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Chair

Mr. James Rajotte

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•(1005)

[English]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): Good morning, everyone. I call this meeting to order. This is the 18th meeting of the Standing Committee on Finance, and we are continuing our discussion regarding pre-budget consultations for 2011. We have seven organizations in this panel and two panels this morning.

First, we have the Co-operative Housing Federation of Canada; Canada's Research-Based Pharmaceutical Companies; the Canadian Taxpayers Federation; the Certified Management Accountants of Canada; the National Roundtable on Travel and Tourism; the Rick Hansen Foundation; and the Rideau Institute on International Affairs.

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

We'll begin with Mr. Gazzard, please.

Mr. Nicholas Gazzard (Executive Director, National Office, Co-operative Housing Federation of Canada): Good morning.

I would like to preface my remarks by saying we recognize the need for fiscal prudence in the coming budget. We would also, along with others, though, caution the Minister of Finance to show some flexibility and keep a fiscal open mind, given the international economic uncertainty we face.

In that context, I want to address very quickly the three elements of our brief.

The first is the need, in our view, to continue to invest in Canada's cities. We have an opportunity here in Budget 2012 to renew the federal government's good track record on investment in infrastructure and housing. This is an opportunity for Canada right now in the face of global uncertainty to ready its cities and its urban infrastructure to be economically competitive in the future, to create what we would like to call "joined up cities", where transportation, housing, and jobs all come together to create an environment that is conducive to economic productivity.

Part of that, of course, is housing. The government has a good record in investing in housing. Close to \$400 million a year is going in through the affordable housing framework, which runs between now and 2014. But we would argue, given the housing need in this country, that more is needed.

A number of witnesses, both before and after my appearance, will argue for tax-side incentives to create affordable housing. We would

agree with that, with one caveat: that the housing that is created retain long-term affordability. We have seen tax-incentive housing developed in the past, which has lost its affordability. We would argue that if the government is going to invest on the tax side to create opportunities for affordable housing, it needs some sort of guarantee of continued affordability for the long term.

One possible way to do that is to look at the low-income housing tax credit system in the United States. This was actually a Conservative platform in the 2007 federal election. We would argue that you should revisit that and consider carefully whether that might be a scheme that could work in Canada to create more affordable housing.

Our second thing today actually is not one that is going to cost you any money. I'm sure the Canadian Taxpayers Federation will be happy to hear that. The federal government is in the process of completing agreements with the provinces in the affordable housing framework. Part of those agreements is an accountability clause, which we actually argued strongly for leading up to the renewal of the affordable housing framework.

The accountability framework requires the provinces and territories to actually account for the money they are spending on housing to demonstrate how they are creating affordability on the one hand and reduction in housing need on the other. What we are asking the federal government to do is to hold the provinces' and territories' feet to the fire here to make sure that the accountability framework is robust and that the provinces and territories really do account for the housing reduction that is caused through spending federal housing money.

I'd like to dwell now on the third point, which I think is perhaps the most pressing for us. Over the next five or six years an enormous number of funding agreements for existing what we might call legacy social housing are going to come to an end. That housing is facing a very uncertain future. The question is going to be the affordability of that housing for the low-income residents. What is going to happen is that subsidy streams will expire at the same time as the mortgage commitments those housing projects have. The question is, will those two things cancel each other out, or will they face an uncertain future in terms of the affordability of this housing for the low-income households?

What we argue is that there is not enough going on, not enough being talked about, not enough being discussed around the future of this housing. Last week the president of the CMHC, Karen Kinsley, was in front of the HUMA committee and said broadly that much of this housing is going to be okay.

We take issue with that. We don't believe it's going to be okay. The requirement to reinvest in this housing, coupled with very high ongoing maintenance costs, means that the affordability of this housing for low-income families is very much in doubt, very much at risk. We are looking at up to 200,000 units of affordable housing in this country that may no longer be affordable to seniors, to other people with fixed incomes, and to people with disabilities, going forward.

Part of the legacy of our affordable housing program in this country is security of tenure for low-income households. That security of tenure is in danger of being lost unless the federal government takes a leadership role to address the shortfall that's going to occur once the subsidy streams come to an end.

We are urging the finance minister to press CMHC to release a long-awaited report on the future of this stock and to address the financial shortfall that's going to occur.

One thing we don't want to see in the face of a real scarcity of affordable housing is the loss of housing that is already on the ground and is currently affordable, but that affordability is no longer guaranteed in the future. So we're urging you to address that in a meaningful and organized way with your provincial and territorial partners.

Thank you.

The Chair: Thank you for your presentation.

We will now hear from Mr. Williams, please.

Mr. Russell Williams (President, Canada's Research-Based Pharmaceutical Companies (Rx & D)): Thank you very much for the opportunity to present for Rx&D, Canada's Research-Based Pharmaceutical Companies, which represent about 50 research-based companies, with well over 15,000 men and women involved in high-level research in Canada.

We create, deliver, and research new innovative medicines that save lives, improve the health care system, and I believe will add to the sustainability of our health care system, which incidentally every government is looking at. Appropriate use of our medicines is part of that solution.

We're particularly pleased to share the panel today with the Rick Hansen Foundation, which is an excellent example of some of the research on spinal cord injury and shows a great collaboration with industry. We are one of the largest investors in health research in the country, about \$1.5 billion a year and in the last 20 years well over \$20 billion, and we are the largest private sector investors in health research.

In a written submission to you, we talked about three areas.

● (1010)

[Translation]

First, we need an intellectual property regime that enables us to be more competitive internationally.

[English]

This IP regime will make us more and more competitive. We've also asked to change to an expanded definition in the SR and ED tax credits to get to OECD levels because Canadians' definitions are relatively limited and don't catch all the research that is being done in the country.

We believe improvements in Health Canada's regulatory review process for drugs and biologics should be included in the 2012 budget. I want to underline that great progress is being made in Health Canada, but I think this area has to be addressed.

Let me focus my comments on the issue of IP, intellectual property, because that's the cornerstone, the *pierre angulaire* of our industry. There's a huge opportunity for Canada right now during the CETA negotiations, and frankly before they're even concluded, to create, number one, an effective right of appeal mechanism for innovators. Right now in Canada in front of the courts, generics have a right of appeal if their challenges are rejected. Innovators cannot. So I want to impress upon the committee that it's just basic fairness in front of our courts.

The second area is to increase our existing data protection regulations from eight to 10 years. Europe has 10 years. We already have eight, and I congratulate the government in 2006 that moved in this direction. So it is not from zero to 10, it's from eight to 10, to be globally competitive.

Finally, Canada is the only country in the OECD group that doesn't have something called patent term restoration. If there are delays in clinical and regulatory, you can add it later to a patent. Those three areas would have a huge impact. They're not major advancements. We've done the heavy lifting. These are incremental changes, but we could have a fundamentally positive impact. You are looking at how to increase our economy. This will bring in new dollars. You saw a phenomenal increase in the mid-1980s when Canada did move on IPs for the first time. We were investing a little under \$100 million and now we're a little over \$1.3 billion, \$1.5 billion when you count our community projects.

So the cornerstone of our economy, I believe, can be innovation. The IP rights that we're looking at right now will help protect the investment that takes well over a billion dollars, 10 to 15 years, and it can help us. We invest about \$100 billion in R and D around the world. Canada gets the \$1.3 billion. We would like to grow that. So our message here is if we create the environment within Canada, our industry can bring those investment dollars right into our universities, right into our health care system. These will be great jobs and really help the health care system, with 75% of those dollars in clinical trials.

When people say we can't move on that, I say the numbers speak for themselves. We have grown, a huge increase over the last few years of 1,500%. There's room for generics in this too. They have grown 2,000% in terms of the business. So our message today is if we create an environment of intellectual property, the research-based pharmaceutical industry can increase our investment. We want to. It's our commitment to the country. We can bring in those innovative medicines that all your constituents are looking for that can improve our quality of life and ensure we have a sustainable Canadian health care system that we can be very proud of.

I thank you for the opportunity to highlight these three areas that are important to our community.

Thank you.

The Chair: Thank you very much.

We shall now hear from Mr. Thomas, please.

Mr. Gregory Thomas (Federal and Ontario Director, Canadian Taxpayers Federation): Thank you, Mr. Chair and members of the committee. We appreciate the opportunity to speak on behalf of our 70,000 supporters. The Canadian Taxpayers Federation is the largest and oldest national not-for-profit, non-partisan taxpayers advocacy group.

We will be circulating our remarks, and we'll also be making reference to our "Zero in Two: Taxpayers Deficit Action Plan", and the most recent issue of our "Taxpayers' Agenda, the Canadian Taxpayers Federation Top 20 Policy Priorities for the Harper Government". You can get that at taxpayer.com, on Twitter, and on Facebook.

Mr. Chair, we want to salute the government's action in cutting 42 positions and \$15 million in spending at the Atlantic Canada Opportunities Agency yesterday. That was a blow in favour of taxpayers. It was long overdue. The head count under the three minority parliaments with the Government of Canada went up by 39,000 people. You added 5,000 or 6,000 people to the roster of National Defence headquarters. You grew National Defence headquarters in the minority parliaments to a size greater than the Royal Canadian Navy. The "bloatation" in Ottawa is absolutely out of control, and we salute this first tiny step on the part of the Government of Canada to rein in its spending.

In 2007, the boom year, you had record revenues of \$242 billion and you ran a \$9 billion surplus. For the year just ended, you were \$7 billion shy of your all-time record revenues and you ran a \$33 billion deficit. You're calculating in this current fiscal year \$14 billion in additional revenues and you're still talking about

borrowing another \$32 billion and indebting future generations of Canadians.

We salute your efforts to rein in spending. We salute your efforts to balance the budget. We all know that in an emergency you could balance the budget this year with effects that wouldn't flow too far from the boundaries of the national capital region, and we strongly urge you to get on with it.

We're here to support your pooled registered pension plan proposal. We think this is something that all new members of Parliament, elected in all future by-elections and general elections, should be enrolled in. If it's good enough for Canadians, it's good enough for you guys. The same is true with the Public Service of Canada. If you're proposing a new pooled retirement pension plan for all Canadians, for the four out of five Canadians who aren't government employees, then start enrolling your new hires in this wonderful program yourselves. Let's all be in the program together.

We recognize that it's going to be utterly impossible to get sitting MPs to go for this. If I had a deal where \$5.50 were contributed by my employer for every dollar I contributed, there's no way you could get me to vote myself out of that. We also believe that there is no reason to panic public servants who have made life decisions based on the incredibly generous pension plan they have—which is running a \$200 billion unfunded liability, according to the C.D. Howe Institute—after their lifetime of service to Canada, but we urge you to get it back on a sustainable, honest funding level with every new hire.

We've touched on a few other issues. We've touched on debt and deficits. We also urge you to have a look at payrolls. Since the end of the boom in 2007, it's become apparent to the people in Kitchener—the people at Maple Leaf Foods who got short notice of the end of their employment—that a federal government employee with 16 years of service will have one year's notice on full salary, and many of these people will never end up losing their jobs. There are two classes of humanity here: the people on the public service dime and everyone else who is paying for it. Unless that gets addressed in a serious way, there's going to be some serious blowback on all the people sitting around this table.

Thank you, Mr. Chair.

•(1015)

The Chair: Thank you.

Mr. Monk now, please.

Mr. Richard Monk (Advisor, National Affairs, and Former Chair, Certified Management Accountants of Canada): Mr. Chairman, committee members, fellow witnesses, ladies and gentlemen, I'm very pleased to be with you this morning to represent the Certified Management Accountants of Canada, also known as CMA Canada. Thank you for inviting us.

Through the years we have consistently supported and advocated policies to improve Canada's productivity that in turn would enhance our competitiveness and increase Canadians' standard of living. In our submission we focus, once again, on innovation, or what we call creativity. Why? As stated by the 2008 Competition Policy Review Panel, "Innovation drives productivity and competitiveness in the 21st century". We also believe that focusing on innovation would aid in achieving a sustained economic recovery and help to create quality, sustainable jobs, two objectives guiding the work of the committee.

CMA Canada is well aware of today's realities, two in particular. First, the global economy is even more fragile than it was when we put together our submission this summer. Second, we believe that Canada's business community must be the primary innovator.

Nevertheless, governments can play an important role as a catalyst of innovation and creativity. To that end, CMA Canada recommends that the committee direct its attention to the following three items: one, commercialization of creative ideas; two, improving Canada's keynote research and development program; and three, investing in basic skills training to help drive greater productivity.

One of the keys to capitalizing on creativity of Canadians is transforming their knowledge into products and services for the global marketplace. The government has introduced initiatives to foster commercialization and business innovation, and it is a partner in the recently launched national commercialization study. These are positive steps, seeing that Canada believes that two initiatives could further enhance and advance the government's objectives for commercializing innovation.

The Government of Australia has recently established Commercialisation Australia. In the current fiscal and economic climate, we do not recommend such a robust program for Canada; however, at least one component of the Australian program merits consideration. We recommend a program of repayable grants to assist innovative small and medium-sized enterprises in developing a new product, process, or service to be taken to market. Applicants for a repayable grant would be required to match the funding on a 50-50 basis.

Moreover, we think there is merit in promoting greater interaction between the business community, governments, and universities and colleges. The University of Waterloo has a unique creator/ownership policy, permitting professors and students to own their creations and encouraging them to commercialize their research. Perhaps the government could examine how the federally funded granting councils might lever their grants to encourage other universities and colleges to do the same.

Our second recommendation is with regard to investing in research and development. A key public policy tool encouraging investment in innovation is a scientific research and experimental development tax credit. We believe the program would be improved by expanding the refundability provision currently available only to smaller businesses to claimants of all sizes.

Most R and D in Canada is performed by large companies. Extending the refundability to them would encourage smaller businesses to grow and recognize the innovation advantage of larger companies.

Finally, Mr. Chairman, as many as 40% of working Canadians lack the basic literacy skills needed to participate in the knowledge economy. Poor basic skills act as a drag on economic growth. CMA Canada was pleased to see that imperative of basic skills training was recognized in Budget 2011, and we encourage more of the same in 2012. We recommend that the government continue to invest either directly or in partnership with provincial and territorial governments as well as in collaboration with private sector partners, in literacy, numeracy, and problem-solving skills programs across the country.

In closing, Mr. Chairman, we are well aware of the fragile economic times in which we live, and that governments face particularly difficult decisions among competing interests in the name of the public good. We believe the public good would be well served by increasing Canadians' standard of living through improved productivity. Our suggestions to you are made in that spirit.

We wish you well in your deliberations, and I look forward to your questions.

Thank you.

● (1020)

The Chair: Thank you for your presentation.

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

Mr. David Goldstein (President and Chief Executive Officer, Tourism Industry Association of Canada, National Roundtable on Travel and Tourism): Thank you, Mr. Chair.

Good morning, members of the committee.

My name is David Goldstein. I'm the president and CEO of the Tourism Industry Association of Canada, and it's my pleasure to appear before you today on behalf of the National Roundtable on Travel and Tourism and the 617,000 Canadians who work in this \$74 billion sector.

Our industry is not a regional industry. It is a 308-riding job strategy, with the smallest number of people in Nunavut, where 1,200 participate in this industry, and the greatest number of people in Niagara Falls, where more than 16,000 participate in this industry. Later, if you have questions, I can break it out by your riding as well.

Before I begin, let me take a moment to recognize the recent important step, the announcement of the federal tourism strategy. This whole-of-government approach will help provide alignment between the 15 federal departments and agencies that touch on our industry. We hope this will spur investment growth and create jobs across the country at a time when job creation is a top priority for Canadians.

We have three recommendations in our submission. We will focus on one today, which is our aviation cost structure here in Canada.

International tourism is one of the fastest growing industries in the world, and Canada is blessed with the basics as a travel destination. We deserve more than our share of that growing export market. However, we have fallen from seventh in the world in international arrivals in 2002 to fifteenth last year.

The key impediment to our creating growth at this time is an aviation cost structure that fundamentally creates barriers to access. This taxes us out of contention for international visitors and drives Canadians south of the border. All of this contributes to the \$14 billion trade deficit in this sector. Canada, especially post-9/11, has become a fly-to destination, and price competitiveness is vital to attracting visitors.

Sadly, Canada is ranked 125th in the world in its cost competitiveness when it comes to taxes and fees on our airline tickets. If you want a clear example of how this affects us, you need only look at the number of Canadians who are cross-border shopping for their flights. Last year, 21% of Canadian leisure travellers chose to fly from U.S. airports. Airlift is oxygen to our sector, and our current cost structure is so onerous that it impedes our ability to attract that vital airlift. This discourages competition and drives up prices for air tickets, both to Canada and within Canada.

Most governments around the world treat airports as economic spark plugs that catalyze growth. We have fallen into the trap of treating our airports as toll booths. Airport ground rents, the air traveller security charge, navigation charges, payments to municipalities, and aviation fuel surcharges are all piled into the final price of the ticket. I refer to these as the club sandwich of fees and taxes that we impose on our users and end up adding upwards of \$160 to the cost of an overseas ticket. That is in difference to what that same ticket would cost in the United States.

So here is our question. Do we want to be a player in one of the fastest growing sectors of the global economy, or do we want to be the B team or the “also ran”?

As a result, our recommendation to the committee is for a prompt and comprehensive review of the aviation cost structure in Canada, with a view to achieving a fair tax and regulatory regime that would allow us to better compete for international travellers.

Before I end, I will say that we too recognize this is an era of fiscal restraint. As I stated earlier, one of the challenges we face as a sector is that there are 15 different departments and crown agencies that impact our sector. Through the strategic review exercise, if all departments had to take a 5% or 10% cut, and therefore we ended up being the low industry on the totem pole in each of those departments, there could be a disproportionate impact on our sector.

We have written to the federal finance minister on this issue and we hope it is part of your deliberations as part of this process as well.

I thank you for your time, and I look forward to your questions.

●(1025)

The Chair: Thank you for your presentation.

We will now hear from the Rick Hansen Foundation.

Mr. Colin Ewart (Vice-President, Strategic Relations and Development, Rick Hansen Foundation): Good morning, and thank you for the opportunity to present today. My name is Colin Ewart. I'm with the Rick Hansen Foundation. This is my colleague, Mark Aston, from the Rick Hansen Institute.

We're here today to highlight our submission about the 25th anniversary of Rick's Man in Motion Tour, to highlight how his leadership has created the Rick Hansen Institute as a catalyst for collaboration among spinal cord injury researchers, clinicians, and other stakeholders across Canada and globally, and lastly, to talk about how our future plans will continue to positively impact Canadians, Canada's economic well-being, and quality of life.

Rick Hansen started a journey 25 years ago with a dream, to find a cure for spinal cord injury and make our world more accessible. Since then, his foundation has driven initiatives that have accelerated breakthroughs in spinal cord injury research and cure and greater accessibility and inclusivity for those with disabilities.

Additionally, Rick's leadership has extended into many other areas of social change in building civil society. For example, this past weekend he was in Quebec supporting our national relay of “difference makers”, a nine-month, seven-person event from Cape Spear to Vancouver along his original route.

The Government of Canada has been a vital partner by providing critical support at many points along Rick's journey. As a result, Canada has become a global leader in spinal cord injury cure where people with disabilities lead healthier and active lives.

This year our organizations are seeking the renewal of federal funding of \$21 million each year over the next five years to continue the impact and benefits of our work for all Canadians. This funding will be leveraged with significant private sector and other government funding.

While a detailed proposal has been submitted to the government, Mark will now share information specifically on the current and future impact of the institute.

Mr. Mark Aston (Senior Director, Strategic Partnerships and Initiatives, Rick Hansen Institute, Rick Hansen Foundation): The Rick Hansen Institute has, in a short period of time, accelerated the progress of new treatments and standards of care through developing a national network. This network of over 450 researchers, clinicians, and other stakeholders share common goals and are supported by infrastructure, resources, and knowledge dissemination. It is already making a difference and resulting in better outcomes for individuals with spinal cord injury.

In the last 25 years we have made tremendous progress to fulfill Rick's vision; survival after the initial years of a traumatic injury has significantly improved. Overall acute hospital stays for those with spinal cord injury have been reduced by more than half. However, 25 years into the journey, our work is far from complete. More than 86,000 Canadians live with a spinal cord injury, and on average today 12 new cases will occur at an estimated cost to the Canadian economy of \$3.6 billion annually. Unless we continue to advance progress, these costs will only escalate as injuries with the aging population increase.

In Canada, we are on the leading edge to advance improvements. Through our network we are able, for the first time, to track injuries and the outcomes of interventions across provincial jurisdictions at our 34 sites across the country, which collect information on 85% of new traumatic spinal cord injuries. That information is invaluable in improving clinical practices and advancing clinical research studies. It enables the optimization of the use of resources at health care facilities by helping ensure that the right patient receives the right care at the right time and at the right location.

One example of our ability to coordinate collaboration on research studies is demonstrated by the institute's spearheading the development of the first ever multi-centre clinical studies in Canada for acute spinal cord injury. One of those studies is on a drug called Minocycline, where the institute is now establishing a six-site clinical study to show that the results of a smaller, earlier study can be replicated. If proven, this would be the world's first neuroprotective drug treatment for spinal cord injury that could be applied immediately at the accident site to reduce the severity of injury. That reduction in the level of disability will also reduce the length of stay in hospitals, readmissions to hospitals, and the economic burden on home care services.

We're in the process of expanding our network internationally, including at this time to Australia, China, Israel, and the United States. Additional international expansion is planned when we showcase our work to 2,500 delegates from around the world at our Interdependence 2012 Conference in Vancouver in May. International engagement is critical. It will enable us to scour the world to help us determine the best of the best, the most promising research to advance through clinical evaluation here in Canada.

It will allow development of best practices to be first adopted here in Canada and then spread throughout the world. As well as benefits to people with spinal cord injury, many of the advances are applicable to non-spinal cord injury populations as well. For

example, our focus on pressure ulcers and urinary tract infections will have a much broader impact. A new study stated that by reducing the incidences of pressure ulcers and urinary tract infections alone by 30%, it is estimated the reduction costs in Canada in the spinal cord injury population would be \$125 million per year. However, applying the same interventions to the general population in Canada, the impact would be \$2 billion a year.

While we realize the investment requested is significant and in the current fiscal environment everyone, including government, needs to select key priorities to support, our research will result in a real return on investment for government: improvements to the quality of life for people with spinal cord injury and their families; new interventions that can be applied to non-spinal cord injury areas; large reductions in health care costs; job creation in highly skilled areas; and further enhancing Canada's international leadership.

On behalf of the foundation and the Rick Hansen Institute, I thank you for your time and your support.

● (1030)

The Chair: Thank you very much.

We will now hear from Mr. Staples of the Rideau Institute, please.

Mr. Steven Staples (President, Rideau Institute on International Affairs): Good morning. My name is Steven Staples. I am president of the Rideau Institute, an independent research advocacy and consulting group with demonstrated expertise in defence policy.

I noted that other organizations have been presenting on the issue of defence spending to this topic, and I just want to make it clear that we do not receive funding from the Department of National Defence, which may differentiate us from others.

[Translation]

I would like to thank you for giving me the opportunity to present my recommendations on spending reform in the Department of National Defence to contribute to the goal of balancing the budget.

[English]

The first recommendation is for the Government of Canada to reduce national defence departmental spending, with the goal of returning to pre-September 2001 levels.

Second, we recommend a review of planned equipment spending to ensure that projects still meet Canada's national defence priorities.

Finally, the Department of National Defence equipment spending oversight should be increased by establishing a parliamentary committee or subcommittee to be responsible for major crown projects.

In response to the events of September 11, 2001, Canada, along with others, undertook an extensive program of defence procurement, weapons acquisition, and operational expansion. We've estimated that this, along with other public security spending increases, amounts to about \$92 billion in nominal spending, as we put out in our report earlier this year, and \$69 billion adjusted for inflation over the last 10 years has been added to overall national security spending since the terrorist attacks on the United States.

A decade later, the Canadian military mission in Afghanistan is winding down, the country's international obligations have shifted, and the global financial crisis has developed into the primary threat to the livelihood of Canadians. Despite these changes, however, Department of National Defence spending will reach \$22.2 billion in 2010-11, a level 19% higher than it was at the end of the Cold War. In fact, we are now spending more on defence, in adjusted dollars, than at any time since the Second World War. It is 40% higher than the year before the attacks of 2001.

In other areas, the government has responded to the financial crisis by developing plans to balance the budget, reduce public sector spending, and require departments to demonstrate the need for new spending programs. In the field of defence, however, the government plans to divert an additional \$1 billion to capital spending within the budget over the next two years, with particular emphasis on equipment procurement. These levels of spending are unsustainable in the future and have been set without adequate demonstration that the benefits to the security of Canadians will outstrip these significant economic costs.

That brings us to the need for a comprehensive review of planned equipment spending. The ambitious build-up of the last decade has allowed military equipment programs to proceed without always ensuring that the new material is essential to defence or that these billion-dollar procurements are acquired in an open and transparent manner. The selection of the F-35 stealth fighter for the next-generation fighter capability project provides a prime example of the drawbacks of the current spending scheme. The F-35 program, which includes no contract, contains zero offsets, so there are no guaranteed jobs from it, and includes no guaranteed cost, is the product of a non-competitive contract system that appears to be driven by private interests rather than Canadian security considerations, which should always be the main determiner of military spending.

The long-term success of improvements to the equipment procurement process and of efforts towards a return to pre-2001 spending levels in the Department of National Defence depends on increasing parliamentary oversight of these spending programs. The Parliamentary Budget Office, the Office of the Auditor General of Canada, and other fiscal monitoring agencies have repeatedly cautioned against the continued increase in defence spending programs, to little avail. A mechanism to systematically inform parliamentarians of developments in major crown projects, such as a subcommittee on major crown projects of the Standing Committee on Government Operations and Estimates, would be a useful tool to

provide greater oversight and curtail overambitious capital equipment costs.

In light of the major shipbuilding announcement yesterday, this is even more critical.

Supporters of a continued defence buildup will argue that military spending cannot be considered discretionary and that a return to 2001-level defence funding will entail a reduction in the security of Canadians. This argument ignores the changing realities of the Canadian security situation a decade after 9/11, as well as the threat to economic security that unchecked defence spending poses to Canadian taxpayers. A responsible, transparent, and more democratically accountable attitude towards military spending, with the goal of returning to pre-September 11 spending levels, is the best means of ensuring long-term defence sustainability.

• (1035)

The Chair: Thank you for your presentation.

We will begin with Ms. Nash for members' questions.

I am informed that we will likely have bells at about 10:40, which is very shortly.

Ms. Peggy Nash (Parkdale—High Park, NDP): Mr. Chair, do you recommend that I begin my question and complete it later? How do you want to proceed?

The Chair: For the information of our witnesses, my understanding is that we'll have bells very shortly for 30 minutes. Committees aren't allowed to sit during bells unless there's unanimous consent, but we all have to get to the House for a vote.

I apologize for this. It is a bit of a challenge.

Would you like to begin now?

Ms. Peggy Nash: Well, I can ask my question, and maybe I'll get the answer.

The Chair: Can we have unanimous consent to do maybe one round?

All right, Ms. Nash, we'll start with your five-minute round.

Ms. Peggy Nash: First of all, I thank all the witnesses. This is a bit of a challenging format, with so many different views and fields represented.

I have to begin with Mr. Gazzard and the issue of housing, because we're noting with concern the increased challenges in housing affordability, the real challenges for home ownership, and also the challenges for those who need supportive or subsidized housing.

In Toronto, the city is the largest landlord of housing stock, and it is in great need of investment. So I take your point about the ongoing sustainability of the existing affordable housing let alone the investing in new stock.

We've been arguing that investment in such things as housing is a job creator and is good for the economy. Could you comment on the importance of housing and the potential benefit—not just spending, but benefit—to our economy?

• (1040)

Mr. Nicholas Gazzard: Where does one begin?

First of all, it's worth noting that you can't discuss a productive economy without also considering how the people who work in that economy are housed and, importantly, where they're housed with respect to access to their jobs. This is why we talked about the idea of joined-up cities, where people can live, work, and travel with relative ease and efficiency between work and home. For example, it's estimated that the productivity gap based on commuting alone in this country costs us about \$5 billion.

I think your point about Toronto and the existing housing is important. Canada, together with the provinces, has invested over the years, as I said, in something like 630,000 units of affordable housing. But what we don't have in this country is a plan to sustain that housing beyond the present funding commitments.

We're arguing that we need a plan for that. We can certainly discuss and argue what that plan should contain, but what's worrisome right now is the deafening silence around the issue. Canada's own housing corporation has said for some time that it's considering the financial future of this housing, but nothing has come out.

Meanwhile, the agreements are coming to an end. There are projects out of funding now with the federal government that are not sustainable. Just last week I heard from an aboriginal housing cooperative under the urban native program. It's losing its subsidy and it's not going to be able to supply affordable housing to its existing residents. If you multiply that across the country, we have a real danger that while we fight for more affordable housing, the housing we have already is lost.

We have a major affordable housing problem in this country, and it can't be addressed in one budget cycle. I think we have to recognize that we have 1.5 million households that are considered, not by me but by the federal government itself, to be in what's described as core housing need.

We need a plan to address that. Part of that plan is not losing what we already have, because it's enormously valuable. The real estate assets that we have for affordable housing in this country are priceless, and we need to sustain them.

Ms. Peggy Nash: Thank you so much. I think we could probably have a longer conversation as well about the importance of retrofitting the housing stock for energy efficiency and the enormous job creator that would be.

I want to get one more question in, but I would like, without a question, to acknowledge Mr. Staples' comments. At a time when the government is saying it wants to be fiscally responsible and prudent,

there are of course tens of billions of dollars going out the door in defence procurement. I'm sure Mr. Thomas would agree that may not be the wisest avenue for Canadian taxpayer dollars.

I want to ask Mr. Goldstein about tourism, because it is such a major part of our economy. I heard your presentation on the issue of cross-border competitiveness.

I know we don't have much time, but can you tell us what the top three or five factors would be that affect a tourist's decision to come to a destination such as Canada?

The Chair: You have about 20 seconds.

Mr. David Goldstein: They would be marketing, access, and product: marketing, or what we spend with the Canadian Tourism Commission to promote our country; access, or issues such as whether people can afford to buy a ticket to get here; and product—festivals, events, things that help make that decision point for the consumer to decide to come to Canada.

• (1045)

The Chair: Great. Thank you.

We'll go to Ms. Glover, please.

Mrs. Shelly Glover (Saint Boniface, CPC): Here's a speed round. I'm going to ask three questions and I'm going to give you a heads up on them.

I'm going to ask the CMA about free trade agreements and how you feel those benefit the country or don't benefit the country.

I'm going to ask the pharmaceutical representatives about the report of the expert panel on federal support to research and development that was released this week. I'd like to know your assessment of the report.

And I'm going to ask the Canadian Taxpayers Federation about the proposition by the NDP for a new tax, the daily financial transactions tax, and what your organization's position is on that.

We'll start with the Certified Management Accountants of Canada on the free trade question.

The Chair: Ms. Nash.

Ms. Peggy Nash: On a point of order, we don't have a proposal on a financial transaction tax, so I'm questioning the.... I just want to make sure we're all operating on the same set of facts.

The Chair: Okay. That's a point of debate, as you well know.

Mrs. Shelly Glover: I'll clarify it as “support for”, as opposed to “a proposal for”—just in the interest of collaboration.

The Chair: Mr. Monk, please.

Mr. Richard Monk: If you're asking us whether or not we support free trade agreements, the answer is yes, we do. It's a global economy we're in right now and a global marketplace. Businesses must compete not only in Canada but across the world. We're in favour of any opportunity to allow businesses to trade freely and openly in the global economy.

Mrs. Shelly Glover: And how does free trade affect innovation and productivity, sir?

Mr. Richard Monk: It gives the business person, the innovator, more access to resources, to ideas, and to markets.

Mrs. Shelly Glover: Very good. Thank you.

Now we'll go to the pharmaceutical representatives on the question about the expert panel report.

Mr. Russell Williams: We're still going through it, but it goes in a pretty good direction. Frankly, I think they've highlighted a lot of what we know and it's now time for action.

If I can use the time of the answer, I would call this a very urgent issue. It's time to take some of those recommendations and move forward. They highlighted that Canada needs to be more competitive in IP, and we have a huge opportunity to do that. The benefit is that we can bring many more dollars into our research community. Our Canadian health care system is really solid for this, our sciences are good, and our scientists are great. So if we can seize the opportunity in some of those recommendations, we have a lot of the heavy lifting done. It's now a question of putting a comprehensive package together. But it's urgent.

Mrs. Shelly Glover: Would you be able to say that we should put a priority on any of the recommendations? Are there any that really deserve some special attention?

Mr. Russell Williams: I think the report deserves further analysis. What I'll do is write to you with the answer to that question.

Mrs. Shelly Glover: That would be very helpful. Thank you.

Mr. Russell Williams: But the overall package, I think, is in a good direction. It's now time for action.

Mrs. Shelly Glover: Very good.

And to the Canadian Taxpayers Federation, the NDP support a new tax called the daily financial transactions tax—people are calling it that. What do you think of that tax? How do you think it will affect us?

Mr. Gregory Thomas: We haven't studied the proposal in any detail. We keep our hands full with what the government is doing with spending and taxing and the upcoming budget.

Generally speaking, we believe there are serious problems with the world financial system. We believe that many of the world's financial institutions are over-leveraged and under-regulated and that Canada has steered clear of most of these things.

The whole business of Canada Mortgage and Housing Corporation's being encouraged in the early stages of the minority Parliament to get young couples into debt with up to 35- or 40-year amortizations was troublesome.

Adding a transactional tax isn't going to help the world economy, and you don't solve the debt crisis by adding more debt. So we're

strongly in favour of de-leveraging, but we don't believe a transactional tax as a general concept is helpful.

Mrs. Shelly Glover: Okay, very good.

I'm just going to make a comment to this gentleman, Mr. Thomas. You referred to sitting members of Parliament and said that you might not be able to convince them.

You might be surprised to know that some of us actually believe that we need to move towards adjustments in pensions and what not. Some of us actually, when we got elected, tried to waive the federal pension, but we're not allowed to because of prior decisions by previous governments. So be careful about painting us all with the same brush, because some of us have some pretty innovative ideas. I hope you will put some faith in us as we move forward.

Aside from that, I probably have 30 seconds.

On commercialization of new technologies, Mr. Monk, thank you for bringing this to our attention. I think that was very valuable information.

And perhaps the Rick Hansen Foundation could advise us, even afterwards, on this matter. You mentioned that the private sector has some money coming towards your foundation. I'd be very interested in knowing the amount of private sector contributions. I think it's valuable information for this committee.

• (1050)

The Chair: Okay, thank you.

We're going to have to move on to Mr. Brison now.

Hon. Scott Brison (Kings—Hants, Lib.): You make that sound like such a terrible thing.

Voices: Oh, oh!

Hon. Scott Brison: Mr. Gazzard, you made a specific proposal—and I just want it for the clerk and as we get closer to our report—on a U.S. low-income housing tax credit. It was in the Conservative platform. Governing parties always embrace fully their platform commitments, and I suspect the opposition parties would find this proposal compelling as well. So that's something I want to mention to the committee.

Mr. Williams, we're on the eve of—and hopefully the discussions have advanced somewhat with the provincial governments—the health care accord, the deadline for which is in 2014. Other organizations meeting with the committee have recommended a national pharmacare plan. Provincial governments and territorial governments are calling for a national pharmacare strategy, working with the federal government. Would your organization as well see the benefit and merit of a national pharmacare strategy?

Mr. Russell Williams: I think we have to work very hard to increase equitable access to innovative medicines and vaccines across this country. I don't think a national plan is the way to do it, and I don't think it's the way you will be most effective. I do believe in a pan-Canadian approach, but I also do believe that the provincial governments should help set that direction.

Unfortunately, a lot of Canadians—and thank you for asking the question—think we have wonderful access to innovative medicines. Compared to 30 countries around the world, we rank in the bottom third. In the first in class medicines, we rank at the very bottom of that. So I think it's our responsibility to find the best way to do it. I don't believe a national program would be the right answer. I think you need to have that regional diversity.

I do believe we can all work together to make better access. If you do better access, I think that will actually be a solution in part of the sustainability debate we're having in this country.

Hon. Scott Brison: Thank you very much.

The whole issue of tourism is so incredibly important as an industry. Australia has done a good job of linking tourism with education in promoting its universities and schools globally. I used to talk about how Australia attracted a lot more Chinese students to Australia than we were doing in Canada, and people used to say “Well, that's geography, that's not public policy”. But that doesn't explain why last year Australia started attracting more students from Mexico to Australia than Canada did. Well, we brought in, of course, a new visa requirement.

In any case, has your organization looked at and studied the potential to promote our world-class universities in Canada as part of an integrated tourism strategy and long-term competitiveness? These people represent natural bridges to fast-growing economies.

Mr. David Goldstein: Thanks for the question. The short answer is yes. In fact, what we've done and what was produced last week... the Australian example is an excellent one. The Howard government almost 10 years ago brought forward a comprehensive tourism strategy. It's something we've been working on with successive governments. In fairness, and not meaning to be partisan, there was a commitment to that in 2009 by the Prime Minister. It was part of their platform and was announced two weeks ago by Minister Bernier.

Hon. Scott Brison: But it would be a good idea for you to come back at some point with a joint submission with the Canadian universities. If you can get the Canadian universities to agree on one thing, I suspect it might be this one.

I have one question on commercialization. I appreciate, Mr. Monk, your bringing up this important topic. We invest a lot in public research, but somehow we're not getting as much commercialization in Canada as we ought to be getting. Have you looked at the Israeli model, the whole start-up nation model, in terms of its public policy approaches? What can we in Canada learn from Israel about innovation and commercialization?

The Chair: Just a very brief response, Mr. Monk.

Mr. Richard Monk: The short answer is that we haven't looked at it, but we will.

Hon. Scott Brison: Israel is a world-beater in terms of commercialization, so I think that would be—

The Chair: Again, I want to apologize to members and to the witnesses. We do have a vote. Members, there is a bus ready to take you to the Hill.

If I could ask the witnesses—the clerk will talk to you and we may look at bringing you back at a later date. Again, I apologize for this. It's just that there is an unexpected vote this morning.

I'll suspend the meeting until after the vote.

● (1050)

(Pause)

● (1140)

The Chair: I'll ask our guests and colleagues to take their seats, please.

I apologize to our witnesses for our late start.

In this panel before us, continuing our pre-budget consultations, we have seven organizations presenting: we have Polytechnics Canada; the Forest Products Association of Canada; the New Economy Alliance; the Canadian Federation for the Humanities and Social Sciences; the Canadian Life and Health Insurance Association Inc.; the Native Women's Association of Canada; and the Canadian Institute for Military and Veteran Health Research.

Thank you all for being with us here today.

You each have up to a maximum of five minutes for an opening statement.

We'll begin with Ms. Robinson, please.

[*Translation*]

Ms. Nobina Robinson (Chief executive Officer, Polytechnics Canada): Thank you.

Thank you for inviting us to address your committee.

My name is Nobina Robinson, and I am pleased to speak to you as CEO of Polytechnics Canada.

[*English*]

By all accounts, the immediate economic outlook is generally pessimistic, and the word “recession” is no longer being whispered in corridors. No one seems to have a single solution, but the nine leading polytechnic institutions and colleges I represent believe sincerely that we can help move the economy forward in tangible ways.

You have asked for our views on four vital questions. Given the time constraints, I am going to focus on just one: how to create sustainable jobs.

We are all troubled by current employment trends. The jobless rate among young people is higher than 14%—almost double the average unemployment rate. Second, newcomers with professional backgrounds are not finding suitable jobs that will benefit them and the new Canadian economy. We are suffering from a critical shortage of skilled tradespeople. As entrepreneurs retire, we risk losing valuable business know-how. None of this is news to you.

As a member of the expert panel on federal support to business R and D, which released its report on Monday this week, I have spent a year immersed in deep reflection on Canada's business innovation challenges. Innovation is in danger of becoming like the weather—everyone talks about it, but no one does anything about it. Canada's innovation challenges are these: government programs that are not designed to speed a product or process to market; lack of capital; and, above all, lack of business innovation talent.

Let me assure you that our polytechnic institutes and colleges are doing something about innovation. Innovation does not come from a doctorate or a PhD alone. Innovation comes largely from bridging the gap between curiosity research and business needs, between customer demand and R and D expertise—exactly what polytechnics do when collaborating with business. We call it applied research, and it combines highly technical training with a rigorous focus on communications, critical thinking, and practical problem solving. Canada's innovation challenge is a skills problem. It is not companies nor higher education institutions that innovate; it is people. Canada's innovation solution will be solved with a national talent strategy that enables firms to access all kinds of talent.

We all know that governments alone do not create jobs for the innovation economy; companies play the lead role in this. And our member institutions help companies fill the jobs they require in timeframes that meet their needs. Canada's leading polytechnic institutions and colleges are helping job creation in traditional and non-traditional ways. Indeed, up to 85% of our graduates obtain jobs in their chosen fields within six months of graduation. With modest federal support, we are capable of contributing even more to the talent pool that industry needs.

Since 2008, over 13,000 of our students undertook 1,100 applied research and development projects for over 2,500 Canadian small and medium-sized firms, many of which had no previous R and D capacity. And by the way, these projects create innovative jobs that are meant to last.

Why are our graduates so successful? Again, because we work closely with industry in developing programs relevant and responsive to its needs. Our graduates are shop-ready, research-ready, and career-ready on day one. One CEO said applied research at these kinds of institutions has allowed his firm to increase its R and D during the recession, keeping them competitive and innovative at a time when they are seeing peers in the manufacturing sector closing doors and shedding jobs.

The federal government has come to recognize our efforts. I mentioned how we can do more. We have our formal brief that outlines three practical and realistic measures that would help to create jobs.

We are advocating two new college-based pilot projects for innovation skills. One would provide opportunities to connect foreign-trained professionals already in Canada to the innovation economy. The second would allow entrepreneurs to transfer their valuable knowledge to students and to firms we collaborate with.

Our third recommendation involves apprenticeship and removing tax inequities for them.

You no doubt are familiar with the sports cliché that the best defence is a good offence. At Polytechnics Canada, we believe the best defence against a possible recession is investment in people. That is why we call our proposals “smart spending for smart jobs”.

Thank you.

I look forward to your questions.

• (1145)

The Chair: Thank you.

We will now hear from Mr. Lazar, please.

Mr. Avrim Lazar (President and Chief Executive Officer, Forest Products Association of Canada): Thank you. Allow me to start by congratulating Nobina on her panel's excellent report. The forest industry is very supportive of its work.

The Canadian forest industry continues to employ 600,000 people, and we are the major support for 200 communities across this country, communities that fall into social despair when the mill closes. So I want to talk mostly about how to sustain jobs across Canada and especially in rural Canada.

The question of how much spending government should do and how much controlling of the deficit it should do obviously is a fine balance. We all know that with a looming recession, some stimulus is needed and the government still has to do some spending.

What I want to talk about most is whether we can do that spending so as to maximize its impact on people keeping their jobs. And the best way of maximizing the impact of the government's spending is to look at measures that increase our long-term capacity to compete. There's no point in government stimulating in a way that supports the status quo. What we need is government intervention that accelerates transformation of industry so that we can keep jobs in the long term, and so that when the government stimulus is removed, the industries will be stronger rather than weaker as a result of the government stimulus.

The Canadian forest industry has four ways in which it is rapidly transforming: we are increasing productivity—we are already 20% better than the Canadian manufacturing average; we're exporting more to China and emerging markets; we are doing rapid innovation in both our business model and our technology; and we are improving our environmental performance.

The government has supported all those changes, and our key message today is this: don't allow the programs that support those changes to sunset. The programs under the forest industry long-term competitiveness strategy—such as the support for the innovation institute, for the Canada wood program, for exports, for advertising our environmental credentials—are the key to industry transformation, and they should not be sunsetted. If the government has to cut, it should be somewhere else, not in the programs that have the transformative effect, not in the programs that actually increase our capacity to compete.

I believe the total cost of those programs per year is \$64 million, and if it's necessary to find the savings elsewhere, we strongly suggest doing that, but we do not want to see that cut. We also want to see those programs modified to better support the implementation of the Canadian Boreal Forest Agreement, which has added a huge amount of environmental status to both the country and the industry in international markets.

The IFIT program, which allows us to commercialize R and D—that is, instead of letting the new ideas languish in the lab, bring them up to scale—has been funded at a level of \$100 million in the past. It's a huge success. I think at last count we had 52 more applications than there is money. That fund should be replenished at \$100 million a year for the next three years, because it is probably the thing with the most leverage of everything the government can do. It's taking good ideas that transform the industry out of the laboratory, out of the university, and putting them into the field where they actually create jobs.

We are great supporters of SDTC and the work it does, and we want to see the government continue to support it. There is one fund in there, the renewable energy fund—I think it's called next generation renewable—whose terms and conditions we'd like to see change from bioenergy and biochemicals to either one or the other.

Finally, going beyond the forest industry, the accelerated capital depreciation remains a great way of encouraging investment and increasing productivity, and we support all the other industries who are coming here to say we need investment in skilled labour, in trades, and a review of immigration procedures so that we can get the people we need here to keep the jobs here.

Thank you.

• (1150)

The Chair: Thank you, Mr. Lazar.

We'll hear from Mr. Passmore next, please.

Mr. Jeff Passmore (Chair, New Economy Alliance): Thank you, Mr. Chair.

And thanks very much to the committee for the opportunity to appear.

I'm representing the New Economy Alliance, and this is the first time, to my knowledge, in Canada that a group of industries representing forestry, chemicals, agriculture, renewable fuels, and biotechnology have come together with a common vision, one that seeks to see Canada develop a world-leading bioeconomy that adds value to our vast wealth of natural resources.

By happy circumstance, one of the founding members of the New Economy Alliance is beside me here, so, Mr. Chair, if you'll allow me, I'll save 30 seconds at the end for Avrim to also talk about why the Forest Products Association of Canada supports the New Economy Alliance.

Ladies and gentlemen, as you contemplated the questions that you put before all of us to answer, I was looking at all five of those questions, and two words kept coming to my mind. On every question that you asked, I couldn't help but think the answer to it was, "Make stuff". Now, of course, Canada does make stuff. So if you don't want two words, and you want five, then it's "Make stuff from renewable resources" or "Make stuff from Canada's natural resources".

Canada has a wealth of natural resources. We have 10% of the world's forests, for example. For decades Canada has been accused of being hewers of wood and drawers of water. What the New Economy Alliance is attempting to suggest is that in fact we need to take that natural resource advantage and create more than mere extraction value from it to drive the Canadian economy. Sophisticated value-added manufacturing jobs generate greater tax revenues for government.

In practical terms, what are we talking about here? Well, we need to learn how to do more with a tree than making two-by-fours and pulp. We need to make a new generation of manufactured goods, produced wholly or in part from renewable resources such as agricultural crops, trees, plants, micro-organisms, and organic residues.

Goods produced from renewable resources are typically referred to as bioproducts or biomaterials or biochemicals, and they include things like solvents and plastics and paints and adhesives and insulation and textiles and cosmetics and diapers. Canadians consume all of these products, but by making them in Canada as well, we can provide opportunities for traditional industries to upgrade and expand and stimulate much-needed economic development in rural and coastal communities, where a lot of these resources reside.

Value-added resource upgrading and technology innovation could open up multi-billion-dollar markets for a Canadian industry. The 2009 global market for green chemicals alone was \$46 billion, and it is forecast to be \$62 billion by 2015. So the members of the New Economy Alliance believe that by adding value, i.e. "making stuff", we could supply this fast-growing international bioproducts market.

Our written submission refers you to others who make the same point. One is a quote I took from the July/August edition of *Foreign Affairs* magazine that asks why Germany is such a success today. And the quote is:

...having companies that “make something” is a key element of economic success, in part because manufacturing jobs have historically paid above average wages. For its part, Germany embraced manufacturing, and much of its economic success is thanks to that decision.

And the OECD's comment is:

If it continues on course, the bioeconomy could make major socioeconomic contributions in OECD and non-OECD countries. ...The bioeconomy's success is not, however, guaranteed: harnessing its potential will require coordinated policy action by governments to reap the benefits of the biotechnology revolution.

That last quote really gets me to the sole ask. And I know everybody was allowed three, but we really only have one ask of the Government of Canada—and that's basically whichever is the appropriate department, whether it be Agriculture Canada or Natural Resources Canada or Industry Canada, or a combination of departments. They should, in collaboration with industry and other stakeholders, assess what the precise steps are that need to be taken. Are these tax steps? Are these program design steps? Is it government procurement? What steps need to be taken to drive investment in the bioeconomy and set Canada on the path to sustainable job creation and economic recovery?

I thank you for your attention, and I'll turn the floor over to Avrim for 30 seconds on why the Forest Products Association was one of the founding members of the New Economy Alliance.

• (1155)

The Chair: Mr. Lazar, you have 30 seconds.

Mr. Avrim Lazar: This is two-dimensional pulp turned into a piece of paper. Very strong in two dimensions. Obviously, it tears. The third dimension doesn't work.

One of my companies that went nearly bankrupt has the global patents for three-dimensional pulp. It's as light as paper and as strong in three dimensions. You can use it in airplanes. You can use it in automobiles. It's very light. It's made out of trees, it's renewable, and it's very strong. It's that kind of investment in new technology and research that changed.... It's not just the company. The town that would have closed when that pulp mill shut down will be eternally grateful for that research and high-tech development.

The Chair: Thank you.

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

[Translation]

Dr. Graham Carr (President, Canadian Federation for the Humanities and Social Sciences): Good morning. Thank you for giving me the opportunity to speak to you today.

[English]

I've just come from our big thinking lecture on the Hill where York University's Philip Kelly spoke about the educational and employment outcomes of the children of immigrants. He's spending the rest of the day meeting with senior civil servants and MPs who are taking advantage of his time in Ottawa. This is par for the course for lecturers of big thinking, our longstanding program that connects

the policy-makers and users of research with experts in our disciplines.

Next month we're bringing in University of Calgary tax and economic expert Jack Mintz, who advised us on our submission to the Jenkins panel. With the release of Monday's report, Jack's perspectives on where Canada stands in the global economy will be timely.

While their expertise varies, these people have much in common. They're addressing urgent matters that are on the minds of leaders, policy-makers, and Canadians.

Today, with the support of the granting agencies, notably the Social Sciences and Humanities Research Council of Canada, and other funding mechanisms, our students and researchers are tackling everything from cybercrime to aging to aboriginal education to digital media.

To be sure, some of the impacts of this work are not always easily measured, but that doesn't mean the impacts aren't real. Our students and researchers are in communities across the country, making tangible contributions every day. For example, University of Northern British Columbia researchers developed innovative commercial solutions to help sustain the \$13 billion forestry sector after the pine beetle infestation devastated 80% of merchantable lumber.

The Ottawa Neighbourhood Study is one of only 11 projects worldwide to receive an IBM centennial grant dedicated to improving health and social service delivery to Ottawa residents and neighbourhoods.

[Translation]

Researchers at the Université du Québec à Trois-Rivières have developed tools that make it possible to increase the flexibility, reaction time and capacity for innovation. These tools are currently being used in over 600 SMEs in Canada.

• (1200)

[English]

It's no wonder that Google recently announced plans to hire around 5,000 employees from the liberal arts. This is the logical extension of the advice delivered by Don Tapscott and dozens of other Canadian high-tech CEOs 10 years ago, and I'm quoting:

To prosper we need creative thinkers at all levels of the enterprise who are comfortable dealing with decisions in the bigger context. They must be able to communicate - to reason, create, write, and speak - for shared purposes....

Contrary to what some would have you believe, this need still persists. Workers who understand how people in different contexts think and behave are invaluable to productivity and prosperity. This will be even more essential as Canada moves forward into the knowledge-centred and digital economy. By more effectively harnessing and pairing diverse types of knowledge and by stimulating more research of all kinds, we believe Canada can achieve greater success by developing its comparative advantage, a knowledgeable, nimble, and globally connected citizenry and workforce.

With Budget 2011, we welcome the increased funding for the granting agencies, particularly for SSHRC, and the explicit acknowledgement of the important role for the humanities and social sciences in our society.

[Translation]

To take advantage of this situation, we recommend that the committee take into consideration the following three elements for the 2012 budget: first, maintaining investments in federal granting agencies and the Canadian Foundation for Innovation; second, greater support for cross-sector collaboration; third, more opportunities for students to display their talents in a wide range of businesses with real and often unmet research needs.

[English]

Michael Allen, president and CEO of United Way Canada, said it best when the Ottawa Neighbourhood Study received IBM support.

By bringing these partners together from academia, social services, government and business, we are leveraging each sector's expertise to ensure we have the greatest impact and enable positive change....

Ladies and gentlemen, as this committee carefully grapples with how to nurture an innovation system and generate better results in a financially constrained climate, it's a responsible decision to protect and sustain what we've built. Let's be strategic. Let's be holistic. And let's work together to bolster the whole. To fail to do so would jeopardize the momentum Canada has enviably generated in this innovation race.

[Translation]

Thank you.

The Chair: Thank you very much.

[English]

We will now hear from the Canadian Life and Health Insurance Association, please.

[Translation]

Mr. Frank Swedlove (President, Canadian Life and Health Insurance Association Inc.): Mr. Chair, members of the committee, I am very pleased to have the opportunity to be here today on behalf of the Canadian Life and Health Insurance Association. We welcome the opportunity to share our views with the committee as part of your pre-budget deliberations.

The CLHIA is a voluntary organization whose member companies account for 99% of Canada's life and health insurance business. The industry provides a wide range of financial security products such as life insurance, annuities and supplementary health insurance to about 26 million Canadians. Also, over two-thirds of Canada's pension

plans, primarily defined contribution plans for small and medium-sized businesses, are administered by Canada's life and health insurance industry.

I will focus most of my remarks today on the implementation of Pooled Registered Pension Plans, or PRPPs, and their benefits to Canadian workers.

But I first want to touch briefly on a tax matter that we raised in our pre-budget submission.

•(1205)

[English]

We strongly urge government to adopt a comprehensive group taxation regime. To attract more head offices and investment, taxation of corporate groups needs to be competitive with major developed countries around the world. Canada is the only G-8 country that does not have a statutory group tax relief mechanism.

Moving on to the pooled registered pension plans, we were pleased to see the statement from the Honourable Minister of State for Finance last week that he hopes to introduce legislation by the end of the year to implement PRPPs. However, if this does not occur, we would ask that the Minister of Finance take steps to introduce the necessary legislation in his next budget.

PRPPs offer an excellent opportunity to improve the retirement saving prospects for millions of Canadians. PRPPs will build on the successful defined contribution model by pooling many employees together in a plan offered and administered by regulated financial institutions. PRPPs will be attractive to small and mid-sized employers as well as the self-employed, and they will be available at a cost usually only realized by the very largest pension plans.

To be successful and to maintain low costs, it will be important to get the structure right. PRPPs will need to be simple, consistent across the country, and they will need to promote participation and growth of retirement savings.

To get Canadians started on a retirement savings plan in the first place, we recommend two provisions. The first involves auto-enrollment. When an employer offers a plan, employees would be told about it, and unless they choose to opt out they would be enrolled 60 days later and payroll deductions would begin. The second provision would be to require that all employers at least offer some form of workplace retirement plan. This would not require employer contributions, recognizing this might present a hardship for some employers, particularly in this economy; it would simply require that they facilitate a plan in the workplace.

We estimate that without these provisions, 175,000 Canadian workers could be enrolled in a PRPP. With auto-enrollment only, that number would rise to about 750,000. With auto-enrollment and a requirement that employers offer a plan, almost three million Canadians could be enrolled and saving for retirement.

We believe this is a wonderful opportunity that should not be missed. To get there we recommend that a framework be established for PRPPs that requires auto-enrollment of employees and that can be adopted by provinces and territories.

We recommend changes to the Income Tax Act to remove the requirement for an employment relationship between pension plan members and the plan sponsor. This would allow for pooled plans where there isn't a common employer and for plans administered by a financial institution.

We also recommend changes in the Income Tax Act to use a hybrid administrative regime for PRPPs that provides pension protection for spouses and common-law partners on death or marital breakdown. It would be locked in to provide retirement income but would also use the Income Tax Act's simpler RRSP contribution rules to reduce the administrative burden. These recommendations can be found in our August 2011 submission to the finance department.

[Translation]

Thank you again Mr. Chair for the opportunity to appear before the committee today. I would be pleased to provide any further input that the committee would find useful and answer any questions from the members of the committee.

Thank you very much.

The Chair: Thank you very much for your presentation.

[English]

Next we will have the Native Women's Association of Canada.

Ms. Jeannette Corbiere Lavell (President, Native Women's Association of Canada): *Bonjour.* I acknowledge the traditional people of this territory we are meeting on; that's the Algonquin Nation.

Megwetch to all of you for inviting the Native Women's Association of Canada to speak to this committee on the matters that are crucial to us as aboriginal women, our families, and our communities.

The Native Women's Association of Canada is a nationally representative political organization comprised of 13 provincial and territorial member associations from across this country. It is dedicated to improving the social, economic, health, and political well-being of aboriginal women in Canada.

I also appreciate the opportunity to speak to NWAC's perspective on the pre-budget consultations for 2012. I would like to begin by highlighting the growing gap in the comparative funding and treatment of our children, the first nations child welfare and support services for families.

Aboriginal Affairs and Northern Development funds aboriginal child and family service agencies at an average of 22% less than their provincial counterparts, even though it was 12 times more likely for an aboriginal child to be in care than a non-aboriginal child in 2009-10. Comprising only 4% of the total Canadian population, aboriginal children make up a staggering 30% of children in foster care.

Aboriginal children in foster care, like those children who were placed in residential schools, are being raised without their language, their culture, or their families.

We all are aware and continue to experience the negative impacts of the Indian residential school system. Similar and perhaps even worse negative outcomes will result if aboriginal children continue to be removed from their homes to become wards of the child welfare system.

NWAC regards this situation as urgent and one that must be addressed by all levels of government.

Aboriginal Affairs and Northern Development should determine the full costs of meeting the policy requirements of the first nations child and family services program and periodically review the program's budget to ensure that it continues to meet program requirements.

NWAC supports the recommendations made by the First Nations Child and Family Services Caring Society of Canada, imploring the government to take immediate steps to fully redress the inequities and structural problems that currently exist.

Another major concern for NWAC is the lack of equitable funding for first nations education on reserves. Evidence of the unequal provision of services to first nations children on reserve in Canada is overwhelming.

The underfunding of elementary education has led to the deterioration of first nations on-reserve schools, which are already in miserable condition and disrepair. Education funding for first nations must be increased to that of their provincial and territorial counterparts.

As most of you are also aware, NWAC's research has revealed that aboriginal women and girls are more vulnerable to violence due to impacts of past and current state policies, such as the residential schools, the "sixties scoop", and the child welfare system, all connected to poverty and racism. These deplorable conditions have resulted in more than 600 missing and/or murdered aboriginal women and girls.

NWAC is strongly recommending funding be allocated by all governments for a national inquiry on missing and murdered aboriginal women and girls. The national inquiry would focus on missing and murdered aboriginal women and girls across Canada. It is extremely necessary.

Lastly I want to emphasize that even though we at NWAC are very strategic in addressing priority areas, we are underfunded. While we partner with others, we are extremely limited by our resources. We are a national organization. This underfunding may be construed, not only by us but by others, as being discriminatory to us as aboriginal women, and perhaps it is contrary to the equality provision under the Canadian Constitution. This disparity in funding and equality cannot continue.

•(1210)

We encourage you to allocate additional funding that would allow NWAC and the provincial-territorial members to work collaboratively and effectively with the Government of Canada to address the barriers that hinder the well-being of our women, children, and our families.

Megwetch. Thank you for listening.

The Chair: Thank you very much for your presentation.

We'll now hear from the Canadian Institute for Military and Veteran Health Research.

[*Translation*]

Dr. Alice Aiken (Director, Canadian Institute for Military and Veteran Health Research): Thank you, Mr. Chair.

Good afternoon, honourable members of the Standing Committee on Finance.

[*English*]

Three weeks ago the Kingston community mourned the loss of a soldier veteran, one of our own who took his life as a result of the PTSD he suffered from multiple tours in Afghanistan. That same week, two other Canadian communities mourned a similar loss of veterans. We must ask ourselves what we can do to prevent these tragic outcomes of Canada's contribution to international peace and security.

I'm Dr. Alice Aiken, the scientific director of the Canadian Institute for Military and Veteran Health Research, a university professor in rehabilitation, and a proud veteran of the Royal Canadian Navy. I'm here today with my colleague, Brigadier-General Bill Richard, the co-chair of the institute's implementation committee and a 37-year veteran of the Canadian Army.

In November last year we established the Canadian Institute for Military and Veteran Health Research, with the full support of Veterans Affairs Canada and the Department of National Defence. Until then, Canada was alone among our major allies in not having such an institute. This academic institute that extends from east to west across Canada includes 19 universities and 150 researchers, and is still growing.

We've joined together to respond to government priorities for research on the unique health and social consequences that impact military personnel, veterans, and their families, those who have sacrificed so much for our country. We are here today to recommend that the Government of Canada invest in the institute's research program to guide the health and social programs and services to support these patriotic individuals.

•(1215)

[*Translation*]

Over 700,000 veterans in Canada and over 100,000 active service personnel constitute a significant population, exposed to particular risks and experiences that require new standards of protection, prevention and care for sick and injured military members, veterans and their families.

[*English*]

As of now, more people have served in Afghanistan than served in Korea. We have the largest number of injuries since the Korean War, and these injuries are more complex. Parliament has been advised that one in five of those who served in Afghanistan and our other recent missions will suffer from mental health issues, and we have no idea if the scope of this problem is in fact this limited.

The Canadian government has provided our military going into battle with the best training and equipment in the world, but we must ensure that when these soldiers return to their new battlefield, a personal battlefield that's marked by physical and mental injuries and social challenges in reintegrating into family and community life, we provide them with the same level of support. This support must be based on the best evidence possible resulting from research by the best and brightest Canada has to offer.

The institute will be responsive to the priorities set by the government, but it will be at arm's length. This is at the request of the Canadian Forces Surgeon General and Veterans Affairs, in order to ensure the research is accepted as independent of government and in the best interests of the beneficiaries. It's important that the research be proactive in examining the health consequences of current and future operations rather than chasing syndromes or Agent Orange types of scenarios long after the issue. And it's critical that this research gets into the hands of those who can use it: health care providers, program developers, and policy makers.

Government support to this institute is an excellent investment because it will create jobs in areas such as technology, research, and health and knowledge exchange. It will reduce health care costs and improve the economy by ensuring veterans successfully transition to civilian life and contribute to the Canadian workforce. The knowledge generated by the research will also benefit first responders such as firefighters and police who work in similar situations, and indeed the entire Canadian population, as demonstrated by the Afghanistan operation, which has already produced excellent evidence on trauma care.

We've asked for \$30 million over five years, and we will leverage this funding through public-private partnerships with industry, through Canadian philanthropic support, and by partnering with research funding organizations and our military allies. We have also asked the government to provide an incentive that will encourage the defence industry to invest in research for military and veteran health.

Our soldiers are returning from a difficult 10-year combat mission and they're already preparing for future deployments. Our country has a social covenant with these Canadian sons and daughters, husbands and wives, mothers and fathers that we send into harm's way in defence of the freedom and quality of life we all enjoy. The academic community is mobilized, our partners are committed, and Canadian pride in the military is strong.

Our government's support for the best possible care of these men and women needs to be formalized, and funding the Canadian Institute for Military and Veteran Health Research is a sustainable key.

[*Translation*]

Thank you.

•(1220)

[*English*]

The Chair: Thank you very much for your presentation.

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

Ms. Peggy Nash: Thank you, Mr. Chair, and thank you for those very interesting presentations.

I'd like to begin with Mr. Lazar and Mr. Passmore.

I'm very interested in the accelerator fund, the repayable fund, for more sustainable innovation in the forestry product sector. Would you agree that this kind of a fund, especially because it's repayable, is an investment in our economy even if money is spent there? They are about positioning our economy for the future, not to mention the job creation benefits and various spinoffs that come from that.

Mr. Avrim Lazar: Yes, of course, it's an investment. It's an investment in the country's economy and in future employment.

The reason why we're experimenting with the idea of an accelerator fund is that if all these moneys were repayable, it would avoid the sort of traditional problems we've had with government investment, which is either politically or socially persuaded choices that didn't have sound economics. If the companies applying for these funds actually had to make the business case and say they would be repayable, that would mean (a) the fund would last forever, and (b) only wise investments would be made.

You could say that if it's a good business case, why not just borrow the money from the banks and what not. The answer is that we can, but it moves very slowly. The availability of cash for the forestry industry is very difficult.

If we want, as a nation, to see both the environmental and job performance of the industry enhanced, the idea is to use government money to accelerate the investment process.

Ms. Peggy Nash: Thank you for that.

You mentioned Germany. That's exactly what Germany did and they have made their technology cutting edge. They have put their focus on value-added jobs and making things in Germany.

Mr. Avrim Lazar: Our experience is that the competition is not global; it's international. It's between nations. The U.S., Europe, Brazil, all those nations are investing heavily in the transformation of their industries. If we go ahead on the presumption that it's just between companies, we're simply going to get left behind.

Ms. Peggy Nash: One other aspect to that, as you've mentioned, is skilled jobs. Can you give us a sense of how you would see the balance going forward?

We're going to have a generational change as many skilled workers will retire. How do you see the balance between attracting

skilled workers to Canada through immigration and putting a new emphasis on apprenticeships and encouraging young people?

Not everyone needs to go to university. In fact, a trades job is a good solid career going forward, and we should be encouraging creating a capacity for young people to get into skilled trades.

Mr. Avrim Lazar: We're hugely supportive of any possible government initiative to encourage people to go into skilled trades. We've had experiences where we got grants for exciting things, but we couldn't find welders to build the equipment. There is a huge shortage of skilled trades. Training them, importing them—we don't care how we get them. I think we should use all of them.

I just want to add that there's a huge labour pool of first nations youth who are close to where our forest industry does business. We'd love to see government partner with us in creating the training there, and we have the jobs waiting.

Ms. Peggy Nash: Excellent, and I thank you for that.

I will go to Ms. Corbiere Lavell.

First of all, I want to support NWAC in calling for an inquiry for the missing and murdered women.

Concerning first nations education, are you proposing that the 2% cap on education funding be removed, or are you looking for parity with the proportion of funding that provinces and territories are putting in place?

Ms. Jeannette Corbiere Lavell: I'm a retired teacher in my community. I taught at the elementary and secondary levels. I know firsthand that the funding we get in our schools on reserves is much less than our counterparts just out of our community. We're asking that it at least be comparable, and the 2% cap did not address that in the last I don't know how many years—10, 15, or 20 years even. I want it comparable.

•(1225)

The Chair: You're out of time. I apologize for that.

We'll go now to Ms. McLeod, please, for five minutes.

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

I think because I'm from a forestry-dependent community I'll have to quickly head down that forestry path for a minute.

Certainly great headlines were made this week in terms of trade with China, trade with India, and some revitalizations. I know this committee last year when we travelled had an opportunity to visit the Domtar Mill and see the green transformation fund and what that did.

You've talked about the \$60 million in forest sector transformation. I think sometimes it's good to put actual pieces of the puzzle to what's happening, so can you talk a little bit about where you're going with that?

Mr. Avrim Lazar: The green transformation fund is about three-quarters spent right now—

Mrs. Cathy McLeod: Sorry, I know what the green transformation fund is, but the \$60 million in the forest sector transformation.

Mr. Avrim Lazar: That fund in the past has been used to finance our incursions into China. Of course, China is very nation-to-nation centred. Having government help with that has resulted in a huge increase in our exports to China. I haven't got the last number, but at last count there were 11 towns whose financial existence has been saved by exports to China. So that's been hugely successful.

The other help we've got from that is the money for research and innovation. This three-dimensional pulp comes out of that funding as well. It's also been used to tell the story of what the industry's done environmentally. The reason why that's important is the industry improves environmentally but then doesn't get any credit. There's no incentive. By the government telling the story, it creates a huge incentive and some accountability on the industry.

Those have been very successful programs. The rate of change in the industry has been breathtaking, and it is government's smart spending that can take part of the credit. To stop those programs in their track today would be just plain stupid—that's the only word I can say. Why would we take something that's taking an industry that used to be a sunset industry and turning it into a world-leading, transformative industry and put the brakes on all that change mid-course?

Mrs. Cathy McLeod: My next question, and perhaps both Mr. Lazar and Mr. Passmore might want to answer it.... We heard the comment "make stuff". On one hand, it is very important, and it's been very valuable in terms of increased markets for our forestry products, but how do we also create that "make stuff" mentality within Canada?

Mr. Avrim Lazar: We used to just produce lumber, pulp, and paper. That's making stuff, believe me. It's been enough to employ 600,000 Canadians. We're now also making bioenergy, the equivalent to three nuclear reactors. With biochemicals, bioethanol, biodiesel, we are extracting from every single tree far more value than anyone every dreamed possible. As a result, not only are we saving jobs, but we have a zero waste imperative. So it's not just to make stuff; it's to make as much stuff as you possibly can and add as much value as you possibly can from every tree.

We used to think the secret was to go up the value chain and make fine pianos, but that's very labour intensive and Canadians don't want to work for those low wages. Instead of doing that, we're extracting more value from every tree, which allows us to pay the high wages you get in the natural resources sector but still get far more value from the natural resource.

Mr. Jeff Passmore: The same thing could be said for the agriculture sector, where at the farm gate you could create a lot more value from agriculture residue, whether it's straw or a forestry product. Once you've got a biomass, which has a high level of cellulose in it, and you can convert that cellulose to sugars, then

those sugars can be turned into, or we could turn them into, renewable fuels. You can also turn them into polymers to make plastics. Almost everything you can currently imagine that is made from hydrocarbons, all the consumer products, could instead be made from carbohydrates or from biomass, and there's a huge amount of consumer demand for those green products.

I mentioned in our written submission that the U.S. Department of Agriculture has a biopreferred program now with over 5,000 identified consumer products that either wholly or in part are made from biomass, and over 100 companies—I think the number is up to over 200 companies since I made the written submission—have now applied to the U.S. Department of Agriculture for biopreferred labelling because they want to meet that consumer demand.

● (1230)

The Chair: Thank you, and thank you, Ms. McLeod.

We'll go to Mr. Brison, please.

Hon. Scott Brison: Thank you, Mr. Chair, and thank you to each of you.

Mr. Lazar, what are some other countries doing in terms of bioenergy and the bioproduct area that we ought to be doing here? Which countries have established best practice approaches that we could implement to be competitive in the jobs of tomorrow?

Mr. Avrim Lazar: That's a good question. Basically just about all of our competitors' governments are doing more than the government is doing here. While what our government has done has been hugely useful and well targeted, it's been much less ambitious than in the States, Europe, South America, and even in China. They've been investing much more heavily in the transformation into bioenergy, bioplastics; they are investing more heavily into turning what used to be pulp mills into biorefineries. We're doing that in Canada as well, but we're doing it with less government support than our competitors are getting.

We're quite willing to compete with any other company across the globe. Canadians are just as smart, just as hard working, and just as innovative as any other company. We can't compete with their governments.

The U.S. invests massively. It's not as smart as our investments, which has given us a bit of an advantage, but they're investing more than 10 times as much as Canada.

Hon. Scott Brison: Thank you, Mr. Lazar.

Mr. Swedlove, it's good to see you again in front of our committee.

You mentioned that the PRPP approach provides the advantage of lower costs in terms of managed funds. I agree with that. As a principle, I generally support measures that increase choice and security for investors and that reduce fees.

The Canada Pension Plan has a very low administration cost associated with it. It's geographically and sectorally diversified. It's diversified across asset classes, with everything from private equity and public markets to real estate and infrastructure. In addition to the PRPP proposal, would you be averse to enabling Canadians, on a voluntary basis, to invest in a supplementary Canada Pension Plan? It would seem consistent with your proposal.

Mr. Frank Swedlove: Thank you, Mr. Brison.

Indeed it would be possible to have a supplementary CPP plan that would be in addition to a PRPP structure. I think there are a number of things, though, that one would want to consider if they wanted to go in that direction.

First of all, the existing CPP structure is not a defined contribution structure, so they would have to create an entire infrastructure in order to provide a defined contribution supplement to the existing system. I think there would also be a bit of confusion among Canadians between the defined benefit CPP plan that exists today and a supplementary CPP system—

Hon. Scott Brison: But with any additional investment product... the PRPP will create some level of confusion initially.

Mr. Frank Swedlove: I think people would recognize there's a separation between their existing CPP structure and a PRPP, which is a defined contribution system.

Also, I think people should reflect on the fact that if you look at the expected growth numbers of the CPPIB, we will be seeing, by 2040, a CPPIB that will have about \$750 billion to invest. It would represent about 20% of the pension business in Canada. That's the existing CPP.

I guess an issue that I would at least put on the table would be if we were to look at having a supplementary CPP, that would increase pretty significantly the assets in the hands of one organization, the CPPIB, in terms of making investment decisions.

The Chair: Could you wrap up very briefly?

Hon. Scott Brison: You could also allow, for instance, OMERS, teachers. There could be provisions to do that as well.

Just quickly on—

• (1235)

The Chair: I'm sorry, we are out of time, Mr. Brison. I apologize for that, but we do have to move along.

Mr. Van Kesteren, please.

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

Thank you all for appearing.

Mr. Lazar, in a former committee, I recall, and Mr. Rajotte will recall as well, we did an industry study and had the forest people as witnesses. We recognize that there is boreal forest to cover the whole earth.

You said, I think, that 20% of the...? It's 10%—substantial.

So there are lots of trees, and we're doing some wonderful things. But I remember asking the question, who makes the equipment? I don't know if you were there, but the answer was that Sweden does. I thought, wow, these people were ahead of the curve.

Now, I say that, but it is not a criticism. I just think that for a government this is an excellent project; it's an excellent strategy.

Ms. Robinson, I, for instance, chair a trucking caucus. In this country the other thing we have is roads. We have lots of roads; we do lots of transport. Are there areas that we could target to become world leaders in providing the equipment?

Do you see opportunities there? Is that something you might want to talk about?

Ms. Nobina Robinson: Thank you very much for your question. Indeed there are vast opportunities in the areas where Canada has had either historical or recent industrial strength. Both in my day job and in the work I've just finished, I think sometimes we focus too much on chasing other countries and the new great good that the IT sector will bring and have overlooked some of our endowed abilities to produce equipment and technology and processes to harness what we already have, where we have expertise already.

So yes, certainly the nine members I represent are leaders in providing tradespeople. There are 35,000 apprentices currently enrolled in just these nine colleges, and they would be in a whole set of the areas that are involved in needing equipment—creating equipment, prototyping new equipment, scaling up new processes of use of equipment. Yes, I think that's vast.

I'd like to just make a point from yesterday's announcement on the shipbuilding. Out in B.C., and I'm sure this is the case for the east as well, the contract to Seaspan will create the need for millwrights, welders, and shipbuilders, and not just them, but also people who have to deal with occupational safety and health and marine designers of all kinds. And BCIT will be there helping to create those workers. I think you will see that this is a real example.

My point to you is that apprentices are no longer employees; they are learners and they need to be treated as such.

Mr. Dave Van Kesteren: I'm a big fan of colleges—and of universities as well. In my riding of Chatham—Kent—Essex, the infrastructure money in the Building Canada Fund resulted in some excellent expansions in that facility. It will result in more apprenticeships and more tradespeople.

Can you talk about the impact this has had on some of your colleges? Traditionally, the federal government doesn't become involved in bricks and mortar, but because of what happened in 2008 we had this rare opportunity to make some important investments.

Would you tell us a little about those and what impact they've had?

The Chair: Make it a very brief response.

Ms. Nobina Robinson: You're referring to the knowledge infrastructure program?

Mr. Dave Van Kesteren: Yes.

Ms. Nobina Robinson: Every one of my members benefited to some great degree. You're right; it's about bricks and mortar. I think it's a misnomer to think it paid for research facilities. It didn't; it paid for bricks and mortar and deferred maintenance. It's a very important program.

All our colleges of Polytechnics Canada have completed those projects on time.

It's a very important one-time investment. I think we need to invest in the soft side now, in the people.

The Chair: Thank you.

We'll go to Mr. Marston now, please, for five minutes.

Mr. Wayne Marston (Hamilton East—Stoney Creek, NDP): I'm going to be as quick as I can, Mr. Chair.

Ms. Aiken, I agree with you 100%, and I support your request and I want to be very clear. I'm just going to make a couple of comments before questions.

Mr. Swedlove, concerning your conversation about the PRPP—I'm the critic for pensions for the NDP—we have been promoting the expansion of the core assets of the CPP in a phased-in fashion in order to increase the payout of the CPP in about 30 years' time, because sixty-some percent of Canadians have no pension. The PRPP addresses a portion of that. Our concern is with the different case with the defined benefit plans and the fact that CPP is better protected in market swings.

I'm not really asking a question. I would like you afterwards, if you would, to send me a little more information. You talked about 2040 and the \$750 billion investment and its impact. If you could give me two paragraphs on what that is sometime and send it to me or to the committee, it's something we need to consider as a committee.

Now, Mr. Lazar, the NDP has proposed the greening of homes and buildings in Canada and saying we should be investing in this. A spinoff that we see from it as well is that we have the baby boomers retiring and we face a lack of technical expertise that could be addressed by this. We proposed getting into it at a \$2 billion level. We would have electricians and carpenters and a number of other people.

Another thing we have to keep in mind is the first nations homes, which are in the worst condition of housing stock anywhere in this country. This is in line with what you've said.

If you would like to comment on that further, feel free.

●(1240)

Mr. Avrim Lazar: We are strong supporters of an enhanced first nations building program. It is something we think would benefit both the first nations communities and of course the rural communities that are producing the lumber.

The greening of Canada's homes obviously would be of great advantage to everyone. Those who know the carbon footprint of wood would tell you that it is far lower than that of any of the competing building materials, and a wood-based building program would be hugely useful.

So we're generally supportive, though where \$2 billion should be spent and where it shouldn't be spent is a larger issue of balancing hard choices.

Mr. Wayne Marston: Sure.

Mr. Passmore, you talked about making stuff. Hamilton made stuff for generations. I took Jack Layton to Burlington Street, and he said "turn in a circle", where we lost 50,000 jobs in this, our own community, in short order.

We have a concern about the fact that it appears the government is opening the door to giving away resources without value added on those resources. A critical piece for us is to find a national strategy for manufacturing to tie this together. I'd like your opinions on that.

Mr. Jeff Passmore: That was basically the essential, sole ask of the New Economy Alliance: how do we work together as government and industry to figure out what that strategy is going to be?

Interestingly, there's a clear need seen by government, because as soon as the New Economy Alliance formed, which was only last May, we were approached by Agriculture Canada saying they needed somebody to talk to and that they would like to talk to us, because they didn't know whom to interface with in industry.

Our ask is that we sit down together, government and industry, and figure out the exact answer to the question you're asking: how do we assure that we add value to Canada's vast natural resources? We're envied around the world for the natural resources we have. We have to add value to those resources and then export that added value, not just the raw materials.

Mr. Wayne Marston: Clearly we need a national manufacturing strategy.

Mr. Jeff Passmore: Yes.

Mr. Wayne Marston: Thank you, sir.

I'm fine. I'll pass on the rest, because I fit it all in as quickly as I could.

The Chair: All right, thank you, Mr. Marston. That was very efficient.

We'll go to Mr. Adler, please.

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

I want to thank all of the witnesses for being here today. Those were very interesting presentations by all of you.

I want to ask my first question to Mr. Swedlove. In researching for today's panel, I came across some interesting information. You did a poll earlier this year as an association on PRPPs, and I'm going to just quote from it. It showed that "90% of Canadians said they support the federal government's proposal for employers to have better access to pension plans through...PRPPs." You went on to say, "It is rare to see a public policy idea receive virtual unanimous approval with the public."

Would you comment on that poll that you did? And if you could expand on it a little bit, that would be terrific.

Mr. Frank Swedlove: Thank you, Mr. Adler.

We were quite surprised by the results also. The poll showed that there's a recognition by Canadians that they would like to have more and better opportunities to save for retirement.

The biggest issue we see, and this is identified in Jack Mintz's report, which was done for a number of governments, is that the real gap that exists is in the private sector, where more than 50% of Canadians do not have access to saving for retirement at the workplace, which is the easiest place to save.

Our proposal and the proposal of a number of other sectors is that Canadians should have the opportunity to save for retirement where it's easiest to do so, and I think that's been recognized by the public in the survey we did.

•(1245)

Mr. Mark Adler: Mr. Lazar, it's interesting to see you again. You probably don't remember me, but I was in your class at Carleton grad school, in the school of public administration, for organizational behaviour.

Voices: Oh, oh!

Mr. Mark Adler: I did get an A, so I'm not complaining.

Voices: Oh, oh!

Mr. Mark Adler: Our government has been very supportive of the pulp and paper industry with actions like encouraging the two-year extension of the accelerated capital cost allowance. Some have called for increased taxes on corporations and increasing the size of government. I'm just wondering how an increase in taxes would affect your industry and also how lower taxes help.

Mr. Avrim Lazar: Let's talk about the jobs in this industry. The only way we can create and keep jobs, and avoid losing jobs, is to be more competitive than the Americans, the Europeans, and the Brazilians. That's the only way. We sell almost everything we make to global markets, so we have to be competitive. The only way to be competitive is to get cash to invest in modernizing the mills. Cash is not a very nice thing. Global capital has no loyalty; it goes to where there's a fast return. Accelerated capital depreciation gives a faster return and brings the cash in. That cash modernizes the mills, which allows us to keep people working.

Higher taxes have the opposite impact. Even in the companies that belong to my association, most have mills in many countries. They have a pool of cash where they have to decide whether to give it to a mill in Georgia or in France or in Uruguay or in B.C., Quebec, or Ontario. The answer is not based upon loyalty or love or anything

like that; it's on speed of return. Where will they get the money back? Taxes have a big impact on their perception of that. That's clear enough.

The Chair: You have 20 seconds.

Mr. Mark Adler: I have a quick question.

You mentioned three-dimensional pulp. What company is doing that, and where is it located?

Mr. Avrim Lazar: It's Tembec.

Mr. Mark Adler: Thank you.

The Chair: Thank you.

I regret having to cut off the discussion. It's a very good discussion. I know other members do have questions, but unfortunately we did start late. We also have a motion by one of our members and a couple of other items that I have to deal with. And I have members who I think have to be somewhere at one o'clock.

I'm terribly sorry for that. It was an excellent discussion. We thank you all for being with us here today.

If you have anything further, please submit it to the clerk. We will ensure all members get it.

Colleagues, I will suspend just for a minute and then we'll start with Mr. Brison's motion.

•(1245)

_____ (Pause) _____

•(1250)

The Chair: I'll ask members to take their seats, please.

Colleagues, you should have a number of documents in front of you. Does everyone have the package that was distributed? I'm assuming you do.

The first item is just the additional witnesses for Prince Rupert and Saskatoon, which have been agreed to by parties. It's for information, but we just want to formally adopt it.

Does everyone have that front page?

Some hon. members: Yes.

The Chair: Okay.

That's okay? Thank you.

Secondly, we'll go to the motion by Mr. Brison, so I'll give the floor to Mr. Brison.

Hon. Scott Brison: Thank you, Mr. Chair.

Before I speak to the motion, I want to inform the committee that I am a Taurean. My astrological sign is Taurus, and as such sometimes I can lose my temper and from time to time be bullheaded. That may have been the case, and in fact I think it was the case, three weeks ago. Yesterday my horoscope in *The Globe and Mail* in fact said you need to patch things up with someone you have had an on/off argument with for weeks. I take these directions very seriously, and my astrological advisor, *The Globe and Mail*, is quite right. I would like to apologize to Ms. Glover for my use of unparliamentary language and withdraw.

Some hon. members: Hear, hear!

Hon. Scott Brison: Now, beyond points of courtesy and astrology, you all have the copy of the motion with the friendly amendment:

Whereas the Government of Canada and the Bank of Canada jointly agreed in 2006 that the Bank of Canada will conduct monetary policy with the aim of keeping inflation, as measured by the consumer price index (CPI), at 2 percent; Whereas this joint agreement on the inflation-control target ends on December 31, 2011; and

Whereas the Governor of the Bank of Canada is scheduled to appear before the Committee on November 1, 2011;

Therefore the Committee should hold at least one meeting before the end of November 2011 to hear from witnesses such as but not limited to members of the C.D. Howe Institute Monetary Policy Council on whether or not the Government of Canada and the Bank of Canada should consider other targets such as but not limited to nominal GDP or full employment.

Ms. Nash has suggested in another friendly amendment that in addition to this she may wish to move that, so I move this motion.

• (1255)

The Chair: Thank you, Mr. Brison.

I just want to point out that I have the friendly amendment but members do not, so I will just make clear that the friendly amendment is essentially this. The first three paragraphs are exactly the same, so it is the paragraph that deals with witnesses:

Therefore the Committee should hold at least one meeting before the end of November 2011 to hear from witnesses such as but not limited to members of the C.D. Howe Institute Monetary Policy Council on whether or not the Government of Canada and the Bank of Canada should consider other targets such as but not limited to nominal GDP or full employment.

That is the amendment you are making. Did everyone get that? Is that okay?

Does anyone have discussion?

Ms. Nash.

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

Given that if the committee is supportive of holding this kind of hearing, which we certainly are, and given that with Mr. Brison's amendment we're going to include topics like nominal GDP or full employment, I would argue that we should include other witnesses. I know they are not precluded from appearing, but we are spelling out the C.D. Howe Institute, and I would like to spell out that we also hear from the Canadian Labour Congress and Alex Himelfarb and that this be included in the motion. Just as we're listing the C.D. Howe Institute, we should list these others who could address these other issues such as full employment.

The Chair: The recommendation is that we add:

such as the Canadian Labour Congress and Alex Himelfarb.

Ms. Peggy Nash: I would like to move that amendment.

The Chair: Thank you.

I have Ms. Glover, please.

Mrs. Shelly Glover: Very briefly, this side of the table will not support that friendly amendment, but we will support the amendment put forward by Mr. Brison.

The Chair: Okay, thank you.

Mr. Brison.

Hon. Scott Brison: Given that we have added full employment in addition to nominal GDP, and we know that nominal GDP discussions and proposals have been, among others.... The Economist Intelligence Unit has put forth some ideas on this and also the C.D. Howe Institute's Monetary Policy Council, and people like Scott Sumner, so we understand that is covered in terms of the C.D. Howe Institute Monetary Policy Council. But when you talk about full employment, I think Ms. Nash is right that organizations and individuals who are associated with that ought to be invited as well. If we're going to talk about full employment as one of the goals to discuss, we would benefit hearing from them.

The Chair: Okay, thank you.

Ms. Nash, and then Ms. Glover, please.

Ms. Peggy Nash: Yes. I don't know why we wouldn't want to specifically indicate some other witnesses. It's about hearing from witnesses who have background and knowledge that could be very useful in this discussion. I don't know why we wouldn't want to include them if we're willing to include the topic of full employment.

I think it's important. If we're going to hear from a think-tank that's going to have one point of view on the more conservative end of the spectrum, I want to make sure we have a balanced approach and that we're hearing from an organization that is on the progressive end of the spectrum, the Canadian Labour Congress. Alex Himelfarb is eminently qualified as a former Clerk of the Privy Council to give his views and opinions to this committee, and I think his testimony would be very valuable.

• (1300)

The Chair: Thank you.

Ms. Glover, please.

Mrs. Shelly Glover: I probably should have explained, because I think the opposition has missed the point of what I was trying to say in supporting Mr. Brison's motion and not theirs. The point is that it's already included that we can invite witnesses at our choosing.

We can debate at a later time whom we're going to invite, but spending the time now to talk about witnesses when we only have two minutes for one is not a good use of time, because we still have a couple of other things on the agenda. So we can certainly discuss whom we're going to invite, but at a later time.

The motion covers that we're going to be open to other witnesses, and I would rather discuss that at a later time, because we could spend the next 30 to 40 minutes talking about which witnesses we want to submit, and that should be done at subcommittee or committee at another time, not today.

The Chair: I have Ms. Nash, but perhaps the chair could just offer a friendly suggestion, which is that we say:

Therefore the committee should hold at least one meeting before the end of November 2011 to hear from witnesses on whether or not the Government of Canada and the Bank of Canada should consider other targets, such as, but not limited to, nominal GDP or full employment.

My sense is the entire committee agrees with this, that there'll be a strong indication of who members want to invite, but I think the motion would pass, and then we can have a discussion as to who to invite to the meeting as witnesses.

That's just a friendly suggestion, Mr. Brison. I did it independently of....

As the mover, are you okay with that, Mr. Brison?

Hon. Scott Brison: I'm fine with that.

The Chair: Okay. All in favour?

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

The Chair: That's unanimous. Thank you.

Very quickly, I'm just going to go through...you have a copy of the schedule; just review that. We will obviously be adding some more. We'll be adding this meeting as well, and it looks as if we'll have to have some form of subcommittee to decide witnesses.

It looks as if we will have the minister on November 1 with regard to the Budget Implementation Act. That has to be added to the schedule; we will do that.

We do have copies of the travel itinerary for next week. If anyone wants a paper copy, please come and see the clerk.

The last thing is with regard to the issue of notices of motions, and I don't want to get into a long discussion; this is more for members' information. This clarifies the letter I sent to members. Mr. Brison pointed out that there's a difference between what I said are the rules and what the practice is. So this document is designed to clarify that. I hope it does add some clarification. If members do want to take this further, we certainly can have a longer discussion about it. But everyone should have a copy. Please review it. If you have any questions, talk to me or the clerk.

I think that's all for today. That's it.

Thank you all, colleagues.

Mrs. Cathy McLeod: Are you going to fit in that meeting that we just motioned about before November 1?

The Chair: No, the end of November. Thank you all.

The meeting is adjourned.

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