment on that if you would, sir.

**Mr. Gabe Hayos:** First, there are innumerable economic studies.

Jack Mintz recently did studies supporting the fact that lowering the Canadian income tax rate does generate jobs. As for the comment on the cash that's retained by corporations, they'll invest the cash when they have good opportunities for investing it. The best thing the government can do is create the opportunities for these businesses to make investments. We're in a global competitive environment, and the companies will invest the money where they think the best opportunities are. In this unstable, economic time, I think they're being very conservative about it. Trying to do anything to force them to put money in places they don't think are appropriate is not the right approach.

**Mr. Wayne Marston:** From my standpoint, though, to be part of the global competitive network, we have to have a sustainable infrastructure that supports the movement of our goods and services,

training, and a number of things. We can disagree, and maybe we can chat another time on it.

Ms. Fralick, witnesses who have come before this committee have talked about the state of health care, and the aboriginal situation was spoken to a moment ago. Witnesses have said that poverty has a substantial impact on health care costs: in the area of 20% of our health care costs.

I'd like your comments on that.

**Ms. Pamela Fralick:** I could certainly agree to that and expand on some of my earlier comments, again with the greatest of respect, about needing hospitals and needing physicians in those hospitals, and so on, but the biggest bang for our buck is going to be in preventing people from getting there in the first place. That does speak to some very specific health initiatives: for instance, the low-sodium strategies, physical activity initiatives, and ParticipACTION. These are all great things.

In fact, we've known in Canada...and every province and territory signed on with the federal government back in 1994, I think, to a declaration on determinants of health. With regard to poverty, Mr. Moist mentioned the recent Conference Board of Canada report that speaks to the increasing inequities in this country. Poverty is a very broad-reaching piece of what I'm talking about. Determinants of health include things like education, employment, and drinking water, and then health care is thrown in with that mix. Even though we're a Canadian health care association, my members, these regional health authorities and all the others, are very supportive of putting our funds where our mouth is, if you will.

**Mr. Wayne Marston:** Mr. Moist, it's interesting. I'm not surprised Ms. Fralick agrees with your presentation, but having the government agree with your presentation was something close to shocking for me.

I'd like to refer to a CBC report, Mr. Moist, that was up in the last day or so. In the state of Texas, they're reversing their approach to criminal sentencing, in fact, to the point where...the state is noted around the world for its approach to crime and so-called justice. They actually closed a prison down there. What are your thoughts on the billions that could be saved if the government doesn't proceed in this country with the building of our super-jails and the changes they are going to enact? Wouldn't it be better for it to invest those moneys in child care, senior care, and some real job training?

● (1100)

**The Chair:** You have 30 seconds.

**Mr. Paul Moist:** Thank you.

Budget 2012 will be like all the budgets that came prior to it. It's about choices. We talked at the transportation committee yesterday, and on page 3 of our formal submission to this committee, we show that total government net debt to GDP is at low levels compared to what it has been over the last 21 years.

There's a capacity for the Government of Canada to not see this country go back into recession. Many Canadians would choose to repair the infrastructure and to invest in Canadians, our transportation systems, our water systems, and our health, as the previous speaker said. I wouldn't say that prison systems are at the top of CUPE's priority list; they would be at the bottom.

**The Chair:** Thank you.

We'll go to Mr. Adler, please.

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

I want to thank all of the witnesses for appearing today. I want to begin my questioning with Mr. Lord.

A recent study by the Information and Communications Technology Council is saying that within the next five years we're going to need an extra 100,000 workers in the information technology sector because of the great success that sector has been having. Do you think the federal government has done enough in terms of attracting qualified IT workers? Is there anything more that can be done?

**Mr. Bernard Lord:** This sector is growing very quickly and will continue to grow very quickly. It's a clear indication that the world around us is changing as well.

I'm not one who always looks to the government to do more. Usually I prefer it when the government doesn't get in the way, and I think that's maybe the difference with me and most of the other presenters you'll see: instead of coming here asking for more, we really just want less. We want less red tape, less regulation, and fewer obstacles to growth.

There's a lot of demand for infrastructure, but I believe the most important infrastructure in this next decade, if we really want to truly embrace growth in Canada, will be infrastructure dealing not only with how we move people and goods, but with how we move ideas, and that infrastructure and those ideas will be moved by wireless mobile technology.

We're not asking for any money from the government to build those networks. We already have the fastest and best networks in the world. We just want to make sure that we continue, that we stay, and that we have those best networks of the next generation. For that, we're not asking the government for more money. We're asking the government to take less from us so we can invest more.

That, I think, is an approach.... Certainly governments have a role in making sure that we have good education and good training—absolutely—and that we have a fiscal environment that is competitive and attractive to business. But when we ask governments to try to do more and do too much social engineering or economic engineering, unfortunately sometimes it just doesn't work. Allow those who succeed to make the decisions and invest and you will see more growth.

**Mr. Mark Adler:** Thank you.

Ms. Fralick, it's good to see you again. Here's my question. You will remember that throughout the nineties the government at that time balanced the budget by cutting transfers, the social transfers and health care transfers to the provinces, which had serious implications. Could you talk a bit about that and how it compares to our

government's approach of increasing transfers to the provinces by 6% every year going forward?

**Ms. Pamela Fralick:** Well, certainly the nineties were the dark decade—or to use the phrase that Rick Hillier uses for the military, “the decade of darkness”—in terms of cuts to the health sector. The federal contributions decreased dramatically and started increasing into this century, basically. I think the levels that we're at now are quite reasonable. I don't hear a lot of people asking for more money, frankly. You'll hear that, but we know we can do it.

However, I also would say that jumping on the bandwagon of “just throw in the 6% escalator” is not all that we need right now. Clearly, the predictability and the sustainability of the funding for the health system are absolutely critical. We have to be able to do that. What we're looking for, what my members are looking for, is some leadership, some fiscal federalism, if you will, on top of that, in using that fiscal spending power to target and to make sure the nation benefits from directed actions.

**Mr. Mark Adler:** Thank you.

**The Chair:** You have one minute.

**Mr. Mark Adler:** Mr. Moist, I have a quick question. Would you be in favour, in the spirit of fairness, since you're calling for corporations to pay more taxes, of trade unions paying taxes?

●(1105)

**Mr. Paul Moist:** Mr. Chair, the member is asking about a private member's bill that has yet to come before committee. We'll speak to that bill when it comes through committee.

But on page 3 of our formal submission to this finance committee, we talk about something Mr. Carney has spoken to you about, and publicly, and that's the red line: household debt to personal disposable income, tracked against total government net debt and corporate credit market debt to equity. Those trend lines are downwards.

**Mr. Mark Adler:** Excuse me, Mr. Moist. I asked a question that you're not giving an answer to.

**Mr. Paul Moist:** I think, Mr. Chairman, that this is a replay of yesterday. This is a triumph of partisanship over talking about Budget 2012 and I won't be party to that.

**Mr. Mark Adler:** No, with all due respect, you're appearing before a parliamentary committee. An elected member of Parliament is asking you a direct question. If you could give a straight answer—

**Mr. Paul Moist:** Yesterday, Mr. Chairman, he asked me if I drove to the transport committee hearing. It's conduct unbecoming of parliamentarians, and I won't stand for it.

We're here to talk about Budget 2012, and I'd be pleased to answer any questions about that.

**The Chair:** Well, the question I heard was whether you supported trade unions paying taxes. I didn't hear—

**Mr. Paul Moist:** We support the current income tax provision, which encodes there accountability measures that are enshrined in our constitution. We'll speak to Bill C-317, I think it is, when it comes before committee.

**The Chair:** But I don't think this was a question about a bill. This was....

**Mr. Paul Moist:** We're in complete agreement and compliance with the current Income Tax Act provisions vis-à-vis trade unions and we support those.

**Mr. Mark Adler:** So "no" is your answer.

**The Chair:** Okay. We'll take it as a no.

We'll move on.

[Translation]

Mr. Giguère, you have five minutes.

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

My thanks to all the witnesses for coming before the committee.

My first question goes to the representatives of the Canadian Institute of Chartered Accountants. Essentially, you are asking for research and development credits to be made refundable immediately. Others have also come here to tell us that the problem is that the money is essential for Canadian-controlled private companies, or CCPCs. They also mentioned two other problems related to the research and development credit. First, there is the penalty that they have to pay when they receive grants from sources other than the federal government, from provincial or municipal governments, for example. There are also issues with the way those credits are managed in terms of accessibility; basically because public servants take a narrow view.

Could you give us a very quick response to those three specific requests?

[English]

**Mr. Gabe Hayos:** I'm not sure I got all of that, but first, as far as refundability is concerned, our position is that there is some broader refundability that would be appropriate, and that's actually to attract business into Canada. Right now what happens is that foreign companies, for example, U.S. companies that come to Canada, actually don't benefit from the refundability, surprising as that may be, from the tax credit system. So refundability would encourage them to come to Canada.

On the issue of the SR and ED program and its administration and the complexities around its administration, we think improvements could be made in that area. Frankly, I think that goes along our general theme of simplicity to the whole tax system.

[Translation]

**Mr. Alain Giguère:** You are asking for a loss transfer system for corporate groups. As I understand it, the Income Tax Act already contains a provision that allows that. Unless I am mistaken, it is restrictive essentially because in the past it has been used to launder money, to bring dirty capital from overseas into the Canadian economy and to facilitate abusive tax planning. Some companies with large losses used those losses to avoid paying taxes.

The regulations are strict because there were major abuses, as I recall.

[English]

**Mr. Gabe Hayos:** Sorry, is there a question...?

[Translation]

**Mr. Alain Giguère:** If I am not mistaken, the regulations about transferring corporate losses are strict essentially because companies were engaging in abusive tax planning.

• (1110)

[English]

**Mr. Gabe Hayos:** I agree. I think some of the changes that have targeted some very aggressive tax planning are appropriate.

I think the only comment we would have is that, as I said, what happens when we introduce legislation is that it tends to be far too broad and it captures the innocent companies that weren't involved in these kinds of transactions.

So I think targeting them is appropriate, but making it too broad is something that has to be carefully managed.

[Translation]

**Mr. Alain Giguère:** Thank you very much.

You are asking for the Canada Revenue Agency to have the power to reduce losses and penalties. But that is already in the act. It is called an application for review. You are asking for things that already exist. The application for review already exists.

[English]

**The Chair:** A brief response, Mr. Hayos.

**Mr. Gabe Hayos:** Unfortunately, I'm not sure I captured that question. Could you try very briefly again?

**The Chair:** Okay, we'll allow the question one more time.

[Translation]

**Mr. Alain Giguère:** Essentially, you are asking for the Canada Revenue Agency to have the power to reduce penalties and interest on unpaid contributions. You are asking for something that is already there. It is called an application for review. I do not see the relevance of bringing this up twice...

[English]

**Mr. Gabe Hayos:** It only exists to a limited extent. I think in the theme of trying to make sure that Canadians comply, as opposed to forcing them to take penalties for innocent errors, it's important that this be much more broad than what currently exists.

**The Chair:** Thank you. *Merci*.

We'll go now to Madame Glover, please.

**Mrs. Shelly Glover (Saint Boniface, CPC):** Thank you, Mr. Chair. I'm going to try to be brief, but I'm going to make a comment to begin with.

We invite witnesses here because we are interested in sharing opinions and ideas about the budget. If ever a witness were attacked by a member of this committee, I'd be one of the first to stand up and defend them.

When a person is invited here as a witness and attacks a member of Parliament, it's shameful. I'm going to suggest that this committee send a copy of the blues to Mr. Moist and that he submit a formal apology, in writing, to the member who asked a very simple question about taxes.

Going back to the budget for a moment, I'd like to address my question to Ms. Miller. We talked a lot about the skilled trades and the need for more people who have the skills to do the jobs. I was in Alberta last week, and I found that many of the sectors were desperately in need of skilled trained workers.

We've provided things like tax credits for tools and cash grants for apprentices, and I know you would like to see us somehow increase the number of skilled workers. You did mention immigration, but how else can we get Canadians trained in those very important skills required in jobs your industry has and that the sectors in Alberta were mentioning to me last week?

**Ms. Nadine Miller:** I think some of the areas the government has already addressed through investment in infrastructure and trade schools and skills training facilities. Certainly money was invested during the stimulus to help to that end. As well, there was a more balanced split between university funding received for infrastructure investment versus trade school investment. We very much applauded the federal government for doing that.

It is a challenge. We talked in our submission about having a look at the federal skilled worker immigration system. Even with our birth rate in Canada at 1.5, replacement for workers is 2.1. With the baby boomers retiring, we can't grow enough from within our domestic sources, so we really do need improved ways to bring in skilled people with the necessary training.

The challenge is that in some areas those skills are not learned overnight—heavy crane operators, for example. Unfortunately, we've had some devastating incidents recently in Canada. Those skills are not learned overnight, and unfortunately we're losing those really experienced operators.

**Mrs. Shelly Glover:** If you do come up with some ideas on better ways to offer incentives for that, we'd be very much interested.

I have a very quick question to the Canadian Institute of Chartered Accountants.

Mr. Hayos, you spoke very briefly about the reviews that are coming up, and I want to clarify something. There have been no determinations as yet with regard to the strategic and operational review, either cuts or extensions. We hired Deloitte to have an outside set of eyes to help us determine where we might find some inefficiencies. Those have not been reported, and yet you made a comment that you want to see more targeted expenditure.

I see a quote from your organization that says, "...it strikes the right balance by keeping Canada competitive" and also demonstrating prudent financial and fiscal management, and it sends a very important signal that Canada is indeed open for investment. "It is gratifying to see a determination to confront that deficit", and "the earlier the government can balance its books, the better. A planned comprehensive review of departmental spending should prove useful in this regard."

I was a little surprised to hear you say that you—

•(1115)

**Mr. Gabe Hayos:** I think that's fair. In my discussions, I'm seeing sort of a broad....

It's a fair comment that it hasn't formally been announced, so I agree with that comment.

**Mrs. Shelly Glover:** So you withdraw the comment you made earlier?

**Mr. Gabe Hayos:** Yes.

**Mrs. Shelly Glover:** Okay. And what do you think of us doing an actual operational review? Do you think it's worthwhile, inefficiencies being found to capitalize on those savings? Do you think that's a prudent thing to do?

**Mr. Gabe Hayos:** Yes, in my experience, I think that's a great approach. You don't know how effective it will be in this circumstance; only time will tell, but I think that is an excellent approach, and I've seen many experiences where it's been very productive.

**Mrs. Shelly Glover:** Very good. I would just like to add that the Hotel Association has been very good to Manitobans. In fact, Manitoba has done very well, thanks to many of the initiatives put forward by the Hotel Association.

I want to comment, sir. The opposition talked about EI increases. I want to remind you that this government did freeze them, and then raised them 5¢ and 10¢. What you didn't hear in that initial intervention is that the opposition actually wanted to raise them by \$4 billion, not \$1.2 billion, which is what we initially did. What would that do to your business?

**The Chair:** We'll have to leave that as a comment. You may come back to that in another round.

[Translation]

Mr. Mai, you have five minutes.

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

[English]

I have a question for the Canadian Union of Public Employees and the Canadian Construction Association.

The Department of Finance itself has noted that infrastructure investment has more than five times the economic impact of corporate income tax cuts. Instead of reducing corporate taxes—which we found back in 2008 were still very competitive—we've been asking the government instead to invest that money in infrastructure. What is your opinion, especially considering that right now for us would be the right time, but the government has said no, it will continue with the budget it had before? What's your view on that?

We'll start with Mr. Moist.



**Mr. Paul Moist:** Through the chair, Budget 2011 made a commitment to Canada's mayors and councillors, all of whom met in Halifax in June. The Minister of Transport spoke for the Government of Canada. The commitment made in Budget 2011 was to sit down and talk about a long-term, stable system of funding to deal with the...what is it, \$125 billion municipal infrastructure deficit? I'm not here speaking for the FCM, but one quarter of our 600,000 members work with failing infrastructure each and every day. That stability in long-term funding, from all levels of government, not just the federal government, is essential to create a climate for business and communities we can live in.

**Ms. Nadine Miller:** Thank you, Mr. Chair, through to the speaker.

Yes, we totally support the long-term infrastructure investment strategy, working with all three levels of government. As I mentioned earlier, different governments are responsible for different infrastructure. I think Canada would benefit from putting all the stakeholders at the table, including the engineering society and the construction industry.

The reason for my comment is that collectively I believe the stakeholders can help bring better solutions for that long-term plan. We mentioned three Ps. Three Ps are being widely used throughout the world. One of the strengths of three Ps is allowing all participants, from the finance right through sometimes to the operator, to work together to come up with more cost-effective solutions. A long-term sustainable plan, as committed in the 2011 budget, with all levels of government and stakeholders, including industry input, would be very beneficial.

One of the challenges in Canada—

**Mr. Hoang Mai:** Thank you.

A quick question for the Canadian Co-operative Association. If we were to focus the economy towards another greener, more sustainable economy, how would that benefit the cooperatives, in terms of giving them tools?

• (1120)

**Mr. John Anderson:** First of all, I would say that the cooperative sector has some of the leaders in sustainable economic development. Mountain Equipment Co-op, The Co-operators insurance company, Vancity credit union—they're all leaders, not just in the co-op sector, but leaders in Canadian industry in their respective areas.

We've also seen, in terms of renewable energy, a huge growth in the number of renewable energy co-ops being set up—particularly in Ontario, but in other provinces as well—around wind, solar, and biomass. Right in Ontario, ethanol...the Integrated Grain Processors Co-operative in Aylmer, Ontario, is a community-owned centre. There's a whole wave of new community-owned businesses that are co-ops in the renewable energy sector.

**Mr. Hoang Mai:** I'd be interested in having a list. Maybe you can submit it to us.

**Mr. John Anderson:** We've just done a study on that, and I would be happy to send it to you.

**Mr. Hoang Mai:** I have a quick question for Monsieur Lord.

[*Translation*]

Mr. Lord, you are of the view that the government should interfere less and give industry more room.

If studies show that wireless communications are linked to cancer, is the industry going to compensate users?

**Mr. Bernard Lord:** I very much appreciate your question. I would add this to your premise: in my opinion, the government should intervene less so that individuals can make their own choices. On the question of cancer, the standards we use are those of the Canadian government. The industry and Canadian service providers comply fully with the rules that have been set.

But I think that we have to bring up a very important point: out of all the studies that have been done around the world, none has been able to make a link between cancer and the use of cell phones.

**The Chair:** Fine. Thank you.

[*English*]

We'll go to Mr. Hoback, please.

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

I want to thank all the witnesses for being here this morning.

I want to apologize for my tardiness this morning.

Fortunately, today is a great day for Canadian farmers. Today we had legislation put in the House that will allow farmers in western Canada to have the same freedom as farmers in eastern Canada. I know that all the members here are excited about that, because we all believe in freedom. Without freedom, we wouldn't be sitting here talking about what we're talking about today.

**Mr. Scott Brison:** [*Inaudible—Editor*]

**Mr. Randy Hoback:** We'll let Mr. Brison talk about what he wants to talk about, but there are a few things he pointed out that I'd like to maybe highlight, just to get them on the record.

Ms. Glover talked about the increases in EI and what we've done there, and I think she has it on the record. But what's not on the record is the 45-day work year that the opposition was proposing and the \$4 billion price tag that would have. I can open that up to any of the business members and they'd all probably give the same answer, so I don't think I need to do that—on what that would do to our economy, especially coming from Saskatchewan, where the unemployment rate is 4%. We're looking for plumbers and electricians.

In fact, I just did a riding tour where I talked to all the towns and municipalities, and it's a very interesting scenario. Four years ago in Saskatchewan, when you talked to the mayors they would say, "People are leaving. They're going to Alberta. How are we going to pay to maintain our infrastructure?" That was a quite common theme. Now when I talk to them they say, "We need infrastructure because people are moving back. We need commercial lots. We need more residential spaces." It's a good problem to have, but it's also a good example of what happens when government gets out of the way and lets business get on with doing business. It's also a good example of having policies on balancing your books and maintaining a strong financial situation, which the Saskatchewan government has done. I give them credit for doing that.

I go back to Mr. Brison's comment about a \$4 billion tax hike and exactly what that would be. I know he wouldn't want to see that, so I'm sure he would deny that right now, or would at least say that's not the thing.

Getting back to the agriculture sector... Chair, I will apologize. I'm a little bubbly this morning because I'm so excited about this. We've been fighting for this for quite a while.

The Friday before the break week we saw a durum plant announced in Saskatchewan. This is what happens when you get out of people's way, let regulations go where they need to go, and get out of where you don't need to be. We had a durum plant announced in Regina—the first durum plant on the prairies. There is one more durum plant. It's in CIGI, in downtown Winnipeg. Otherwise, there are no durum plants in western Canada. We're the largest producers of durum and not one durum plant. Does that maybe tell you there's a regulatory problem there?

Anyway, we're addressing that. But what is so exciting is that this plant is being built with not one federal or provincial dollar. I look at that and say, "That's what we need to target to see our economy boom. What other things can we do to see that type of scenario?" It's not costing the taxpayer a penny. It's employing 50 people. It's buying local farmers' grain. It's marketing a value-added product. If you can't be excited about that, what can you get excited about?

Mr. Lord, I think I'll go to you first. In what other areas can we remove regulations to see this type of excitement in other sectors of the Canadian economy?

• (1125)

**Mr. Bernard Lord:** I share your excitement. In a way, you're describing what's happening in the wireless sector. The wireless sector is growing through investments from the private sector without government investment. We're not looking for handouts. We're not looking for bailouts. We simply want regulation that will not prevent us from investing more.

If there's one area I would like to highlight...when you look at the fees that are paid by the wireless sector to the Canadian government compared to fees paid by wireless sectors to other governments of the G-7, we have by far the highest government fees. We feel that is a barrier to growth that could be eliminated gradually by the government. That investment would go back into networks to satisfy the demand of Canadians.

I talked about growth of 26 times. Some of our networks are growing by 5% a week. I want to repeat that because most other sectors would be happy to have 5% in a year.

We're not looking for handouts or government subsidies. We're simply saying, "Please stay out of our way. Let us continue to invest and deliver services that Canadians want."

**Mr. Randy Hoback:** Thank you.

Mr. Hayos, you talked about Jack Mintz's study. I wonder if I could get you to table that study, because it talks about the impact of corporate tax relief. I think Mr. Marston would enjoy that read. He'd probably be happy to see that. So if we could get that study tabled, that would be great.

**The Chair:** It would be nice to obtain that for everyone here.

Thank you, Mr. Hoback.

I wanted to follow up, Mr. Hayos, on your recommendation, especially on modifying the RRSP and the RRIF rules to allow greater tax deferrals on retirement savings. You talked about increasing the age limits for withdrawals and reducing the RRIF minimum withdrawal requirements. This is something I'm approached a lot about by seniors.

Have you costed this? Do you have a cost that you can provide to the committee either today or in the future?

**Mr. Gabe Hayos:** No, we don't have it at this point. But it's something that we would look to provide to the committee, because it's something we believe in.

**The Chair:** If you do have anything further on that, I would certainly appreciate it.

Mr. Lord, your organization may want to comment on Ms. Fralick's third recommendation. It's a very interesting recommendation. I know the wireless industry is doing a fair amount of work on electronic health records. So if you would provide some information to me and the committee, I would certainly appreciate it.

And now I want to give Mr. Pollard the opportunity to answer the question by Ms. Glover.

**Mr. Tony Pollard:** We appreciate what the government has done with the freezing of the EI premiums. The question that Mr. Brison had asked me was, would I be in favour of having that continue in the future? I said yes. But we recognize fully what the government has done in that area with the freezing, Ms. Glover.

**The Chair:** Thank you.

I wanted to thank all of the presenters here this morning. Your presentations and responses to our questions were all within the time limits, which makes my job much easier as the chair. If you have anything further to share, please do so with me and we will ensure that all members get it.

Colleagues, we will suspend for one minute—keep the visiting to a minimum—and bring the second panel forward.

Thank you.

• (1125) \_\_\_\_\_ (Pause) \_\_\_\_\_

• (1130)

**The Chair:** I'll ask colleagues and our guests to take their seats. If there are any conversations, please take them outside. Perhaps someone could answer that wake-up call. I will also ask our media guests to please cease from recording. Thank you.

We are going to start our second panel. We are on a very tight timeline. We have another seven organizations during this panel. We have the Canadian Bankers Association, the Canadian Federation of Independent Business, the Canadian Home Builders' Association, the Canadian Labour Congress, the Canadian Medical Association, the Federation of Canadian Municipalities, and the Public Service Alliance of Canada. Thank you all for being with us today.

You will each have a maximum of five minutes for an opening statement, and then we'll have questions from members.

We'll begin with the Canadian Bankers Association.

[*Translation*]

**Mr. Terry Campbell (President and Chief Executive Officer, Canadian Bankers Association):** Thank you.

Good morning, everyone.

Just when the CBA had submitted its pre-budget consultation brief to the committee, the global economy entered a troubled phase. There is no longer any doubt about the increase of economic uncertainty around the world.

[*English*]

As we all recently learned during the global financial crisis, Canada is not immune to the fallout from the problems that originate elsewhere. That's why banks are closely monitoring economic conditions at home and abroad and are taking steps to ensure that they can absorb any challenges that may come their way.

I think we're fortunate in Canada that we do have strong banks, and it's important that our banks remain strong so they can continue to contribute to Canada's economic recovery, job growth, and job creation.

I want to touch on three things in our submission that, in our view, the government can do to help shield Canadians from the impact of difficulties abroad, and also to encourage economic growth here at home.

Let me first talk about tax competitiveness. In our view, tax competitiveness, stated very simply, helps companies to withstand challenging economic conditions. It helps them to maintain employment and to create new jobs. This is why the CBA continues to support the government's efforts to enhance the competitiveness of Canada's tax system and to give Canadian businesses of all sizes—and therefore to give their employees as well—a competitive advantage. We encourage the government to stay the course, as they have been doing.

We also believe there are additional measures the government could take that would have only a minimal impact on government revenue but would significantly enhance the competitiveness of the Canadian tax system. In the past, this committee has recommended—quite wisely, in our view—that the government consider adopting a consolidated tax system. We know that consultations by the federal government are under way, and we do hope that decisions will be made so that the government can implement such a framework.

Second, I'd like to talk very briefly about Canada's pension system. We fully support the government's proposal for pooled registered pension plans. It's an unfortunate acronym—PRPPs—but there it is. We believe these plans will provide Canadians with a simple, efficient, and cost-effective opportunity to save for retirement. As we understand it, the public policy objective of PRPPs is to expand the retirement coverage of individuals who currently do not participate in a pension plan, particularly the self-employed and employees of small businesses.

A key benefit of this approach is that it builds on the existing expertise and the existing infrastructure in the private sector. We believe that banks have the necessary expertise and infrastructure to offer PRPPs. We very much look forward to working with the government to develop a framework that meets the government's objectives and meets the objectives of the Canadian public.

Finally, in terms of just touching on the points in our submission, the CBA very much believes in the importance of a strong, national regulatory framework for the financial system in Canada. That's one of the many reasons why we are on record as supporting the government's leadership in moving towards a national securities regulator, and we're very much looking forward to the Supreme Court's decision on this matter. That's the security side.

When it comes to banking, however, over the last few years we have observed a number of attempts by provincial governments to regulate the activities of Canadian banks in areas that fall within the exclusive jurisdiction of the federal government. Why is that a concern? Well, in our view, there are a number of benefits to having a single national policy and regulatory system for the banking industry. Such a system allows you to have a national banking system across the country, which allows you to mitigate risk through regional diversification, and it also provides benefits to consumers across this country in small towns and large.

All Canadian have access to the full array of financial products offered by their bank at the same competitive prices across Canada. To be able to achieve those benefits, however, we need a national banking system that is underpinned by federal policies and supervised by a strong federal regulator. Duplication and fragmentation in regulatory requirements is costly. It's confusing to consumers, and it undermines the national nature of our banking system.

So we encourage this committee, and we certainly encourage the federal government, to continue its efforts to protect and enhance federal jurisdiction over banking in Canada.

Mr. Chairman, I'll stop my remarks there, but I look forward to engaging the committee in discussion subsequently.

Thank you.

•(1135)

**The Chair:** Thank you.

We'll now hear from the Canadian Federation of Independent Business.

**Ms. Corinne Pohlmann (Vice-President, National Affairs, Canadian Federation of Independent Business):** Thank you for the opportunity to be here today.

CFIB is a not-for-profit, non-partisan organization representing more than 108,000 small and medium-sized businesses across Canada who collectively employ more than one and a quarter million Canadians and account for \$75 billion in GDP. Our members represent all sectors of the economy and are found in every region of the country.

Almost all businesses in Canada are small or medium-sized, and they employ 64% of Canadians and produce half of Canada's GDP. As a result, in this year, the entrepreneurs addressing issues of importance to them can have a widespread impact on our job creation and the economy.

I'm hoping we have a slide deck that I asked to be passed around that I would like to walk you through as we go through this presentation. No? Okay. I'll try to speak to the issues as they come up.

Our most recent business barometer showed that small business confidence took a bit of a tumble in August as the global economic outlook started to weaken, but it's still nowhere near where it was in 2008 and 2009. September saw a slight upward trend, indicating that small business owners are getting by but are remaining cautious about their future.

Recently, CFIB released a report. It was entitled "Survival of the Smallest", and I'm hoping you'll be able to get a copy. We found that small businesses manage recession in a variety of ways. You'll see that on slide 3, once you do have a copy of the presentation, that laying people off was certainly an issue in many small businesses. However, small business owners were much more likely to work longer hours, sell to new customers in the local market, introduce new products and services, and even cut their own salary before resorting to layoffs. Interestingly, this report also identified a group of small business owners, about 20%, who grew their businesses during the recession. We called them growth-oriented enterprises, or GOEs. About one-third of this group increased the number of employees during the recession. In addition, more than one-third sold to new customers in other countries, and almost two-thirds sold to new customers in other provinces or in their local markets. They also introduced new products and services, expanded their online presence, and increased their advertising and promotional efforts.

A key finding from this report was learning about those measures that can help small business owners maintain or strengthen their business during more difficult economic times. As you can see—it would be on slide 5—freezing EI premiums was the most important, for both—

•(1140)

**The Chair:** Sorry, Ms. Pohlmann.

I understand from the clerk that we don't have enough.... Does your organization have more copies for the committee?

**Ms. Corinne Pohlmann:** We were told to bring 12 English and 6 French. We called and asked. I do apologize.

**The Chair:** Okay. If we could ask members to share....

Sorry for interrupting. I just want to make sure they have that. Thank you.

Please continue. You have three minutes left.

**Ms. Corinne Pohlmann:** We did specifically call and ask. Sorry about that.

As we found from this report, freezing EI premiums was most important for both the general SME population as well as for these growth-oriented entrepreneurs. Also important, especially to the growth-oriented entrepreneurs, was the payroll tax credit for hiring new employees. It's not surprising these are the measures of greatest importance to SMEs as payroll taxes are regarded as having the biggest impact on the growth of a business. This is primarily because they are profit-insensitive and only add cost to hiring, making them particularly difficult to absorb in less stable economic periods.

So our key recommendation for 2012 was to freeze EI premiums, which are scheduled to increase by 10¢ for employees and 14¢ for employers in 2012. Given the growing economic uncertainty currently gripping the global economy, now is not the time to be increasing payroll taxes. At the very least, the government should be extending and even expanding the EI hiring credit introduced for 2011 into 2012 and beyond so that it offsets at least some of the costs of hiring among small firms.

Next, small business owners are very worried about the growing government deficit and debt because they know that if this is not brought under control, it will result in higher taxes or drastic spending cuts down the road. Our members would like to see the government eliminate the deficit in the medium term, which means 2014-15. To do that, SMEs would like the government to cut back spending, just as many of them have had to do over the last few years.

As you can see, and it would be on slide 9, 82% believe there should be spending cuts in government administration, including employee wages and benefits. Furthermore, we're becoming more and more concerned with the growing unfunded liability in the federal public sector pension plan, which we understand to be more than \$200 billion now. Currently it is unclear how this unfunded liability will be addressed, so our members fear it will eventually result in higher costs on those like our members and their employees who do not have access to such generous pension plans down the road.

We recommend that governments stay focused on eliminating the deficit in the medium term, and one important way of doing that is to start bringing federal public sector wages and benefits more in line with the private sector. There's also a need to review public sector pensions, and we suggest that governments start by implementing a common methodology for all public sector pension liability so that we can better understand what we're dealing with. In addition, we believe that federal public sector employees should increase their pension contributions from the current approximate 36% of their pension to 50% over time, which is the norm for most provincial public sector employees. Finally, we believe it is time to end early retirement provisions for new employees. We are pleased to hear that some federal government bodies are already moving in this direction, like the Bank of Canada, which we understand has plans to eliminate early retirement for new employees starting in 2012.

Finally, we want to touch on government regulations of paper burden, which costs Canadian businesses more than \$30 billion a year to comply. The cost of employing is more than five times higher for firms with fewer than five employees than it is for those with more than 100 employees. We understand that the red tape reduction commission has been working toward addressing this issue, and we believe it can be done by making regulatory reform permanent through binding legislation that would require ongoing measurement and public reporting of regulatory activity in quality of government customer service, committing to paper burden reduction targets by placing constraints on regulators so that for every new requirement one or two will be eliminated, and having political oversight to ensure that these activities are being properly implemented. During this small business week, in this year of the entrepreneur, more and more people know that small businesses truly are the backbone of Canada's economy and the heartbeat of our communities. They employ millions of Canadians to take risks every day. Government's role is to foster that spirit and create conditions to help them grow into larger businesses.

Thank you.

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

We'll now hear from the Canadian Home Builders' Association.

**Mr. Ron Olson (Acting President, Canadian Home Builders' Association):** Thank you, Mr. Chairman, for inviting us here today.

I am Ron Olson, acting CHBA president. I'm a new home builder and developer in Saskatoon, Saskatchewan.

With me today is Victor Fiume, CHBA's past president. Victor is a new home builder and renovator from Oshawa, Ontario. Also accompanying me is Dr. John Kenward, the chief operating officer of the Canadian Home Builders' Association.

Let me just note at the outset that we have tabled two documents with you this morning.

I will begin my remarks with a brief summary of current housing conditions and housing activity.

At the national level, new housing starts remain robust at over 200,000 starts, seasonally adjusted. Demand for home renovation services is also strong.

I would note that the current level of new home starts is influenced by high levels of condominium construction in Toronto and Vancouver. In other markets, activity is softer, and in some cases it is below normal levels. Current levels of new housing activity are not uniform across Canada.

On balance, the CHBA is pleased with our industry's performance. It means that our members continue to contribute significantly to Canada's economy, to create jobs, and to drive consumer demand for a wide range of consumer goods and services.

Assuming generally positive economic conditions in Canada in the near term, and a continuation of current interest rates, the CHBA expects housing demand to be in line with projected housing requirements, which is in the 188,000 range. However, this positive picture belies some significant issues.

In relation to both new home and renovation activity, the current abnormally low interest rate environment is a major factor. The outlook carries a strong note of uncertainty and caution, given significant uncertainties in the world economy. The weak U.S. economy and the European debt crisis threaten continued economic growth in this country.

The central message of our presentation today is that home ownership affordability has deteriorated significantly. By home ownership affordability, we mean the relationship between housing prices and income levels. Given the current record low interest rates, access to home ownership is extremely positive. However, overall affordability levels, as measured by the share of income required to purchase an average home, are markedly worse than they were in the decade prior to 2005. To the point, today's artificially low rates are masking the ongoing deterioration of housing affordability. As interest rates inevitably rise to more normal levels, the deterioration in affordability will become more evident and will be reflected in a market reduction in housing activity levels as would-be purchasers are priced out of the market. It is imperative to take action now to improve housing affordability so that this does not happen.

The major factors in the erosion of housing affordability are government-mandated costs, which have escalated rapidly, and regulation. Direct government-imposed costs come through the ever growing array of taxes, fees, levies, and other development-related charges on every new home. At the upper end, such costs now total well over \$100,000 per new home. In many communities, the total exceeds \$50,000 per home. These costs are financed through the mortgages held by new home buyers. In short, government-imposed costs effectively transfer public sector debt to household mortgages. This is the most significant factor behind the serious decline in housing affordability. It will lead inevitably to lower housing activity and reduced employment in our industry overall.

As well, this decline will exacerbate intergenerational inequity. First-time home buyers, in particular, will be faced with increased house prices due, in part, to government-imposed costs.

In this context, it is important to note that while overall employment has recovered to above pre-recession levels, the recovery has been uneven. The job losses during the recession were much more pronounced among young people aged 15 to 24 than among workers over the age of 25. And the jobs recovered since the end of the recession have been predominantly among older workers.

All three levels of government drive up the cost of housing.

In closing, I will very briefly address the federal responsibility in this area. The CHBA has called upon the federal government to introduce a single threshold, full rebate treatment of GST on new home purchases. In 1991, the full rebate threshold was set at \$350,000, with an upward cutoff point of \$450,000. The government made a commitment to review these limits and adjust them over time, and 20 years later this has not happened.

Today, in most urban markets, few new home buyers are eligible for a full or even partial GST rebate on a new home purchase. This undermines directly housing affordability.

Similarly, the federal government has not addressed the inequitable impact of GST on home renovation costs. The CHBA has called for the introduction of a permanent renovation tax rebate to restore fair treatment of home owners who carry out renovation projects. This would have the added benefit of addressing directly the problem of the underground cash economy in home renovations, a problem driven in large part by high taxation.

Thank you.

•(1145)

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

We'll now hear from the Canadian Labour Congress, please.

**Mr. Andrew Jackson (Chief Economist, Canadian Labour Congress):** Thank you, Chair. I'll attempt to be brief.

The 2012 budget is being developed against the backdrop of a very tentative and uncertain recovery globally and here in Canada. In our view, there's a real danger of rising unemployment. The International Monetary Fund has just forecast an increase in the Canadian unemployment rate from 7.1% last month to an average of 7.7% in 2012.

One neglected sign of the softening of the job market in Canada is the disturbing and rather under-noticed fact that real hourly wages are now falling. For the last three months, average hourly wages have been increasing by only 1.4% over the previous year. That's well below an inflation rate of 3%.

The high dollar and the slowing Canadian economy have now given us the highest current account deficit of any of the advanced economies. That current account deficit as a country is now significantly greater than that of the U.S., because of the slow growth of exports caused by the high Canadian dollar. We also see weak rates of business investment outside the mining and oil and gas sectors.

Low interest rates have certainly given a boost to the Canadian economy over the last little while—supporting the housing sector and consumer spending. The household debt is now a record 150% of disposable income. House prices in relation to incomes are as high in Canada as they were before the collapse of the housing bubble in the United States. In our view, it's totally unsustainable for our economy to continue to grow by means of households going deeper and deeper into debt.

So what is going to sustain growth and investment in our economy? Public investment funded by the stimulus program, which, it should be acknowledged, gave a great boost to recovery in Canada, has now virtually come to an end. We're now seeing a turn to spending cuts by both federal and provincial governments. Based on IMF numbers, cuts to spending by federal and provincial governments in Canada will cut our growth rate by about 1% in the year ahead. So public investment has gone from being a source of growth to a drag on growth.

Against that backdrop, the priority of the 2012 budget must be to create jobs and to maintain the recovery, not to engage in counterproductive spending cuts. We call for the federal government to launch a partnership with the provinces and cities in a major multi-year public investment program that would create jobs now and promote our environmental goals. We believe this would also stimulate private sector investment and private sector productivity if we choose the right kinds of public investment projects. Such a program would include increased support for basic municipal infrastructure, mass transit and passenger rail, affordable housing, and energy conservation and renewable energy projects.

One opportunity we have now results from the fact that Government of Canada borrowing costs are incredibly low, 2.4% for 10-year bonds. That's a really historic opportunity to finance major public investment projects that make a lot of sense, owing to their decent rates of return. Many major public investment projects more than pay for themselves over time. Economic growth fueled by increased productivity in the private sector boosts future government revenues. In our view, investment in public transit is a key example. The Toronto Board of Trade argues, correctly, that major investments in mass transit will substantially reduce business costs.

In our view, some of the initial costs of such a program could be raised by raising the federal corporate tax rate from the planned 15% in 2012, which is well below the tax rate in the U.S. It would be our assertion that the cuts in corporate tax rates to date have not generated the expected increase in business investment. To the contrary, over the past decade the growth in after-tax corporate cashflow has far exceeded the growth in private investment—to the point that corporations in Canada are now sitting on \$475 billion of uninvested cash reserves. We think the recent example of the discussion on the scientific research and development tax credit suggests that targeted tax measures would be much more effective in boosting private investment. Our point would be to raise corporate tax rates and to direct those proceeds into more effective ways of supporting private and public investment.

• (1150)

To conclude, Canada has a very low rate of public debt. Our interest rates are low, and there are major public investment opportunities ahead of us.

I'll shut up now.

• (1155)

**The Chair:** Thank you very much.

We'll now hear from the Canadian Medical Association, please.

**Dr. John Haggie (President, Canadian Medical Association):** Thank you.

Over the past year, the Canadian Medical Association has engaged in a wide-ranging public consultation on health care, and we have heard from thousands of Canadians about their concerns. This exercise provided a road map for modernizing our country's health care system so that it puts patients first and provides Canadians with better value for money.

We found there was a groundswell of support for change amongst other health care providers, stakeholders, and countless Canadians who share our view that the best catalyst for transformation is the next accord on federal transfers to the provinces for health care.

That said, we have identified immediate opportunities for federal leadership in making achievable, positive changes to our health care system, which would help Canadians be healthier and more secure and would help ensure the prudent use of their health care dollars.

During our consultation, we repeatedly heard concerns that Canada's medicare system is a shadow of its former self. Once a world leader, it now lags behind systems in comparable nations in providing high-quality health care. Improving the quality of health

care services is key if Canada is ever going to have a high-performing health system.

Excellence in quality improvement will be a crucial step towards sustainability. To date, six provinces have instituted health quality councils. Their mandates and their effectiveness in actually achieving lasting system-wide improvements vary by province. What is missing and urgently needed is an integrated pan-Canadian approach to quality improvements in health care in Canada that can begin to chart a course to ensure that Canadians ultimately have the best health and health care in the world. Canadians deserve no less, and there's no reason why these should not be achievable.

The CMA recommends that the federal government fund the establishment and adequately resource the operations of an arm's-length Canadian health quality council, with a mandate to be a catalyst for change, a spark for innovation, and a facilitator to disseminate evidence-based quality improvement initiatives so they become embedded in the fabric of our health system.

Canadians are increasingly questioning whether they are getting value for the \$190 billion a year that goes into our country's health care system, and with good reason, as international studies indicate they're not getting good value for the money. Defining, promoting, and measuring quality care are not only essential to obtaining better health outcomes, they are crucial to building the accountability that Canadians deserve as consumers and funders of the system.

We also heard during our consultation that Canadians worry about inequities in access to care beyond the hospital and doctor services covered within medicare, particularly when it comes to the high cost of prescription drugs. Last year, one in 10 Canadians either failed to fill a prescription or skipped a dose because they couldn't afford it. I have an 82-year-old lady in my practice who takes her diabetic medications every second or third day because she can't afford to take them every day.

Our second recommendation, therefore, is that governments establish a program of comprehensive prescription drug coverage to be administered through reimbursement of provincial, territorial, and private drug plans to ensure that all Canadians have access to medically necessary drug therapies. This should be done in consultation with the appropriate insurance industries and the public. In the 21st century, no Canadian should be denied access to medically necessary prescription drugs because they are unable to pay for them.

Our third and final recommendation relates to our aging population and the concerns Canadians share about their ability to save for their future needs. We recommend that the federal government study options that would not limit PRPPs to defined contribution pension plans. Target benefit plans should be permitted and encouraged as they allow risk to be pooled amongst plan members, providing a vehicle that is more secure than are defined contribution plans. As well, the administrators of PRPPs should not be limited to financial institutions. Well-governed organizations that represent a particular membership should be able to sponsor and administer PRPPs for their own members.

The CMA appreciates that governments are moving ahead with the introduction of PRPPs; however, we note that they represent only one piece of a more comprehensive savings structure. We also continue to be concerned about the ability of Canadians to save for their long-term care needs. Whilst we have not included them in this pre-budget brief, the CMA holds to recommendations we have made in previous years that the federal government study options to help Canadians pre-fund long-term care.

•(1200)

In closing, let me simply say that carrying out these recommendations would make a huge positive impact soon and over the long term in the lives of literally millions of Canadians from every walk of life.

Thank you for your time.

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

We'll now hear from the Federation of Canadian Municipalities.

**Mr. Berry Vrbanovic (President, Federation of Canadian Municipalities):** Thank you, Mr. Chair and members of the committee, for inviting us to speak today.

FCM has been the voice of municipal governments since 1901. Our members represent 90% of the Canadian population, or almost 2,000 municipal governments across this country.

When the global economic crisis hit, the federal government teamed up with municipalities to take coordinated action to create jobs and protect Canadian families and businesses.

[*Translation*]

Now, as growing uncertainty again threatens world markets, the Government of Canada must continue working with cities and communities to strengthen our economic foundations and to protect our quality of life.

[*English*]

Although stimulus spending is over, Canada must build on the economic action plan's successes, overcoming barriers to common-sense cooperation that too often keep governments from working together.

By the end of this year, municipalities will have built and helped pay for \$10 billion in EAP projects. In doing so, our communities are creating 100,000 jobs and meeting 50% of the plan's total jobs target. Ottawa's growing collaboration with municipalities has produced policies and programs that deliver better value for Canadians, cutting red tape and streamlining funding approvals.

Together we have started to repair some of the damage done to our communities by many years of under-investment and downloading. We cannot afford to lose that ground. Better planning, partnerships, and programs—these are trademarks of smart government.

But despite recent investments, we can still see the danger signs all around us: traffic gridlock, crumbling roads and bridges, rising police costs, and a housing shortage that puts new jobs out of workers' reach.

[*Translation*]

From St. John's to Montreal, from Inuvik to Victoria, the symptoms vary but the cause is the same: a tax system that has taken too much out of our communities and put too little back in.

[*English*]

Without a share of the income and sales taxes generated by new growth, communities have been forced to raise property taxes, cut core services, and, more often, put infrastructure repairs off. The resulting infrastructure deficit is bad for families, businesses, and our economy.

Of current federal investments in municipalities, 40% are scheduled to expire by 2014. These are not one-time stimulus dollars. They are core investments to repair roads, house low-income seniors, and keep police on our streets. These investments must be protected and put on a long-term track.

In Budget 2011 the government committed to work with municipalities, provinces, territories, and the private sector to develop a new long-term federal infrastructure plan. The new plan will give Canada the opportunity to end a long decline in its municipal infrastructure, improve transit and transportation networks, and fight traffic gridlock. In Budget 2012 the federal government must build on the intergovernmental partnership that pulled us through these darkest days of the global recession to achieve other important national objectives as well, including supporting front-line policing, protecting public safety, and fixing holes in Canada's housing system.

I'd now like to take a quick moment to expand on each of these three priorities: infrastructure, policing, and housing. Municipal infrastructure is the foundation of our economy. Our small businesses need quality roads and bridges to deliver their goods and services. Workers need fast, efficient public transit to connect them to jobs. And growing companies count on high-quality community services, from libraries to hockey rinks, to attract skilled workers. The federal government's recent commitment to develop a new long-term federal infrastructure plan is an opportunity to stop the decline in our infrastructure and secure our future economic foundations. All governments, federal, provincial, territorial, and municipal, must work together and with the private sector to take stock of Canada's infrastructure and establish a fully funded long-term infrastructure plan.



Second, there is nothing more important to Canadians than the safety of their families and communities. Canada's policing system, however, is badly in need of repair. During the past 30 years an unsustainable share of Canada's policing duties have been shifted onto municipalities, either through direct downloading or the inability of an overburdened RCMP to fulfill its full responsibilities. Today, municipalities pay more than 60% of the total policing costs, including \$600 million worth of downloaded federal policing duties in areas such as border security, international drug trafficking, and cyber crime. All orders of government must work together to address the issues of policing roles and responsibilities and the allocation of resources.

[Translation]

Growing holes in Canada's housing market are harming communities, taxpayers and the national economy.

Rising house prices and rental shortages are making it difficult for communities to attract the workers they need to support the national economy.

• (1205)

[English]

Tens of thousands of families, senior citizens, and new immigrants are struggling to find adequate, affordable shelter, yet \$380 million per year in affordable housing and homelessness programs is currently set to expire in 2014. I'd be pleased to share more with you on the housing aspect of our presentation later on.

Thank you.

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

We'll now hear from the Public Service Alliance of Canada, please.

**Mr. John Gordon (National President, Executive Office, Public Service Alliance of Canada):** Thank you very much, Mr. Chair.

This committee has been travelling across the country asking four questions: how to achieve sustained economic recovery in Canada, create sustainable jobs, ensure relatively low rates of taxation, and achieve a balanced budget. Well, I've been travelling across Canada, too, and Canadians are telling me different things. They're concerned that their government is offering only one choice: eliminate the deficit by cutting billions of dollars of public services and the jobs of the people who provide them. The Canadians I talked to want another choice: they want a way forward that grows our economy and protects our long-term social safety net.

Take Meghan Thomson, who was a chemist at Environment Canada working to reduce fuel emissions. Her work is critical to our future and our children's futures. This was her dream job and she felt lucky to be doing work that was about making a difference. At just 30 years old, her dreams were dashed. In July, one month before earning a permanent position after three years of term work in government, her job was cut. What message is government sending to young Canadians like Meghan, who should be the future of the public service? Eliminating good-quality sustainable jobs for Canada's next generation is not a sound economic plan for growth and prosperity.

I imagine John Kelly would agree. Until this fall, he was an integrity account specialist at the federal government's pension centre in Shediac, New Brunswick. He had one of those good-quality jobs you're looking to create, but his dream was destroyed very suddenly. After a meeting with his director, his job and the jobs of 150 others were gone. What does the loss of 150 jobs mean in a small community like Shediac? It's a loss of \$4 million or \$5 million in salaries that helped keep the community's economy alive, according to the Shediac mayor, and it will be the small businesses, the local restaurants, and the corner stores that will be hit hardest.

The government says it's just cutting services that aren't relevant or useful to Canadians. The Canadians I've spoken to would disagree.

Bill Dicks, from St. John's, Newfoundland, has worked for the coast guard for 30 years. For the last six and a half years, he has dedicated his expertise to the St. John's search and rescue substation, helping rescue people in trouble at sea. But the government is shutting down the station, along with another one just like it in Quebec City.

The St. John's subcentre watches over 900,000 square kilometres of ocean and almost 30,000 kilometres of shoreline, some 90% of the fishing vessel activity, and the highest level of transatlantic shipping in Canada. The government says that all this work can be coordinated out of Halifax instead.

The real search and rescue experts like Bill Dicks disagree. He doesn't want to downplay the expertise of the workers in Halifax, but there's just no way they would know the Newfoundland and Labrador coast as well as the locals do. Canadians along the coast are asking, "Is saving money more important than saving lives?"

There is no way around it: cuts to services undermine our safety, our health, and our environment. Canadians are smart. They know that gutting public services just doesn't make sense. They know there must be another way forward and that we can improve our public services and grow our economy. We think we can do this, but it means choosing another path and asking the right questions. There are alternatives.

If this is really about cutting costs and waste, then we suggest that the government start by reining in outsourcing costs, which, under this government, have risen by 79%. Also, if departmental budgets have been capped, why are we still spending \$1 billion a year on outside consultants? As well, if this is really about quality sustainable jobs, why don't we keep people like Meghan Thomson and John Kelly in their jobs? Finally, if this is really about sustainable economic recovery, then why are we cutting jobs in communities—your constituencies—jobs that keep small and medium-sized businesses open?

Ordinary people should not be asked to bear heavier burdens and lose vital public services in order to satisfy a misguided quest to balance the books at all costs. There are alternatives.

The government says it is consulting experts from outside government and plans to make public service cuts. Well, we represent experts on the public service—the people who provide them—and we won't charge anyone \$90,000 a day to share this expertise, because we know that it's possible to offer Canadians another choice and a better way forward.

• (1210)

Thank you very much for allowing me to appear before you today.

I'm sure the questions will be interesting.

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

We'll begin members' questions with Ms. Nash for five minutes.

**Ms. Peggy Nash:** Thank you, Mr. Chair.

Again, it's very frustrating that we have five minutes each to ask you all questions, so apologies to those who don't get asked questions.

I do need to begin with the Federation of Canadian Municipalities. Coming from the city of Toronto, I know how strongly the board of trade in our city has been advocating for infrastructure investments, especially in transit.

I'd like your opinion about whether spending on transit, for example, is just an expenditure or whether it is an investment, whether this is something that pays for itself over time. I think there's a very important distinction between spending for something on which we won't get any return and an investment. Can you comment on that?

**Mr. Berry Vrbanovic:** Absolutely, and thank you for the question.

I think it's fair to say that transit, along with all infrastructure, is something that we feel very strongly is an investment in the future of our cities and communities across this country and in the economy of this country in this new global reality we're all facing. Some of the challenges we're facing—from gridlock in cities like Toronto, Montreal, and Vancouver, to the crumbling roads and bridges we're seeing across the country—are impacting on our ability to do business and on the quality of life for our citizens. And all of those areas are important investments, we believe, in the long-term sustainable future of Canada.

**Ms. Peggy Nash:** Okay, thank you. I'd like to ask you about housing, but I'll maybe try to come back to that.

Both Mr. Gordon and Mr. Jackson talked about the difference between austerity measures and job creation right now. I know that Mr. Campbell referred to further corporate tax cuts as creating jobs. I don't have time to ask him a question. If he has any empirical evidence on that, I'd like to see it because I've not seen any.

I would like to ask Mr. Gordon and Mr. Jackson whether this is the time to be cutting services and increasing unemployment when the IMF, as Mr. Jackson said, is predicting even higher unemployment in 2012. What could that mean for Canadians, and what would it mean

for economic growth if the government continues cutting \$4 billion a year from services?

Whichever one of you wants to can go first.

**Mr. John Gordon:** Thank you.

Maybe I can give you one example from right here.

Right here in Ottawa, Melissa Ferland is a young theatrical worker who works at the Museum of Civilization. Here's what she said to me when her job was cut and lost: "You need to understand that for every job you cut in the public service, other people's livelihoods are lost. My childcare provider lost income from two spots, and my after-school care provider lost the income she had earned caring for my daughter. A woman who was on contract for 22 years making costumes for the Dramamuse program lost her entire livelihood. Another woman who did make-up, props and hair for the company lost her livelihood."

So each cut hurts a number of different people, and that's a real live story from right here in Ottawa.

**Ms. Peggy Nash:** Thank you.

**The Chair:** Mr. Jackson.

**Mr. Andrew Jackson:** Briefly, I guess there's been a debate amongst economists about the effects of public spending cuts on growth and job creation. The IMF did put out a major study, and they've clearly come down on the side of those who argue that spending cuts will weigh on a recovery in a slow economy, that a 1% cut to government spending, which is about what we're looking at next year, if we look at the federal and provincial governments combined, will lead to a loss of growth in the first year of about 0.7%.

We have no problem with a review of government spending. I think governments should always be reviewing their spending priorities and reallocating, but in terms of whether now is the time to be making major cuts out of total federal government spending, I think the answer is no.

• (1215)

**The Chair:** You've got 20 seconds, if you want it.

**Ms. Peggy Nash:** Mr. Campbell, I'm sorry, I referred to you and I didn't get a chance to ask you a question.

There is concern with companies sitting on so much cash now; it's close to half a trillion dollars. Is now the time for further corporate tax cuts? And do we have evidence that going ahead with these tax cuts will actually produce jobs?

**Mr. Terry Campbell:** I think there is evidence.

On your point about sitting on a lot of cash, we've seen the private sector increasingly ramping up their investments over the last 15 months. It isn't just me saying this. No less of an authority than the Governor of the Bank of Canada said last weekend that in the last 15 months Canadian businesses have been investing. They've been investing at a very strong pace, which is very positive, and we're starting to reap the benefits of that. We're starting to see job growth as a result of that.

So I think you are seeing the traction in the economy. We're not an island, obviously. We're affected by the world.

I'll stop right there.

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

I'll just remind members to leave some time for witnesses to answer the question.

Ms. McLeod, please.

**Mrs. Cathy McLeod:** Thank you, and I also would like to thank the witnesses.

I think we speak for everyone at this table that job loss is always very difficult for the people who are impacted, whether it's in the private sector or the public sector. Certainly in the communities that I represent, when we saw the mills close down, the devastation to the communities was very difficult. No one feels in their heart how difficult that is....

We recognize that we need to create an environment. For example, the mill spent \$25 million and re-opened because the corporate tax rate was low, and trade was re-opening into China, Taiwan, and Japan, according to yesterday's headlines. So I think it's critically important to create the opportunity for job creation and then have the public services that we all deem so critical.

That was just a general comment, because I hear the stories that were talked about in terms of the people who have lost their jobs, and I think it's important to mention that.

Mr. Campbell, you talked about the securities regulator, but you didn't have a lot of time to get into specifics. We're waiting for the Supreme Court decision, but how do you perceive it's going to better protect investors, enhance enforcement of regulations, and track new international investment? Perhaps you can talk to why your organization perceives it to be important.

**Mr. Terry Campbell:** There were many lessons out of the financial crisis, but one of the key lessons was the critical importance of having a coherent, strong, focused, regulatory system. We have that on the prudential side in Canada and on the consumer side, but we do not have that on the security side. It is a fragmented system that is slow to make decisions. In a crisis, when international authorities need to get together to solve things, you need to have that single point of contact. So I think the coherence of the regulatory system is a key lesson from the financial crisis.

The second issue is enforcement. We hear time and again and read in the newspapers about the problems with enforcement in Canada because there is a fragmented regime across the country. I think the design of the system, as we have seen it through the proposals put forward by the Securities Transitions Office, would significantly

strengthen enforcement. That's all to the good for investor confidence, individual consumers, and investors.

There have been a lot of improvements in the provincial security system over the years, but it hasn't gone far enough. I think public companies trying to raise money to create jobs would find it much easier and more efficient to be able to deal with a single authority. Of course, it will be spread across the country. There will be expertise across the country—in Calgary, from coast to coast. You will be able to draw on the pools of expertise that are there. We think it is very clearly and obviously a better system.

• (1220)

**Mrs. Cathy McLeod:** Thank you.

My next comments or questions will be to the CFIB. I certainly appreciate the really active work of your organization in the red tape reduction commission, which is a bit of a parallel process to this budget. I think it's going to be a really important piece of the puzzle as we move forward.

We're talking about pensions, and one of the suggestions we hear regularly is that we should be thinking about doubling CPP benefits and premiums as a way to deal with the retirement issues. Can I hear how that would impact small businesses?

**Ms. Corinne Pohlmann:** As I mentioned in my opening remarks, payroll taxes, generally, have a pretty big impact on small companies, and from the perspective of small business owners, CPP is a payroll tax, since they pay 50% on behalf of their employees.

We have actually surveyed our members on that and they are opposed to an increase in CPP. They see it as detrimental to job creation and job growth at this point in time. We are supporters of the pooled registered pension plan approach as an alternative.

We do know that pension plans are not widespread among smaller firms, so we do agree we need to find more opportunities for smaller firms to provide pension plans to employees, and for themselves, for that matter. But we don't think necessarily increasing CPP is going to be the way to go in terms of making sure that happens.

We think we need to have more options that are less expensive and more available to smaller companies. We're hopeful the PRPP will be that solution.

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

We'll go to Mr. Brison, please.

**Hon. Scott Brison:** Thanks to each of you.

The first question is to the CFIB. In terms of payroll taxes, last January there was an increase in the payroll tax of \$600 million. The government is scheduled, in January 2012, to increase payroll taxes by \$1.2 billion, a 5.6% increase.

Given that unemployment rates are now almost 2% higher than they were three years ago and that we've lost 500,000 full-time jobs in Canada over the last three years, wouldn't it make more sense to freeze payroll taxes exactly where they are now and not increase them further?

**Ms. Corinne Pohlmann:** That would be one of our key recommendations going forward. We feel there is growing uncertainty in the global economy, and even in our own business barometer we're seeing a little less confidence than we saw at the end of 2008-09. But having said that, it's not as bad it was.

We feel at this point it might be more prudent to perhaps look at freezing EI rates for 2012, or at the very least extending—or even expanding a bit—the EI hiring credit into 2012 so we can offset some of the costs associated with hiring.

**Hon. Scott Brison:** The hiring credit is \$165 million and the proposed increase is \$1.2 billion, so I think it's important to put the scale and potential deleterious impact of the increase into perspective.

I have a question for the Canadian Medical Association. We have an aging population in Canada. Health care costs are going to go up. We also have a crime rate that's going down. Yet the government is proposing to move forward with legislation that will dramatically increase spending on prisons and the crime side, at a time, again, when we have an aging population, rising health care costs, and crime going down.

The Parliamentary Budget Officer estimates that just some of the government's crime legislation will cost \$13 billion. Is there a risk to the Canadian health care system, on the eve of the 2014 deadline negotiations of the next health care accord, of gutting the federal capacity to invest in health care with this level of spending on crime bills?

**Dr. John Haggie:** My area of expertise is really health care, so I don't know that I can answer all of your question. In terms of health care budget, there's a lot of evidence that would suggest the money we're spending at the moment isn't getting us the value for money that you would think it should.

In terms of the age of the population, there is a considerable debate about what impact that will actually have on health care costs. There is a suggestion that the bulk of health care costs occur in the last year or two of life—I believe 80% of an individual's health care expenditure occurs in the individual's last 18 months. Set against that is an actual fact that the boom generation that everyone's concerned about could actually be the healthiest generation we've seen. There's certainly evidence that the generation that's following it may not be as healthy, so whether or not your question may be one generation misplaced is another matter.

I would answer that question by saying, first, I think we can do better with the money we're spending at the moment. People talk about bending the curve of health care costs, and it may only be that 1% or 2% of GDP might make a huge difference. We certainly don't get the performance value back for the level of expenditure compared with what the European and the OECD indicators would suggest it should.

•(1225)

**Hon. Scott Brison:** Thank you.

In terms of pension options for the 70% of Canadians in the private sector who do not have pensions now, some proposals are not to increase on a mandatory basis CPP premiums but to expand access to the CPP on a voluntary basis; in addition to the pooled

registered pension plans, to have a voluntary supplemental CPP that employees of small businesses could pay into and participate in. The CPP is well managed, and it is diversified geographically and sectorally across asset classes of publicly traded securities.

Would that be, in addition to PRPPs, helpful to Canadians who do not have pension plans currently?

**The Chair:** Let's have just a brief response from Ms. Pohlmann, please.

**Ms. Corinne Pohlmann:** We just want to make sure that there's a voluntary component out there, and the more options there are, the better it will be.

**The Chair:** Thank you.

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

**Mr. Dave Van Kesteren:** Thank you, Mr. Chair, and thank you all for appearing.

I want to make a quick statement, first of all, to the Public Service Alliance.

Thank you for coming. Thank you for your presentation. However, I take one issue with you, if you'll afford me that. Previous to your appearing here, the Canadian Union of Public Employees came. I appreciated their submission, because they talked about how we can sustain an economic recovery in Canada to create quality jobs—I took some issue with them on that—to ensure relatively low taxation, and to achieve a balanced budget.

I would suggest, sir, that you're absolutely right concerning your cases of hardship, and all of us are sensitive to those. But I would suggest that Ms. Pohlmann would also tell you of many cases within the private sector too, and I would encourage you, if you could still do this for this committee, to submit something in which, rather than just look at the hardships—and we all recognize them—you might suggest ways that we as a committee might be able to tackle those issues that the public service union talks about.

I'm on a roll here, Mr. Olson. I have to disagree with your analysis of the cost of houses too. In Chatham, where I'm from, you can build a brand-new house for \$450,000, and in Toronto that same house will cost you over \$1 million. I would suggest this difference is due to more than just regulatory factors; I think there are other factors that play in, in all fairness.

I'm not going to ask you to respond to that. I'll bet you would like to, but I want to get to Mr. Campbell first.

We're seeing a phenomenon. The *Windsor Star* had a little quote from Buffalo Springfield that "There's something happening here"—you may have read that.

Could you tell us why our Canadian banks have fared differently and why that is so important to sustain economic recovery? Could you expand on that? I think it's our job to not always jump on the bandwagon but maybe as leaders to say, "Folks, there's another story here; you need to hear something else." Maybe you could explain to us why we are in the position we are in today.

**Mr. Terry Campbell:** The second line of that song was "What it is ain't exactly clear". Obviously there is a worldwide movement going on here, and we're listening very carefully, very closely. There are people with concern. Obviously there's a lot of uncertainty about the economic future, and we have to be sensitive to that.

But having said that, I mentioned that this is worldwide, and if you look at the protests on Wall Street and in Europe and elsewhere, the things that are the targets did not happen here. There were no bank bailouts; there were no failures; there was no taxpayers' money on the dime being spent on Canadian banks. Banks continued to lend during the crisis. They did what they were supposed to do. Other lenders, non-bank lenders, pulled out of the economy, folded up shop, and went home.

Canadian banks took up the slack to the best extent they were able to. That is critically important. If there is one lesson we have learned from the crisis, it is the importance of having banks that remain strong and can contribute in communities across the country, and they have done that.

So in the sense that there is this maybe unfocused concern out there, I think within this country—and not only looking just at the banks and the role they play in supporting job growth—we have an economy that still is on the plus side of GDP. Jobs are being created. There is uncertainty, but there is no country in this world that I would rather be in than Canada.

• (1230)

**Mr. Dave Van Kesteren:** Do I have a few more minutes, Mr. Chair?

**The Chair:** You have 45 seconds.

**Mr. Dave Van Kesteren:** Ms. Pohlmann, our Minister of State, Maxime Bernier, announced today that there would be \$20 million for funding for the Canadian Youth Business Foundation. We recognize, and I think you know this better than I do, the importance of small business and entrepreneurship.

How fundamental is this to achieving some of your goals as an organization? How do you feel about those types of investments from this government?

**Ms. Corinne Pohlmann:** I think investments in targeted measures that we know are working, that we know are producing results, can be helpful.

Another is the BizPal initiative, which is an initiative out of Industry Canada that provides information to small businesses from all three levels of government, which has become very useful. That was another initiative that was very important for small businesses.

So yes, as long as you're targeting those specific areas that we know are working, then this can make some sense.

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

Thank you, Mr. Van Kesteren.

Mr. Marston.

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

Mr. Gordon, every union leader who has come before this committee has been asked the same question by government members. That question is, do you support unions paying taxes? To a certain extent we are all partisan at the committee, but this question seems to be getting out there a little too far. It seems to me the Conservatives don't understand that if you were to tax the union dues that fund your organizations, that's double-taxing your members. I wouldn't mind a comment on that.

But it also seems strange to me to hear people talking about how the conditions that will protect private sector jobs can only be reached by removing public sector jobs, so that you have put someone else on the unemployment line.

Do you feel that the Conservative government has been transparent in the way they've gone about setting into motion these cuts?

**Mr. John Gordon:** No, I don't think there has been a great deal of transparency to date about cuts.

For example, I happened to meet with the President of the Treasury Board, and we talked about my asking which programs they are looking at right now. He said they really don't know.

Well, we can talk about the programs, but once he has them on the table and they look at the programs, if they cut them or eliminate them completely, that will tell me where the job losses or the hits are going to be in communities.

What they're looking at is areas in which services are provided in communities. We have no clue in that. And they're going to outside experts, paying \$90,000 a day to those experts, to assist them.

We have plenty of experts who are workers in the public service who have thoughts on that. When I asked him about that, he said they were asking those folks. I just happened to have been all across Canada speaking at a lot of our conventions where our members are, and I asked them whether they had been asked yet by their bosses how they can help. I got limited responses. In one convention of 500, five hands went up.

So they're not talking at the workplace, they're not talking to the people who are doing the job, they're going to outside experts—and I don't know where they get their expertise.

Transparency is not a word I would use in dealing with them.

**Mr. Wayne Marston:** Thank you.

Mr. Jackson, the pooled registered pension plan, PRPP, struck me as interesting. We heard that for the first time today.

We realize that 60-some percent of Canadians have no pension plan. There was an effort on the part of the government to move forward with the PRPP, but to my mind it's not much more than a glorified RRSP. It's subject to the same risks in the marketplace as RRSPs. I understand that the Canadian Labour of Congress has been in support of a phased-in increase to the Canada Pension Plan. In fact, the NDP, and I myself as critic, have been proposing this since 2009.

Would you advise the committee on the benefits you would see to increasing CPP? Also, do you see liabilities with the PRPP beyond what we've already noted?

• (1235)

**Mr. Andrew Jackson:** I think the two major virtues of expanding the Canada Pension Plan are that there would be an increased employer contribution as well as an increased employee contribution; it would be mandatory on both sides. I think there is a lot of evidence that if you leave it to individuals to save on a voluntary basis, they will not save enough for retirement. We can debate the merits of those.

The second key point would be that the Canada Pension Plan is an extremely well-run pension plan at very low cost, and we'd certainly be very concerned that while PRPPs may have a somewhat lower cost structure than individual RRSPs, they're still going to be higher-cost. I hate to take a shot, but there is a considerable amount of profit earned in the financial sector from running these plans, and we can really reduce that through a public sector alternative.

**Mr. Wayne Marston:** I just want to congratulate the Federation of Canadian Municipalities on the report on our infrastructure problems and the fact that it should be addressed. It's been quoted many times in this place. I'd love to ask you questions, but I'm out of time.

**The Chair:** Thank you.

We'll go to Mr. Adler.

**Mr. Mark Adler:** Thank you, Chair. I want to thank all the witnesses for being here this morning.

My first question is to Ms. Pohlmann from the CFIB. How many members do you have?

**Ms. Corinne Pohlmann:** One hundred and eight thousand.

**Mr. Mark Adler:** I understand that a practice of the CFIB is to be in constant communication with your members, and you're polling them all regularly.

**Ms. Corinne Pohlmann:** That's correct.

**Mr. Mark Adler:** Some have suggested that the government needs to raise corporate taxes. What would your members say about that?

**Ms. Corinne Pohlmann:** Our members would not be supportive of raising corporate taxes at this time. I think it's something they would find difficult to absorb, given all the other things they are facing in this economy. So that would be something our members would not support. We've asked them in the past and they certainly don't feel that this would be the appropriate way to go.

**Mr. Mark Adler:** What effect would that have on their operations?

**Ms. Corinne Pohlmann:** It would bring instability. They're planning for a certain type of taxation right now. It would make them think about what other options they might have for hiring or investments, because now more money is going into taxation rather than into their businesses.

**Mr. Mark Adler:** Thank you.

Dr. Haggie, we heard this morning that the nineties were a dark decade for social transfers to the provinces, owing to the cutbacks that the government at the time implemented on the backs of the provinces. Could you comment on that and also on our government's commitment of 6% increases in the social transfer?

**Dr. John Haggie:** There is some evidence that health care delivery at the provincial level suffered considerably in the nineties. It was squeezed from a variety of points of view, not just fiscal. There was also the unfortunate exercise of cutting medical school enrollments, so we were nowhere near self-sufficient in physician graduates. That's improved. We're back up to 2,500 Canadians studying medicine in Canada. Interestingly enough, there are still 3,500 Canadians studying in offshore universities.

So the ground has been recovered. I think the advantage of predictable funding is much appreciated by the provincial government—it makes planning a lot easier. It's not just about the dollars, though; it's about how you spend them and what you get for the money you spend. That has to be the emphasis as you look to 2014, because 2014 is just a weigh point. I would see Canada needing to have a goal, perhaps something along the lines of having the best health care in the world within a reasonable time, say, 2025. And 2014 is just a stepping stone to that, but it's a crucial point. You have to build the right foundations. You have to ask yourself seriously what you want for your money and what you want your money to buy. You can't be looking at just the numbers themselves.

• (1240)

**Mr. Mark Adler:** Thank you.

Ms. Pohlmann, there is only one taxpayer. Let me be straight with you, do corporations pay taxes?

**Ms. Corinne Pohlmann:** Certainly our members pay taxes—there's no doubt about it. It's small and medium-sized enterprises.

**Mr. Mark Adler:** Are they not passed on to the end user?

**Ms. Corinne Pohlmann:** Oh, absolutely. They'll incorporate it into their costs, and they'll try to figure out ways to make it work.

**Mr. Mark Adler:** Correct.

That bird has been plucked, right? I mean, there aren't that many feathers left on that taxpaying bird.

**Ms. Corinne Pohlmann:** I would tell you right now that a lot of small business owners are struggling. They're doing okay, because they've gotten through the tough period, but they don't want to see increases in taxes coming at this time, whether it's corporate income taxes or payroll taxes.

**Mr. Mark Adler:** Mr. Jackson, the IMF study that you talked about where Canada will increase unemployment by one-half a percent, what study was that?

**Mr. Andrew Jackson:** I don't have the reference. I'll provide it to the committee. The IMF study shows generally what discretionary cuts in public expenditure mean for jobs and growth. They also provide estimates of the effects of projected changes in government spending, which they do on an all-government basis, so it's federal and provincial.

**Mr. Mark Adler:** Just projections based on—

**Mr. Andrew Jackson:** But I'll be pleased to provide those.

**Mr. Mark Adler:** —a number of variables that aren't necessarily—

**Mr. Andrew Jackson:** But I think it's fair to say that they see a negative impact on growth and they see Canadian policy overall having that influence.

**The Chair:** Thank you. Let's have that overview sent to the committee.

**Mr. Andrew Jackson:** I'll send that.

**The Chair:** Thank you.

[Translation]

Mr. Giguère, you have five minutes.

**Mr. Alain Giguère:** Thank you, Mr. Chair.

Thanks to all our guests for coming here.

My first question goes to the president of the Canadian Bankers Association. You spoke at length about making the industry more secure. Here at the committee, we have started discussing the establishment of an insurance plan for victims of financial fraud. Is that a good idea, in your opinion?

**Mr. Terry Campbell:** I am sorry, but I will have to speak in English.

[English]

Fraud is an issue, and it has many forms in the financial sector. The bad guys are out there and they're very motivated to do bad things, and we are always trying to stay one step ahead of that. The challenge with fraud, and I think it's what you are referring to, is it comes down to an effect of breach of trust—you know, you trust somebody and that trust is broken, and there's a lot of damage. I think the question comes down to, how best do you deal with that?

When you look at the kinds of fraud that have been reported and that have taken place across the country, you have to be very careful how you approach that. I think a lot of the people who have committed fraud were not regulated. They were not registered individuals. They were not within the regulatory scheme. They were doing private deals or side deals.

We have always been of the view that one of the best protectors for consumers is to deal with regulated financial institutions that fall under a proper supervisory regime, whether it's financial institutions or registered and regulated advisers. I would also say, and I hearken back to a question I responded to earlier, that one of the great advantages that we see of a national approach to securities

regulation, a Canadian security regulator, is that it would significantly strengthen enforcement and significantly strengthen the capacity to go after the bad guys. So that's how I'd answer your question.

[Translation]

**Mr. Alain Giguère:** Unfortunately, with insurance plans, someone has to pay the premiums. That's the user pay principle.

How can the banking system not be in favour of a plan like that? It's still insurance.

• (1245)

[English]

**Mr. Terry Campbell:** One thing I have learned as I've gone through the public policy world on both sides of the fence—I used to be in the government and I'm in the private sector now—is to be aware of the law of unintended consequences. A worry is that if you establish, say, an insurance fund against fraud, do you run the risk of actually making fraud more likely? Then you have a situation where people can let their guard down: “Oh, there is a fund, I don't have to worry about it so much, I will be protected.” It could actually result in a situation where you're not actually addressing the need—

[Translation]

**Mr. Alain Giguère:** Excuse me, Mr. Campbell; let me just point out to you that, in the Earl Jones case, the banks participated in the fraud to a great extent because of their negligence. If a bank with all its resources gets taken, how can small investors protect themselves?

[English]

**Mr. Terry Campbell:** I understand the case of Earl Jones. I would say in the case of Earl Jones, and I go back to the point I made originally.... As I understand the facts, this was an individual who was operating completely outside the regulatory system based on a system of personal trust, which he broke. We have a very sophisticated—and it could be better if we had a single regulator—system of regulation that could address situations like that. It could be made better, and I hope it will be.

[Translation]

**Mr. Alain Giguère:** My last question goes to the representative from the...

**The Chair:** Your question is going to have to be very quick.

**Mr. Alain Giguère:** In our pension plan, we have a strict liability to perform. We must ensure that, when people retire, they will have a basic minimum amount to live on. If we had to project the present situation into the future, the income supplement would increase by \$26 billion.

What do you see as the one pension plan that can guarantee that people do not have to live in poverty?

[English]

**The Chair:** Okay.

I am afraid, members, if you use up your full time I can't allow more time. We have to move along. Maybe Mr. Mai will give you some time for your response.

We will move to Mrs. Glover, please.

**Mrs. Shelly Glover:** I have a couple of questions.

Mr. Campbell, I just want to give you a heads-up that I will come back to you, because you made a bit of a face when Mr. Jackson made a comment earlier about PRPPs versus RRSPs, and when he talked about the financial benefits for those who provide. Think about it, and I'm going to come back to you for your comment on that.

I'm going to skip to the Canadian Home Builders' Association.

Mr. Olson, as I look at the suggestions being made, I am looking particularly at the Canadian Labour Congress' suggestions in their executive summary for this budget coming up. The second one was about Canadian pension plans doubling, when we all know that right now CPP is fully functional and will be secured, frankly, for the next 75 years. I want to ask you about that recommendation, as well as their third recommendation and how it will affect the people who are members of your organization. It would be doubling of CPP, and in their third recommendation it's the raising of corporate income tax to 19.5%.

How would that affect your members? Is that a positive thing for Budget 2012 that would help them to create jobs? They do say it is supposed to create jobs. How do you feel about that?

**Mr. Ron Olson:** I am going to defer that question, if I can, to Dr. John Kenward, our chief operating officer.

**Mrs. Shelly Glover:** Sure.

**Mr. Victor Fiume (Former President, Canadian Home Builders' Association):** Thank you. I will field that question.

My name is Victor Fiume. I am the past president of the Canadian Home Builders' Association.

Certainly, we are struggling at all levels of this association to keep our housing product affordable. Increasing the rates, the CPP rates—as well-intentioned as that may be—and the corporate rates will have an adverse affect on our ability to deliver a product affordable to Canadians.

**Mrs. Shelly Glover:** The cost would be borne by and be reflected on consumers. Is that what you are saying?

**Mr. Victor Fiume:** That is absolutely what I am saying. There is no room for us to absorb any more costs.

● (1250)

**Mrs. Shelly Glover:** Do you think you would see job losses?

**Mr. Victor Fiume:** Inasmuch as the fewer homes we build, the more unaffordable—if you will—houses become for Canadians. There would be job losses in this industry, for sure.

**Mrs. Shelly Glover:** Okay, very good. Thank you for your input on that.

Going back to Mr. Campbell, did you want to comment about what we said?

**Mr. Terry Campbell:** Sure. I hope I didn't make too much of a face, because I certainly respect Mr. Jackson's work.

**Mrs. Shelly Glover:** It was just a look of shock.

**Mr. Terry Campbell:** It was maybe just a raised eyebrow.

As Mr. Jackson said, reasonable people can have reasonable discussions about this. On the PRPP, I may make about three or four points.

A comment was made that there are high costs. In fact, the PRPP is designed, by definition, to be low cost. The thing that will guarantee that is the nature of the design of the product. We have not seen that yet. The nature of the regulatory system that will surround that will help guarantee that. As Minister Menzies has said recently, one of the advantages of this is that you are, in effect, buying in bulk. We have every confidence this will be a low-cost alternative.

Mr. Jackson made a good point about mandatory versus purely voluntary. The way we see it, and the way we have advocated that the government proceed on PRPPs—and it's a fair point—is to think about ways of getting as many people into the tent as possible. That gives you the scale and the scope. We have suggested that there be auto-enrolment of employees, but with the option of opting out if people do not wish to do it and wish to go a different route. We think that would help.

The third point I would make is that on a CPP system, as has been said, it's a mandatory premium—or a mandatory tax, if you would like—on the individuals. That's a very blunt instrument. They could be at times in their lives where they would rather use that money for something else. Just like we would offer this opt-out, individuals might say, "I think I can do a better job." We have worries about the mandatory employee participation.

Those would be some of the comments I would offer on that.

**Mrs. Shelly Glover:** Very good. Thank you. I have 20 seconds, so I'll simply make a comment.

I wish I had a magic wand. No one wants to pay taxes. No one wants to pay out of their pocket to subsidize other things. But then we wouldn't have a health care system that provides for everyone. We wouldn't have all these wonderful things that make Canada the country it is. So when we ask these questions, I appreciate that many of you have taken that into consideration. And when we ask you these pigeon-hole questions, such as would you rather pay less tax, your answers, of course, don't really fill our report with sustainable suggestions because they really are partisan in nature.

Therefore, we'll try to forget all of that and look at the suggestions you've made and see if the costs are effective.

**The Chair:** *Monsieur Mai, s'il vous plaît.*

**Mr. Hoang Mai:** I'll let Madam Pohlmann

[*Translation*]

answer Mr. Giguère's question.



[English]

**Ms. Corinne Pohlmann:** I wonder if you could repeat the question because the translation wasn't very clear.

[Translation]

**Mr. Alain Giguère:** Yes. Because our pension plan must be 100% effective, we have a liability to perform.

What is the one pension plan that can guarantee to people that they can expect to receive a decent pension after working for 30 years?

[English]

**Ms. Corinne Pohlmann:** I don't know if I can answer that question the way you're expecting me to answer it, but I do think you need to give people opportunities to invest, and make sure those opportunities are of low cost and that they understand what needs to be done. I think when it comes to CPP and increasing CPP or doubling CPP, the problem we have with doubling CPP premiums is the fact that it will take 40 years for those benefits to actually follow suit. The way the CPP structure is set up right now, it's going to be quite a bit of time before the people who pay into it today are going to actually benefit from it down the road.

**An hon. member:** [Inaudible—Editor]...limit the increase in premiums.

**Ms. Corinne Pohlmann:** Yes, I understand that.

It's still a fact that it's going to take 40 years for those benefits to actually come full circle to the people who will actually get it. A lot of the people sitting in this room may be paying a lot more into the CPP system if it's doubled, but they'll not necessarily be able to benefit from it. So I think that's not necessarily the best solution either to guarantee pensions for everybody in Canada.

**Mr. Hoang Mai:** Thank you.

We were talking about corporate tax cuts, and on this side we've been suggesting lowering the small business tax.

Which one do you think your members would prefer, lowering corporate tax cuts for the big companies or reducing small business tax?

• (1255)

**Ms. Corinne Pohlmann:** We have members on both sides of that particular question, of course. We have members who are both under the threshold and over the threshold, so our members are going to be supportive of a general corporate tax rate. We do have concerns that the small business tax rate is eroding as a result of that, so we do believe that we need to focus on that. We're not asking for it today, but we do think that's something down the road that needs to be considered.

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

This question is to the FCM. Regarding infrastructure, can you explain more about the infrastructure deficit? We're talking about \$127 billion—that was back in 2007.

**Mr. Berry Urbanovic:** Back in 2008, actually, we released a report that talked about the infrastructure deficit based on 2006 dollars. At that time it was estimated to be \$123 billion, with another \$115 billion in new infrastructure required over the next 20 years.

Obviously, we've made some inroads over the last few years through the economic stimulus program, through the gas tax and some of the other initiatives, but we believe it's absolutely essential to start developing the long-term infrastructure plan that was called for in Budget 2011. We believe that's going to give us the opportunity to do an assessment of where we're at in terms of infrastructure in this country, develop the ideas that are going to engage all three orders of government, along with the private sector, on how to solve the infrastructure challenge, and then put together a financial plan that will address it going forward, post 2014.

**Mr. Hoang Mai:** Quickly to Mr. Gordon.

There's a lot of talk right now about cutting jobs. I was looking at what's happening in Environment Canada. We're not looking ahead. We're lacking vision when we're cutting there. Can you explain to us the impact, the reason why we would cut such jobs?

**Mr. John Gordon:** I'm not so sure I can explain the reasons why they're cutting so many jobs. What I can say is that hardly a week goes by in which I'm not getting letters with names of people from different government departments who are going to be laid off. They tell me 48 hours before they tell the individuals, so that we can have people on the ground with them when they do that.

That's why I'm able to come here with human stories about people who are losing their whole livelihoods, stories such as I related about Ms. Ferland. Not only her job is gone, but the fact that she had caregivers, the fact that other workers worked with her and lost their jobs as well because her job is gone, shows the type of real impact it has on the economy.

We are not given any insight into the thinking or the reasons why they do it.

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

Mr. Jean, you have time for a very brief round.

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

You do great work at the CFIB. I've been a member for many years, and thank you for the surveys you send me.

I couldn't help but raise an eyebrow to what Mr. Brison said. Of course, I'm much older than he is and his snapshot of the crime rate going down is from the mid-seventies to a few years ago and doesn't include the 1950s and the 1960s. It doesn't deal with the issue of organized crime and how those rates, violent crimes, have doubled and tripled in some cases. Of course, we are in a different era today.

I wanted to talk to the FCM specifically in relation to the \$123 billion infrastructure deficit. The economic action plan, the stimulus shot, the \$45 billion—no more money in the history of Canada has ever been invested in real terms. In fact, some of the other changes, gas tax being permanent, \$2 billion a year, the one-page application form for ease of application for the fastest and largest rollout in Canadian history, the extension of the deadline to October of this year from March.... Then, of course, there's the equal distribution across the country, which I've heard from people, and I haven't seen any empirical evidence to suggest any favouritism was played in any part of the country.

My interest is strictly this. Of course, the NDP voted against all those things in the budget and in the subsequent budget. What would have happened to your members in particular if the \$45 billion in stimulus...based upon some of the information I have, it is going to continue for some 30 or 40 years, including some of the green infrastructure investments, the northwest transmission line in British Columbia and the Mayo B in Yukon, and those types of investments that are going to continue to bring investment. What would have happened if the \$45 billion was not invested by this government and the NDP had been successful in their vote against it?

• (1300)

**The Chair:** Very briefly.

**Mr. Berry Vrbanovic:** I think it's fair to say that the investments made by the current government have been substantive in terms of

helping us address some of the challenges that municipalities are facing. The reality, however, is that much of this funding is not long-term sustainable, predictable funding. Hence that's why we're calling for the need for a long-term infrastructure plan, something that was acknowledged by your government in Budget 2011, and we're going to start working on it.

**Mr. Brian Jean:** I appreciate that.

I have a limited amount of time. A very quick question: how are the discussions going? The government is bringing you in to have ongoing discussions about doing exactly what you're saying.

**Mr. Berry Vrbanovic:** What I can tell you at this point is—

**The Chair:** Are they going well or not well?

**Mr. Berry Vrbanovic:** What I can say is that there have been preliminary discussions between our two sets of officials. We hope to start a more formal process later this year.

**The Chair:** Thank you.

I want to thank you all for your presentations and your responses to our questions. I know some materials are going to be submitted. Please do so through the clerk, and we'll ensure all members get them.

Colleagues, we'll see you at 3:30 tomorrow afternoon.

The meeting is adjourned.

---







**MAIL  POSTE**

Canada Post Corporation / Société canadienne des postes

Postage paid

Port payé

**Lettermail**

**Poste-lettre**

**1782711  
Ottawa**

*If undelivered, return COVER ONLY to:*  
Publishing and Depository Services  
Public Works and Government Services Canada  
Ottawa, Ontario K1A 0S5

*En cas de non-livraison,  
retourner cette COUVERTURE SEULEMENT à :*  
Les Éditions et Services de dépôt  
Travaux publics et Services gouvernementaux Canada  
Ottawa (Ontario) K1A 0S5

Published under the authority of the Speaker of  
the House of Commons

### **SPEAKER'S PERMISSION**

Reproduction of the proceedings of the House of Commons and its Committees, in whole or in part and in any medium, is hereby permitted provided that the reproduction is accurate and is not presented as official. This permission does not extend to reproduction, distribution or use for commercial purpose of financial gain. Reproduction or use outside this permission or without authorization may be treated as copyright infringement in accordance with the *Copyright Act*. Authorization may be obtained on written application to the Office of the Speaker of the House of Commons.

Reproduction in accordance with this permission does not constitute publication under the authority of the House of Commons. The absolute privilege that applies to the proceedings of the House of Commons does not extend to these permitted reproductions. Where a reproduction includes briefs to a Committee of the House of Commons, authorization for reproduction may be required from the authors in accordance with the *Copyright Act*.

Nothing in this permission abrogates or derogates from the privileges, powers, immunities and rights of the House of Commons and its Committees. For greater certainty, this permission does not affect the prohibition against impeaching or questioning the proceedings of the House of Commons in courts or otherwise. The House of Commons retains the right and privilege to find users in contempt of Parliament if a reproduction or use is not in accordance with this permission.

Additional copies may be obtained from: Publishing and  
Depository Services  
Public Works and Government Services Canada  
Ottawa, Ontario K1A 0S5  
Telephone: 613-941-5995 or 1-800-635-7943  
Fax: 613-954-5779 or 1-800-565-7757  
publications@tpsgc-pwgsc.gc.ca  
http://publications.gc.ca

Also available on the Parliament of Canada Web Site at the  
following address: <http://www.parl.gc.ca>

Publié en conformité de l'autorité  
du Président de la Chambre des communes

### **PERMISSION DU PRÉSIDENT**

Il est permis de reproduire les délibérations de la Chambre et de ses comités, en tout ou en partie, sur n'importe quel support, pourvu que la reproduction soit exacte et qu'elle ne soit pas présentée comme version officielle. Il n'est toutefois pas permis de reproduire, de distribuer ou d'utiliser les délibérations à des fins commerciales visant la réalisation d'un profit financier. Toute reproduction ou utilisation non permise ou non formellement autorisée peut être considérée comme une violation du droit d'auteur aux termes de la *Loi sur le droit d'auteur*. Une autorisation formelle peut être obtenue sur présentation d'une demande écrite au Bureau du Président de la Chambre.

La reproduction conforme à la présente permission ne constitue pas une publication sous l'autorité de la Chambre. Le privilège absolu qui s'applique aux délibérations de la Chambre ne s'étend pas aux reproductions permises. Lorsqu'une reproduction comprend des mémoires présentés à un comité de la Chambre, il peut être nécessaire d'obtenir de leurs auteurs l'autorisation de les reproduire, conformément à la *Loi sur le droit d'auteur*.

La présente permission ne porte pas atteinte aux privilèges, pouvoirs, immunités et droits de la Chambre et de ses comités. Il est entendu que cette permission ne touche pas l'interdiction de contester ou de mettre en cause les délibérations de la Chambre devant les tribunaux ou autrement. La Chambre conserve le droit et le privilège de déclarer l'utilisateur coupable d'outrage au Parlement lorsque la reproduction ou l'utilisation n'est pas conforme à la présente permission.

On peut obtenir des copies supplémentaires en écrivant à : Les  
Éditions et Services de dépôt  
Travaux publics et Services gouvernementaux Canada  
Ottawa (Ontario) K1A 0S5  
Téléphone : 613-941-5995 ou 1-800-635-7943  
Télécopieur : 613-954-5779 ou 1-800-565-7757  
publications@tpsgc-pwgsc.gc.ca  
http://publications.gc.ca

Aussi disponible sur le site Web du Parlement du Canada à  
l'adresse suivante : <http://www.parl.gc.ca>