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Chair

Mr. Massimo Pacetti

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• (1150)

[English]

The Chair (Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.)): Good morning.

Our problem with our panels is that they're too interesting. What happens is they don't end, but just continue. It's a challenge we have, so we have to stick to a schedule, unfortunately—or, fortunately, depending on how we view it.

We're here pursuant to Standing Order 83.1 for the pre-budget consultations for 2005.

The way I'm going to work this is that I'll allow you a seven- to eight-minute timeframe to present your opening briefs, remarks, or presentations, whatever you want to call them. Try not to go over that time, please, because I then have to interrupt you, and I really don't want to do that. If we can stick to this, the members can then ask questions.

If we can get started, we have the Association of Colleges of Applied Arts and Technology of Ontario, and Ms. Homer and Dr. Miner.

Mr. Rick Miner (Chair, Association of Colleges of Applied Arts and Technology of Ontario): Thank you very much.

My name is Rick Miner. I'm president of Seneca College. I'm also chair of the Association of Colleges of Applied Arts and Technology of Ontario, referred to as ACAATO. We represent 24 colleges in the province, located in 200 different communities, and we have about half a million students at any one point in time.

With me today is Joan Homer. Joan is the CEO of ACAATO.

My day-to-day job is as president of Seneca College. We're the largest college in North America. We have about 100,000 students and we offer about 260 different career options.

My comments today are with both hats, as a college president and as the chair of the largest college association in Canada.

I know you've heard a lot from my colleagues in Ottawa. ACCC presented a brief last week, and I'm sure you're intimately familiar with it. They were bringing to your attention the major challenges that are occurring in the 21st century, with particular reference to global competition, changing technologies, and the aging workforce. I won't re-address those points.

Your committee, it seems to us, is really asking the question, how can we influence Canadians' prosperity? One of the issues that concerns us is that if we don't address it we're going to increase the

economic divide between the rich and the poor. We would like to see that divide brought together not through social programs but through increased opportunities. We think colleges have a particular role in that regard, because if you look at the demographics of those people who attend colleges, you find they're equally represented in all socio-economic brackets in the province. You get a broad involvement across the province.

As well, you would recognize that college education is very affordable. It has lower tuitions, students tend to stay and study in their home environments and home communities, they tend to graduate more quickly, there are lower debt loads, and there's more immediate employability. Of particular interest in a prosperity agenda, they tend to be more directly involved in entrepreneurial activities. The colleges are always trying to maintain currency, always trying to work with their constituencies.

You may be interested to know that last month we launched a very aggressive program labelled "Pathway to Prosperity". This will be a comprehensive discussion with all constituency groups, business students, politicians, unions, and others to help understand where the workforce of the 21st century ought to go. We're very confident that this information will help both the federal and the provincial governments set their plans for the future.

We realize you have a pressing issue, and that is where the budget should go. I would like to make some comments on behalf of the association as well as my college in that regard.

Let me make a few of these points and reference the Honourable Ralph Goodale, who has identified productivity as one of the key factors that is going to influence Canada's future. Colleges certainly welcome this initiative. If Canada is going to be a highly productive society, education is going to be the key. Without education, I think we are going to be in a very difficult situation, given the changes that are occurring in the global economy.

Our first recommendation would be for the government to consider the reinstatement of Canada's social transfer payments that were in existence, and particularly to look at reinstating them at the 1993 level as a share of GDP. If we're going to produce more qualified people, as the Association of Canadian Community Colleges mentioned to you last week, we really need an infrastructure fund to address some of the deferred maintenance that has occurred in our physical system. The deferred maintenance, ongoing support, and a need to enhance technology to stay current with training and competitive requirements are very important.

The time has really come for the federal government to also recognize the role Canadian colleges play in applied research. Unfortunately, this role has historically been undervalued. Colleges are very directly involved in the commercialization, innovation, research, and technology transfer part of this equation, working particularly with SMEs on their patents and prototypes, and we think we could do a lot more.

• (1155)

In order to enhance that ability, I think we ought to look at ways to expand the research funding in our existing organizations—CFI, CRC, NSERC, SSHRC, the Medical Council—that would allow college involvement. Currently the rules don't allow colleges to get involved in those applied research activities. We think there's a role for colleges, and we'd like to see that expanded. We would hope there would be some consideration given to creating commercialization of research chairs that would allow us to work with SMEs and help them in that commercialization process.

The last point on the budgetary side is that in the federal budget of 2005, we had the announcement of \$1.5 billion in new money for the education sector. The announcements on that have not yet come forward, and we hope they do soon. We also hope there will be a proportional representation of college funding in those announcements.

On the policy side, there are a number of things I'd like to very quickly bring forward to you.

First, we'd like to see you accelerate the Ontario labour market development agreement. There has been discussion, and we'd like to see that come to fruition. We think that will help in the skills trade area.

We'd like to see an acceleration of funding in the new Canadian immigration. Again, those discussions are ongoing, and hopefully that will come to fruition shortly.

We'd like to see a shifting of the Canadian student loans program more to a learner support system. It's not simply loans that create student success, it's a broad array of programs that allow students to move into an educational system and ultimately graduate.

My final recommendation is that as the consultation process goes on with regard to the role of post-secondary education in Canadian society, we ensure a broad representation of college involvement. ACAATO, being the largest provincial association, would seem to be an entity that would have particular relevance to that consultation.

Thank you very much for your time. I look forward to your questions later in the session.

The Chair: Thank you, Mr. Miner.

From Frontier College, Ms. Tari.

Mrs. Christina Tari (Chair, Board of Governors, Frontier College): I'm the chair of the board of Frontier College, which I have the pleasure of chairing. We are a volunteer board, so all of the time I put in at Frontier College, I do on a volunteer basis.

In my day job I am a tax dispute resolution lawyer. As I explain to people when they ask me what I am doing working for Frontier College, I say that I make a lot of money during the day because of

my capacity to read and write, and working with the college is my way of giving back to Canada and trying to see a situation in which all Canadians can read and write.

I understand that you have a printed copy of my speaking notes, but just to give you some background, Frontier College began in 1899 when some idealistic university students decided they could work on rail gangs and in mining camps alongside, generally immigrant, labourers and teach them at night to read and write. There are some delightful pictures in our historical archives of one of the students teaching a group of men, who were working on the railway lines, to read and write, using the Eaton's catalogue. It's a graphic image that always sticks with me.

Frontier College has three strengths, as we discovered when we did a strategic plan. Our strengths are that we mobilize youth and that we are the only national literacy organization; we have a presence on every campus across Canada. We also build community partnerships. In fact, we work with 300 community partners annually in furthering literacy in Canada, and we leverage volunteers very well, working on an annual basis with 5,000 volunteers. That is our primary and greatest strength.

In terms of the literacy challenge in Canada, the statistics are very clear—15% of Canadians have difficulty with printed material. What that means is that they cannot, for example, read the instructions on a drug bottle. Some statistics go as high as saying that one in four Canadians have difficulty interpreting the instructions on a prescription bottle. As you can appreciate, that also means that these people are not reading to their children, so there is a cyclical element that also occurs.

People with low literacy skills are twice as likely to be unemployed. I don't know how many of you have ever worked with a person and realized at some point that they are faking their literacy skills. If you think about our computer age, if you don't have literacy skills.... Some people joke that they don't know how to turn on a computer. Well, you can turn it on, but you can't do anything with it. Our world is such a computer-centric world now that everyone needs to be literate in order to access that world.

A very dramatic statistic we came across—and we can reproduce the article from *The Economist* for you, if you're interested—is that a University of Ottawa economics study shows that “a rise of 1% in literacy scores relative to the international average is associated with an eventual 2.5% rise in labour productivity and a 1.5% rise in GDP per head”. It's a pretty dramatic result from every dollar that you put in to support increased literacy in Canada.

The interesting thing about literacy, when you stop and think about it, is how it interrelates with our lives at every level. With health, I gave you the example of people who are unable to understand the instructions on a pill bottle, which is a little scary when you think about it. Certainly for OTC products, or over the counter products, it's frightening because the same person is not necessarily going to chase down the pharmacist and ask, “What does this say? I can't read.”

With respect to employment, there's an obvious link to literacy. The justice system—my favourite—obviously depends on printed materials. The way the Canadian Charter of Rights and Freedoms is written, 20% of Canadians, or one in five, cannot understand it. That's the reality of our literacy rate.

• (1200)

Certainly, in terms of democracy—and this will obviously interest the government—we need Canadians participating in the election process and in all that we do in this country. They cannot do it unless they can read and write.

Our recommendation is relatively straightforward. We are asking the Standing Committee on Finance to support a Canada-wide literacy action plan, by providing the financial resources required to teach literacy to a million Canadians over the next 10 years. The literacy action plan is being prepared by the federal government under the direction of the Honourable Claudette Bradshaw, who will be presenting the literacy action plan to the government before the end of this year.

Just to be clear, the plan does not involve Frontier College alone, but seven of the Canadian literacy organizations and all of the territories and provinces.

Those are my prepared comments.

The Chair: I am just looking to see where the recommendation is.

Mrs. Christina Tari: It's on the back page.

The Chair: Yes, that's fine. Thank you, Ms. Tari.

The Hospital for Sick Children, and Ms. Rossant.

Dr. Janet Rossant (Chief of Research, Hospital for Sick Children): Thank you for the invitation to speak to the committee. I'm here on behalf of the Hospital for Sick Children, where I'm the chief of research.

Sick Kids, as we're often known, was founded 130 years ago, and since then it has become really the largest centre in Canada dedicated to improving the health of children. The research component at Sick Kids encompasses a broad scope of research, from fundamental discovery through to clinical applications and population outcomes in child and youth health. We have 400 researchers, 950 trainees, and a budget of \$127 million going toward research, of which \$41 million comes from the various federal funding agencies.

I'm here primarily to speak about the hospital's research enterprise and the need to support research and innovation in this country. When you think about research in a hospital like Sick Kids, it's not divorced from the health care mission of the hospital. Sick Kids research and education are an integral part of our mission. We see our mission as delivering the best health care to children. Our vision is "Healthier children, a better world".

Research informs and improves the delivery of health at all stages, from the fundamental discovery right through to the outcomes, where you have a new treatment and you're trying to assess the cost of that to the health care system. We're looking at all those levels.

We've seen over and over again in our own institution how research has really driven health care forward, from the first discovery of Pabulum, which is probably the best known, to

identification of the cystic fibrosis gene. Health research is not just about improved health for Canadians, however. Health research, which is carried out largely in Canada's medical schools and in research-intensive hospitals, is one of the key drivers of today's knowledge-based economy. Investment by the federal government in that fundamental research endeavour really fuels the engine that drives the continued growth of a vibrant biotech industry; develops a new generation of highly trained professionals; encourages an entrepreneurial climate; and attracts new investment to Canada.

The health research community really has grown and thrived in Canada over the past few years, thanks largely to all the major investments from the federal government, the Canadian Institutes of Health Research, the Canada Foundation for Innovation, the Canada research chairs program, Genome Canada, the Networks of Centres of Excellence, and indirect cost programs. Certainly, as a researcher and as a leader of a research institute, I really thank the federal government for this financial support.

For example, in my own institution in the last year, the Canada research chairs program has allowed us to recruit new investigators from around the world, including a new computation biologist, Dr. Shoshana Wodak, from Belgium. The Canada Foundation for Innovation research hospital fund has allowed us to build a new infrastructure for genomic research that's really going to tell us how our genetic makeup influences our predisposition to disease. This is led by Steve Scherer, who is a world leader in this area.

In making important discoveries, the most important one that I think we've made in the last year at the hospital is that cancer contains stem cells. This really influences the way we're going to see new cancer treatments coming forward.

So Canadian research and researchers really are world leaders, at Sick Kids and elsewhere, and we're poised to see Canada really take a lead in translating research into new economic growth and new health care for Canadians. But there are challenges. We have to maintain and expand our investment into health research in order to keep our best researchers and continue to drive forward. We can't be complacent and think that past investment alone is going to secure future growth.

My own area of research is actually stem cell research, which is always topical and in the news. Working in this area every day, I see how, in Canada, we're leading in stem cell researchers. We have incredible strength in this area historically and still today, but other countries are investing and are trying to lure away our top researchers.

Stem cell research has the potential to transform the way we treat diseases like Parkinson's, diabetes, heart disease, diseases that have been a drain on the health care system and also on the economy in terms of lost productivity.

It's been estimated also that stem cell products could reach \$30 billion in the worldwide market by 2010. California has invested \$300 million a year in stem cell research; the entire stem cell investment in Canada is \$40 million. We have to act to keep our world leadership here.

CIHR, the Canadian Institutes of Health Research, has been a major investment that the federal government has made to enhance the health care and health research community by expanding the kind of health research that can be supported.

• (1205)

Funding has really developed new integrated programs in health research, but the funding for CIHR has not kept up with the demands that have been generated by the enhanced mandate of CIHR, nor with the growth of the research community that's driven by things like the Canada research chairs. So we recommend, along with other agencies in the health research community, that CIHR's annual budget be increased over the next three years by \$300 million.

Investment in the CIHR is one part of it. Investment has to continue in other federal research agencies. Genome Canada is important because genomic research is going to really underlie some of the ways we understand human biology and predisposition to disease. So we recommend that the government develop a stable and ongoing funding strategy to support large-scale genomic projects.

Health research infrastructure is necessary. Our facilities, our equipment, our technologies need to continue to keep up-to-date to support the health research endeavour. The Canada Foundation for Innovation is key in this area, and we recommend that the government renew its investment in CFI to ensure the ongoing development of these infrastructures.

I'm talking about health research, but health research is not the only kind of tool that fuels the knowledge-based economy. Fundamental research across a broad spectrum, from the physical sciences to the social sciences, provides a base for cross-disciplinary initiatives, and those are going to be key as we move forward. So we recommend that support for the other two federal research funding agencies, NSERC and SSHRC, also be increased to internationally competitive levels to support the broad base of research in the country.

I have to mention the indirect costs program, which is administered through Industry Canada, and actually provides support for the indirect costs of research, facility, and administrative expenses. If we could raise the indirect costs to 40%, which is the true rate it costs to do research, this would make a substantial difference to our ability to move forward. It is particularly critical for research hospitals, like Sick Kids, where we don't have other forms of governmental support to help with these indirect costs. All our indirect costs for research come from philanthropic donations to the SickKids Foundation. So we'd like to see the indirect costs program be expanded, with special emphasis on the needs of research hospitals and other research institutes.

Finally, because I come from the Hospital for Sick Children, I am here to represent the health research needs of children and any funding decisions that take place with regard to health research, health research infrastructure, and indeed health care in general. I think it's key that the specific needs of children are not overlooked. An investment in health research is truly an investment in the health of the country. By supporting innovation, health care outcomes for Canadians are improved; our health care system is made stronger; our economy is going to be bolstered through research commercialization and biotech; and skilled knowledge workers are encouraged

to stay in Canada. So I strongly urge you to ensure that budget recommendations are put forward in support of Canadian research to create a healthy future for our children.

Thank you.

• (1210)

The Chair: Thank you.

From Opera.ca, Mr. Hess.

Mr. John Hess (Director, Co-Artistic Director of the Queen of Puddings Music Theatre Company, Opera.ca): Thank you. We appreciate this opportunity to meet with you today and to outline our perspective on how the Canadian opera sector contributes to the prosperity and productivity of Canadian cities, towns, and communities. Micheline McKay and I are here today to speak for opera companies, large and small, from coast to coast—composers, singers, directors, librettists, and indeed enthusiasts.

As I begin, I would like to underline Opera.ca's thanks for the strong endorsement this committee has given the arts sector in the past. Your report last year underlined the significant role we play in Canada and the importance of federal public funding in making this happen. All of us in the opera sector value the support of our parliamentarians.

Today I am here as an artist. I'm on the board of Opera.ca, and my role there is to ensure that we never lose sight of the passion and creativity we bring to our work and the conversation we seek to engage our audiences in.

Micheline will talk about the numbers. This is what the Standing Committee on Finance is charged with addressing, and we will not sidestep that issue. But life is not just about dollars and numbers. It's about touching the spirit of our audiences, enriching them, perhaps changing them. Opera, and indeed the arts, goes to the soul of our being.

In September 2001, less than 10 days after 9/11, James Wolfensohn, president of the World Bank, said this about the arts:

...when things really come down to it, it's the thing that really makes a difference in life. I believe that passionately. I've always believed it, and in periods of good and bad in my life, I have turned to the arts. And my kids have turned to the arts. It's not a sense of being a Renaissance man or having some sense of cultural imperialism or being arrogant about it, it is what, for me, as a child, meant everything in terms of meaning. And as I get older, as I was in that ceremony a week ago, it made me recognize that there is a different dimension in terms of human contact that comes through culture and the arts.

As artists and practitioners we see firsthand the power of the arts. They excite and inspire audiences. They help us understand our past and look to the future. They challenge us to ask questions and map out the kind of Canada we wish to participate in, build, and show to the world.

To illustrate, consider the new Canadian opera, *Naomi's Road*, currently on tour in western Canada. Based on Joy Kogawa's novel of the same name, Vancouver composer Ramona Luengen and Winnipeg librettist Ann Hodges tell the dramatic story of nine-year-old Naomi's journey with her Japanese Canadian family from Vancouver to an internment camp in the interior of B.C.

This opera, a significant risk by any measure, even for a company as well grounded and administered as Vancouver Opera, will reach 40,000 school children and their families over the course of this school year. In this work, the artists of *Naomi's Road* will touch a chord that fosters understanding and empathy among vast numbers of Canadians.

As Gabrielle Roy asked, could we ever know each other in the slightest without the arts? Indeed, can the world really know Canada without awareness of our arts? When our country's leaders travel, it is invariably art they share with their hosts. Recently, though, Canada ranked 18th in terms of the world's perception of our arts and culture.

We are simply unable to tell the story of our rich cultural fabric to the world. It is indeed a rare opportunity for Canadian opera companies to fly our flag beyond the Canadian borders, despite the fact that our singers dominate operatic stages around the world.

The Queen of Puddings Music Theatre company, of which I'm co-artistic director, is taking our world premier production of the opera *The Midnight Court* to Covent Garden in London, England, next year. We are immensely proud of this invitation because it is a first for Canadian opera. Indeed, it is a first for a Canadian opera company.

This is a stellar opportunity to showcase our work to the world, and we are currently in the midst of developing relationships with producers and presenters worldwide. This is an extraordinary opportunity for Canadian opera. Getting there, though, for us is like crossing the Rockies in a covered wagon. We need to know our government is behind us, but we have no assurances. For this \$250,000 project we are requesting a federal contribution of about \$40,000. We won't know the result of that until we're virtually on the plane to London. To put it in perspective even further, our entire annual budget is \$400,000.

• (1215)

The support of the Government of Canada and all our parliamentarians is vital to the arts in Canada and essential in disseminating Canadian art worldwide. Opera.ca, a founding member of the Canadian Arts Coalition, strongly endorses the call for an additional \$5 per Canadian for arts in this country. This investment will create educational opportunities for all Canadians, as *Naomi's Road* and many other operas are doing; build a higher international profile for Canada, as we, Queen of Puddings, will do next year at Covent Garden; build an inclusive Canada; and strengthen our contribution to the Canadian economy.

Micheline.

Ms. Micheline McKay (Executive Director, Opera.ca): This investment we are calling on the Government of Canada to make is one in the human capital of our country, a key priority of this committee. It is as important as the physical infrastructures of our towns and communities and the research and development of our industries. The reality, though, is that opera companies and artists across the country find themselves in an environment of declining and eroding federal resources. This is not news, but it is news that was reinforced just this week. Statistics Canada released data on Monday showing a decline in overall federal support to the performing arts of 11.2%.

We are asking the Standing Committee on Finance and the Government of Canada to recognize the sustained and strengthened arts funding. Another \$5 for each citizen of our country is a priority for Canadians. Without stable and sustained operating funding, opera companies are in no position to take the risk inherent to innovation and excellence.

No part of society—industry, business, education, or health—gets ahead without taking calculated and measured risks. Very few of us in the arts have the opportunity to take those risks. Our bottom lines are too fragile, despite good governance and management. But without risk our organizations would not invest in works like *The Midnight Court* going to London this year, or *Naomi's Road* touring schools in British Columbia right now.

To move forward, we urge the Government of Canada to look long term and consider the potential contribution of the arts to Canadians and to our place in the world. This investment would translate into our ability as opera companies to take the measures and risks necessary for us to reach our full potential in communities across Canada.

Again, John and I thank you for the opportunity to meet with you this morning, and we look forward to the discussions following.

• (1220)

The Chair: Thank you, Ms. McKay.

Next, from the Professional Association of Canadian Theatres, is Mr. Doiron.

Mr. Jerry Doiron (Director, Planning, Shaw Festival, Professional Association of Canadian Theatres): Thank you. I am Jerry Doiron, the planning director of the Shaw Festival in Niagara-on-the-Lake and the past-president of the Professional Association of Canadian Theatres, also known as PACT. With me is the association's executive director, Lucy White.

PACT represents over 130 professional, not-for-profit theatre companies of all sizes. Our members are located in every province and one territory in Canada, from Whitehorse to London, from Victoria to St. John's. Our members also represent numerous theatrical traditions from many cultures and languages.

Although our membership is widely diverse, we share important values and beliefs. It is our central belief that the arts have intrinsic value to Canadian citizens and our society. Access to and being involved in the arts can have a lasting and transforming effect on many aspects of our lives.

Ms. Lucy White (Executive Director, Professional Association of Canadian Theatres): In our brief we answered the questions posed by this committee, namely, how will our recommendations contribute to Canada's productivity and prosperity through government investment and entrepreneurial, human, and physical capital?

Envisioning a brilliant and prosperous future, Canadian governments have fostered the arts through policies and programming over the last 50 years. We applaud the Minister of Canadian Heritage, the departments, the government, and each party for the tremendous step forward the Tomorrow Starts Today funding package represents, and we thank this committee for its own recommendations in support of the arts.

But more must be done to sustain long-term excellence. As mentioned by my colleague, federal government spending on the performing arts declined 11.2% in 2004. We see a similar trend in figures released by the Canada Council for the Arts. The council's parliamentary appropriation decreased by 2%, or \$3.5 million, in 2005. The council's contributions to the budgets of large performing arts organizations such as the National Ballet of Canada and the Stratford Festival have dwindled from 23.2% to 8.4% from 1969 to 1999. Those are the latest figures we have. The largest-hit companies were theatre companies, which now receive an average contribution of only 5.6% of their budgets.

Entrepreneurial by nature, performing arts organizations have responded by increasing earned revenues through aggressive sales, marketing, and fundraising activities, but this strategy is reaching its natural limit for large organizations and is often difficult for small organizations. The side effects, such as higher ticket prices, fewer original productions, smaller casts, and overall risk aversion, are contrary to the natural role the performing arts play in enhancing Canadians' quality of life.

So as a founding member of the Canadian Arts Coalition, PACT recommends that the Standing Committee on Finance endorse an increase in spending on the arts through the Canada Council for the Arts of \$5 per Canadian. Significant long-term investment by the federal government in the arts through the council will boost productivity in the sector, reduce risk through adequate funding of existing clients, address demands from newer and diverse artists and arts organizations, and redress the underfunding of large organizations.

Mr. Jerry Doiron: Canadian not-for-profit theatres develop innovative educational activities and outreach programs, providing young people, including at-risk youth, with opportunities to learn from and enjoy the magic of the performing arts. While outreach to schools, youth groups, and community groups has never been more active and sophisticated, the escalating costs of tickets, busing, and other related expenses are making it more difficult than ever to deliver the performing arts to youth. A further investment is greatly needed to ensure that today's youth become the audience of tomorrow.

Cultural activities within a neighbourhood or region are also an important factor to quality of life within that community. Recent studies have determined that arts and arts facilities are a major contributor to increased local well-being, a major factor associated with increased community involvement and participation, and a major driver of neighbourhood change and improvement. Investments in the arts are investments in human capital.

Artists are central to society, no less so than teachers, engineers, or doctors, but unlike other professionals, artists are perennially underpaid. On average, Canadian artists earn only \$30,000 per year, which is about 6% lower than the average earnings in the total labour force.

Taxation of artists and arts organizations is a recurrent concern for our sector. The vast majority of professional performing artists are independent contractors carrying on business for themselves with a number of clients each year. Like all independent business people,

they pay their own expenses and overheads, but on very restricted earnings.

From time to time the Canada Revenue Agency deems the relationship between an engager and an artist to be that of an employer and employee. These rulings have a significant and deleterious impact on the artists and their engagers. Arts organizations and the artists themselves are typically not in a position to undertake challenges to these rulings without financial strain, which can destabilize the arts organizations, the communities of artists, and their volunteer boards of directors.

As an investment in human capital, PACT asks the Standing Committee on Finance to recommend that the Canada Revenue Agency, in consultation with the performing arts sector, develop a policy whereby all professional artists are presumed to be independent contractors for the purposes of income tax unless an explicit employee-employer contract of services exists. We believe that such a presumption is both compliant with a growing body of case law and supports the objectives of the government in encouraging both human resources in the arts and the involvement of the voluntary sector in the not-for-profit arts community.

• (1225)

Ms. Lucy White: Speaking about human capital in the widest sense, Canadians have shown great leadership in sharing our material and human resources abroad. Canadian art and artists embody Canadian values such as tolerance, equality, diversity, and inclusion. Promotion of Canadian values to audiences abroad promotes Canada as an attractive society in which to live, to work, and to invest.

The arts promotion budget of the Department of Foreign Affairs is a strategic investment in Canada's reputation abroad. Artists and arts organizations rely on this funding to offset the high cost of developing works for international touring. In return, Canada's reputation is enhanced and our values shared with the world.

The budget of the arts promotion program of the Department of Foreign Affairs is currently less than \$5 million, following steady reductions over the last decade. The rising costs of international touring and increasing demand for support have conspired to further erode the impact of this budget. We believe the costs of international touring are almost unaffordable, that production budgets are comparably and necessarily skimpy, and that competition from foreign artists has overwhelmed Canada's ability to capture the attention of foreign audiences and media, hence Canada's 18th-place ranking.

PACT requests that the Standing Committee on Finance recommend a long-term increase in the arts promotion budget of the Department of Foreign Affairs.

Mr. Jerry Doiron: The arts community was grateful when Parliament passed the 2005 budget, including the renewal of the Tomorrow Starts Today program package until 2010. Tomorrow Starts Today supports arts organizations' long-term needs for building organizational capacity, stimulating individual and corporate support by matching donations to endowment funds, and capital infrastructure programs to create and maintain our cultural spaces.

These programs help to create a complete package of support and incentives for arts organizations. To cite one example, Cultural Spaces Canada has provided important leverage for the building and repair of cultural facilities across the country, as the federal government signalled to private and individual donors and to other public funders the value of arts and heritage facilities.

Long-term funding envelopes will enable theatres and arts organizations to upgrade facilities for the elderly and the physically impaired and undertake necessary repair and expansion projects without taking on excessive risk and uncertainty.

Accordingly, PACT recommends to the Standing Committee on Finance that the Tomorrow Starts Today funding package become part of the permanent base budget of the Department of Canadian Heritage.

• (1230)

The Chair: Thank you.

From the Social Sciences and Humanities Research Council of Canada, we have Mr. Shapson.

Mr. Stan M. Shapson (Interim President, Social Sciences and Humanities Research Council of Canada): Thank you very much.

Like my other colleagues, we appreciate the opportunity to present to this committee. My name is Stan Shapson, and I'm the interim president of the Social Sciences and Humanities Research Council of Canada. Like one of my colleagues, Rick Miner, I have a day job as well. I'm vice-president of research and innovation at York University. I say that here only because in anglophone Canada we are the largest social sciences and humanities community in the country.

Who do we represent? We represent 55% of the faculty members across all universities. There are over 18,000 faculty members, and many are going through renewal right now. We represent about 60% of the graduate students and in fact about 60% of the undergraduate students who are currently studying in Canada. These students come from a variety of disciplines, so they're in the humanities, in history, and they're in the arts. They will be people who will go out to take jobs in some of the organizations that are presenting today. They are psychologists, but they are also included in our professional schools. They're business people who will become our SME leaders, leaders in law and education, and our teachers who are the custodians of our children.

We try to deal with real-world issues in our research: the economy, immigration, intercultural understanding, peace and security, children's health and safety, and literacy. Of course, there are some interesting articles in the newspaper today. There's one that I'm sure Frontier College noticed, on adult literacy and Jacques Demers. But there's also an article on the front page of the *Globe and Mail* about children's literacy and how effective it is when parents read to their

children at an early age. Sometimes children get focused only on the pictures and don't pick up the word recognition, so there are strategies for change. So, again, if Canada is going to be effective in the global economy, we want success for all our students.

Our presentation really is very thankful to this committee and the government for support of research, but we need a little more synchronization. If we're going to maximize the investments in science and technology and medical research, we have to address the human factor, because in many cases there is science and technology out there already that's not being used. Our research gets to the heart of those matters.

If we look at our plan, last year we came in and talked about prosperity and how SSHRCC could contribute to productivity, but also to quality of life. We filed with you a two-page brief, but also our strategic plan. Our strategic plan has gone through enormous consultations, and we're now ready to move forward. We're proposing that we shift from just a granting council to a knowledge council, because we want to make sure all the excellent research that is done has an impact on all Canadians.

What would a knowledge council be? It would be a national funder that continues to support world-class research that meets international standards. Also, we would then develop the capacity to take on the role as a clearing house and provide wide access to all the research so that it could better impact policy, practice, and public debate.

We want to be a catalyst for more effective discussion in the media, with community groups, with private sector firms, about the impact of this research. We also want to show policy leadership with government agencies that are prepared to address some of the changes necessary to keep Canada prosperous and competitive.

How are we prepared to do this? We say we want to become a knowledge council. What we would do to add to what we're already doing is look at ways of making connections between researchers in all parts of Canada. It shouldn't matter where a researcher is in the social sciences and humanities. Regardless of location—English Canada, French Canada, rural areas, urban areas—the best minds in Canada should be networked together to help us solve problems. So we're talking about clustering all the researchers in Canada.

• (1235)

Then we're talking about having our research have a major impact on the communities I just talked about. In a sense, what we're looking at is parallel to what already happens in science and technology, where you have tech-transferred commercialization very far out there. So we all understand when a new drug is discovered what that means, but we don't really understand the social impacts. So we want to start knowledge mobilization units to be able to get out and make sure the best Canadian research has an impact.

Of course, all of this comes with somewhat of an "ask". We feel we need about \$50 million per year over the next five years to be able to transform effectively into a knowledge council.

In conclusion, as a knowledge council, we see ourselves having a vibrant, internationally renowned research environment; highly skilled and educated people across all the disciplines I mentioned earlier; new understanding; innovative ideas; and an ability to make sure the research has an impact on the issues facing Canadians, their children, and Canada as a country, as a whole.

There is, of course, the cost of not acting, and we're never really able to show that precisely. It's easy to look at a direct, short-term economic impact but not a long-term one. So let me take one issue to close my presentation and look at bullying.

Bullying is a serious problem in Canada. We have examples of bullying in school playgrounds, on our sports fields, in homes, and in families. Canada is ranked 26th by the World Health Organization in incidences of bullying. We all read tragic examples of cases of deaths and injuries that occur. But there are also harms that we don't see, where students can't be successful in achievements, and there are mental health problems, which I think are issues that the Hospital for Sick Children sees on a daily basis.

November 14 this year is bullying week. Wouldn't it be great if SSHRCC had been a knowledge council by now and we could have mobilized all the research that's out there? We could have had events on the media. There could have been training modules for schools and voluntary organizations—best practice models and policies that work.

We have ideas about policies. On zero tolerance, there's research that shows it isn't working; it's making kids more violent. But imagine if we had all of that and for a week in Canada all this work were displayed in the media and in all these organizations, from the schools to the homes. We think our vision of a knowledge council will allow that to occur.

Thank you for the time. I look forward to questions.

The Chair: Thank you, Mr. Shapson.

Next, from the Greater Toronto Hotel Association, Ms. Saunders.

Ms. Michelle Saunders (Representative, Government Relations, Greater Toronto Hotel Association): Good afternoon.

My name is Michelle Saunders. I'm here this afternoon on behalf of the Greater Toronto Hotel Association, the GTHA.

The GTHA is the voice of Toronto's hotel industry, representing 150 hotels, with approximately 34,000 guest rooms and more than 20,000 employees. Founded in 1925, the GTHA enables competing hotels to work together on issues of public policy and charitable ventures, provides information and service to its members, and advocates to raise their profile and prosperity as a vital component of Toronto's tourism industry.

The GTHA is very interested in the level of taxes, be they corporate, personal, capital, or payroll, as are other business groups in Canada. Our revenue streams are very dependent on discretionary dollars, and the impact of high government taxes therefore directly affects our operations.

However, I'm not here today to discuss taxation. Rather, I am here today to present to you a business case for increasing Canada's investment in the tourism industry, and in the process, enable the

government to earn more incremental tax revenues with which you can then meet your responsibilities, such as health care and education funding.

The GTHA recommends that the Government of Canada add \$100 million to its investment in tourism marketing through the Canadian Tourism Commission, the CTC. As you will see, the return on investment in terms of direct government tax revenues will more than repay this investment. Tourism is an economic generator, and it's time the government treated it as such. Other countries are, and they are taking our business and our jobs.

Additional funding for the CTC will provide increased economic benefits, including an incremental tourism demand of up to \$4.2 billion, up to 45,000 new direct jobs to the tourism industry in both large and small communities across Canada, incremental federal tax revenues of up to \$620 million, and leveraging the inherent strength of Canada's brand internationally.

Tourism is a solid investment in Canada and its future. It provides an immediate return on investment. It builds on the government's existing investment in heritage, culture, national parks, and regional development.

A return on investment of 25:1 resulted from a \$35 million investment in 12 recent CTC campaigns, with an economic impact of \$860 million, generating \$127 million in tax revenues for the federal government alone.

Of the \$57.5 billion spent in Canada by tourists in 2004, \$17.4 billion went directly to government, \$8.6 billion of which went to the federal government.

Tourism provides immediate economic return and funding for other government priorities, be they health care, public safety, or infrastructure. Tourism activity is economic development that occurs all across this country from its urban centres, rural destinations, the far north, and our aboriginal communities.

Thousands of jobs will be jeopardized across Canada, from the smallest towns to the largest cities, if current levels of investment are not increased. Tourism traffic and revenues will decline. Competitor nations are outspending Canada to lure lucrative international tourists, while our tourism marketing budget shrinks and our capacity to compete weakens. All Canadians stand to lose.

The status quo or reduced funding for the CTC will result in fewer tourists spending dollars in Canada, lost tourism business and jobs vital to every Canadian community, lost tax revenues for all levels of government, a downward spiral throughout related sectors across Canada, and missed opportunities for wealth creation.

Since 2002, Canada's global tourism ranking has dropped for both arrivals and revenues. Between 1999 and 2004, Canada has lost market share from its most important international markets. For those five markets combined, the U.S., Japan, the U.K., Germany, and France, the revenue loss is \$1.02 billion in 2004.

In terms of GDP, the tourism industry is comparable to agriculture, forestry, fishing, and hunting combined. It accounts for 615,000 direct jobs and supports a wide range of other Canadian economic sectors, including transportation, retail, arts, culture, sports, and more.

The total travel deficit recorded its highest level in 11 years, increasing from \$3.9 billion in 2003 to \$4.1 billion in 2004. Arrivals from the United States are projected to be down another 3.5% in 2005. Canada is sliding downwards on the world stage competitively and it must be stopped.

Any industry that relies largely on consumer discretionary spending for its survival will be hard hit by disasters. Starting with 9/11 in 2001, deep shock waves have run through the Canadian tourism industry, with the terrain only beginning to settle down in 2002. No sooner did recovery look certain than 2003 arrived, with its series of disasters, the Iraq War, SARS, the West Nile virus, the eastern power outage, and others.

● (1240)

Now in 2005 the dollar continues to climb to alarming heights, record fuel prices threaten both the supply and demand sides of tourism worldwide, and continuing tourism changes people's feelings about where, when, and how they travel. This requires new research, marketing, and packaging activities.

This is particularly true in relation to the U.S. market, Canada's largest and most important foreign market. We cannot abandon it. We need to make investments in it to both sustain and grow it. That, quite frankly, is not possible without new resources.

The industry may reel from one crisis, but it can be brought to its knees by several. This is a time when the CTC needs to play an ever stronger role in industry recovery and growth. In 2003 the federal government allotted the CTC one-time crisis funding of \$21.5 million. Resulting marketing investments helped generate over 2,000 jobs, over \$148 million in revenues, and \$22 million in federal tax revenues, a good return on investment for the federal government. Still, starting in 2005 the CTC has had to reduce the number of countries in which it markets in order to increase the impact in the fewer markets.

While special one-time funding infusions help with crisis management, long-term market development and marketing require long-term planning to be effective. For this reason, financial certainty and a solid financial base are essential. Canada's direct tourism competitors are pulling ahead. Current CTC funding levels are too low to protect Canada's global tourism market share. Intensive investment in national marketing and promotional initiatives have already been launched by Canada's traditional competitor nations: Australia, France, Germany, the United Kingdom, and the United States. Australia's government's appropriation for tourism is about three times as much, compared with Canada's \$80 million.

Many new and emerging destinations are seeking to build tourism market share from Canada's traditional markets. Substantial investment in marketing is required to capitalize on tourism investments in Canada before and after the 2010 Olympic Winter Games.

Canada is falling behind, and will continue to do so without additional resources. Canada is losing ground, when we could be doing a lot better. The competition is surpassing us. Federal government funding for marketing Canada was reduced to \$65 million in 2004, and further reductions are planned. When inflation is taken into account, CTC's marketing budget is virtually the same today as it was in 1995, when the CTC was created.

Limited funding has forced the CTC to be selective in targeting its U.S. markets and has reduced the opportunity to reach other potentially valuable markets as well. Canada's competitors have increased their marketing budgets; Canada's marketing budget has been reduced. Total U.S. travel to Canada, as of July 2005, has weakened to pre-9/11 levels, down 2.6% year to date, with auto travel particularly hard hit, being down 5.1% year to date over 2004. The CTC had to cease operations in seven international markets and discontinue activities in important emerging markets such as India, where there is huge potential.

Canada is a discretionary destination. We must market Canada continuously to remain top of mind with potential tourists. This will only happen if the Government of Canada invests with its partner, the tourism industry of Canada.

Thank you.

● (1245)

The Chair: Thank you, Ms. Saunders.

We're going to the members for five minutes, and I know you'll take six.

I just want to remind the witnesses that the members have five minutes for questions and answers, so if you could keep your answers to a basic intervention, the members would appreciate it, so that they can ask more than one question.

Ms. Oda.

Ms. Bev Oda (Durham, CPC): Thank you, but I am going to take 20 seconds of my time. I just want to tell you my experience with literacy.

I used to be a television producer and produced telethons. There was a major sports star who always volunteered his time. They had to arrange for someone to sit beside him: he wasn't able to put down the names and addresses and take the pledges. That certainly gives me a first-hand experience with literacy and how it impacts.

Thank you all for coming.

There are two areas I want to ask questions about, one being the cultural trade deficit. A number of you have talked about increased funding, and particularly the PACT group. You've asked for increased funding for Foreign Affairs, but there are programs with Canada Council and Canadian Heritage as well to encourage international travel and international marketing of cultural products. Do you believe increased funding for Foreign Affairs—because there's also an international trade aspect to it—is going to somewhat address the severe cultural trade deficit we experience as a country?

I think you were the ones who recommended some increased funding.

Ms. Lucy White: Yes, absolutely. The current budget of \$5 million is insufficient and it's been declining. What we're asking for is essentially a review, an estimation for additional funding to restore earlier levels.

We don't have a lot of data, so I can't really answer the question about what the impact will be. We need the department to provide us with more figures than we have at the moment.

Ms. Bev Oda: Thank you.

My other one is about the presentation made on the knowledge council. Let me just say that I'm familiar with the various research.... It's a part of the telethon, knowing what happens at the sick children's hospital, because it's a major element of the hospital there, or doing telethons for Parkinson's or any disease. Every association also has a research aspect to it.

On the colleges, I know, as the member for Durham, we have Durham College. It leads partially or fully into university but still has college aspects, and it's been privileged to be part of the Beacon Project, which had a large part of research and innovation in it.

I'm wondering, then, about the proposal for the knowledge council, to put all research in Canada under one agency, group, or whatever. One of the things I've seen is that when research comes out of the individual sectors, the focus is very much on the sector maximizing the use of the people there and the interests, identifying what the needs are, etc. Would we not lose some of that if we were to bring all research in Canada under one knowledge council?

• (1250)

Mr. Stan M. Shapson: We were not recommending that all three councils become one knowledge council. We were making the recommendation that the social sciences and humanities granting council be transformed into something similar to what the Medical Research Council became five years ago. It became a health council so it could get the research and the impact of the research more fully out into the community to deal with a variety of prosperity and social issues Canada and the world are facing.

Ms. Bev Oda: I understand now that it's not all research. It's the one sector, as you pointed out.

Is the \$50 million you're asking for to set up, organize, and operate your proposed knowledge council, or is that \$50 million to go into more research in that particular sector?

Mr. Stan M. Shapson: That's a good question.

It does a bit of both. As we are getting a lot of new faculty members into our universities because of retirements, we want to make sure the next generation of faculty members has research funding, because that helps to support teaching and producing graduate students. It's partly to continue that.

Also, you'll see from our pie charts that what really changes is our knowledge mobilization; it doubles in terms of budget expectations. Right now we're very low on that, so we can't get the research out to make the impact. We have pilot projects now that we're barely... operating on networking and connecting all the best researchers in Canada, again, regardless of where they're located. I think that's really important as well because that maximizes the knowledge transfusion everywhere in Canada.

Ms. Bev Oda: This is my very last question. Has the literacy action plan been costed, and is there a dollar figure associated with it?

Mr. John O'Leary (President, Frontier College): I'm on an advisory committee to Minister Bradshaw on this plan. We met two days this week, and we'll meet two days next week and two days the following week. We're working on the number. We're looking at, over 10 years, teaching 1 million people for \$5 billion.

Ms. Bev Oda: Thank you very much.

Thank you, Mr. Chair.

The Chair: Thank you, Ms. Oda.

Ms. Wasylycia-Leis.

Ms. Judy Wasylycia-Leis (Winnipeg North, NDP): Thank you, Mr. Chair.

Let me follow up on literacy for a moment. Besides the national action plan, one of the ideas we've talked a lot about is trying to get rid of the tax on reading, to eliminate the GST on books and certainly on literacy materials. How do you feel about that proposal, and should we advance it?

Mr. John O'Leary: I completely support that initiative. The tax on reading was a terrible setback when it was implemented. Along with a number of publishing groups and arts groups, we have been resisting it. Eliminating that tax would be a very important contribution to literacy.

Ms. Judy Wasylycia-Leis: Thanks.

Let me go to Rick and Joan.

On college programs, you're right that we get so focused on universities that we don't put the proper emphasis on access to colleges. In fact, given the skilled trade shortage, that should probably be where our emphasis should be.

Let's go first to the \$1.5 billion, which was part of the NDP better balanced budget. I'm glad you mentioned that.

It's money that will flow soon, probably as early as Monday, November 14, when I understand Mr. Goodale is now going to appear before our committee to present his economic update and tell us about how he's going to spend \$12 billion in surplus for this year.

Never mind recommendations for next year's budget, tell me how you'd like to see the \$1.5 billion spent in terms of acquisitions. What amount of that \$12 billion do you think should go towards education?

• (1255)

Mr. Rick Miner: One of the problems with the colleges is that we deal with a very different type of student than the universities deal with. I suspect that we're not dissimilar from other areas, but if you look at Ontario, a quarter of the students go to university, a quarter go to colleges, a quarter graduate from high school and don't go anywhere, and a quarter never graduate from high school.

We know that we want to increase the participation rate. Everybody has said that it ought to be somewhere between 70% and 80%. You can argue for 70% and you can argue for 80%, but the reality is that the additional 20% is going to come from students who didn't graduate from high school or who graduated from high school but didn't have a good experience.

The thing that we're a little worried about is there's too much focus on the financial side, which surely is a part of access. But access is much broader than whether you can cut a cheque for somebody to go to school.

For the people at Frontier College, literacy is a huge issue that we've got to deal with. Another issue we have to deal with is that people are in very different social circumstances, such as single-parent families.

I think we need to start targeting more of our money on ways to get people into the post-secondary system and encourage and support their avenues for success. It's not simply scholarships.

Ms. Judy Wasylycia-Leis: That's a good point.

I don't know what it's like at Durham College or Frontier College, but Red River College in Winnipeg has a waiting list. Is that also part of the problem? Do we need money to actually expand college capacity?

Mr. Rick Miner: You need money for the operating dollars, and that goes back to the social transfer payments that we talked about before. If you looked at the operating dollars for Ontario colleges now and asked what that would have been if you had the same transfer arrangement that existed in 1993, there would be an extra \$400 million in the operating budget for Ontario colleges.

Ms. Judy Wasylycia-Leis: I have one quick question to the folks from the arts community.

I'll start with John and Micheline.

Thank you very much for your very powerful presentation showing how investing in arts and culture is as important as the investment in retooling factories is for the productivity of a community.

Micheline, I was surprised to hear that the spending for arts has in fact declined, never mind held static. I think you said it declined by 11.2%.

Ms. Micheline McKay: That was performing arts.

Ms. Judy Wasylycia-Leis: It was performing arts. Okay.

What would you recommend, other than the increase of \$5 per person, for arts and culture spending? What else can we as a committee do to recommend better investment in this whole area?

Mr. John Hess: I'll underline what Pat said.

We talked to the foreign affairs department about touring. We talked about going to Covent Garden.

This is a new arts organization that was going to them, and they were already strapped for funding. They have said to us personally that if they're able to fund us at all, all they can do is pay for our airline flights. We can't take taxis to and from the airports, and there can be no fees and no shifting of sets.

That's all they can do, but there's no guarantee that they can even do that. They recognize the importance of the project, but other projects are as important as ours and they have not been able to fund them at all.

Ms. Judy Wasylycia-Leis: That's a good point, but it still doesn't even touch the issue of the low wages of artists. If a male artist is making maybe \$30,000, that means female artists are probably way below that; both of them are at subsistence-level wages. What do we do to get the government and society to see artists as productive players in this whole area?

Ms. Micheline McKay: I think we come back to the \$5 per Canadian, but we have to recognize what the \$5 per Canadian will mean for the arts in Canada.

One of the earlier presenters this morning talked about the fact that in many ways the federal government contribution to the arts is a stamp of approval; it gives us the basis to go out to raise more money privately. It also gives us leverage with other levels of government. With the whole notion of declining federal resources, everything else is being given as a reason to be eroded as well.

Our sense is very much that if we are going to invest in the arts—and that's about risk, it's about production, it's about presentation, it's about international touring, all of those things combined—we have to give the arts community broadly the foundation, the \$5 per Canadian increase in spending, that we can build on to lever more private money from individual people.

We can also increase access. That's something we haven't really talked about today. The issue of access is extremely important. It's never our intention to close off access. The sense is that we don't have a lot of room in terms of earned box-office revenue, because our ticket prices are already very high. That \$5 gives us the foundation.

• (1300)

The Chair: Thank you. I'll ask the witnesses to hold on for a couple more minutes.

Thank you, Ms. Wasylycia-Leis.

Mr. MacKay.

Hon. John McKay (Scarborough—Guildwood, Lib.): Unfortunately, I'm the only thing between you and lunch, which puts me in a very awkward position—and on a Friday. Gracious me!

Here are a couple of quick, snappy questions. On the independent contractors issue, and we have Ms. Tari here, who's paying for her sins of being a tax lawyer by volunteering with Frontier College.... Can you give me the dummy's version of why this is the issue? I can understand why sometimes you're an employee and sometimes you're an independent contractor. I'm not sure where the point of conflict is in Revenue Canada's interpretation.

Mr. Jerry Doiron: I think largely the issue is that the guidelines, the judgments, the jurisprudence being used to influence Revenue Canada interpretation bulletins has almost nothing to do with the performing arts; it's largely derived from industry and the manufacturing sector. And there's a growing body of jurisprudence that is much more directly associated with the arts that CCRA, the Canada Customs and Revenue Agency, seems to be ignoring at this point.

What we would like is for CCRA to have a more open and transparent conversation with the arts community that actually looks at—

Hon. John McKay: Do you want a carve-out, or a carve-out of interpretation?

Mr. Jerry Doiron: I'm sorry?

Hon. John McKay: Do you want, if you will, an artists' carve-out, or do you want a more specific interpretation unique only to arts?

Mr. Jerry Doiron: I think more the former than the latter. I think the arts community is fairly unified in its acceptance of the notion that Canada should have one tax law for all Canadians, but I think there is a recognition that not every Canadian works in the same way and that this should be reflected also in CCRA's operations.

Mrs. Christina Tari: Just to explain to you the difference between an independent contractor and an employee, an independent contractor is able to.... First of all, you're taxed generally on the calendar year, although you can choose a different year in certain circumstances. What you do is report your income, but then you're allowed to deduct your expenses.

As an employee, you're handed a pay cheque, and according to where you fall in the marginal rate, the taxes will immediately be taken from that pay cheque. You get a net pay and you cannot deduct for a variety of things.

For example, actors are constantly having to upgrade skills; they go to various programs. None of that is deductible.

Hon. John McKay: I see. Okay. I'm running here, and I apologize for that.

Before the NDP spends all the money, I'd like to find out—

A voice: [*Inaudible—Editor*]

Hon. John McKay: Gosh, there isn't any income you can't live beyond.

Turning to the folks at Sick Kids, you make a very cogent argument for increasing the indirect costs. Other representations are saying that sometimes these indirect costs get into a somewhat fuzzy realm, as to what they actually become.

It's been suggested to me that maybe a list of what constitutes indirect costs would be an appropriate way to go. Have you any thoughts on that?

• (1305)

Dr. Janet Rossant: Yes, I think for a research hospital like ourselves, it's actually very clear what the indirect costs are.

Hon. John McKay: Yes, you're actually easy.

Dr. Janet Rossant: We know exactly how much it costs to run the institute, to do the heating, the lighting, the secretarial support, the glass washing, everything else that falls under indirect costs of doing business, and if you run that through our budget, it's around 40% of the cost of the external grants that come in.

I think where it's harder is in a larger university environment where you have a variety of different activities that fall under that umbrella, but in a research hospital and in an independent research institute, it's very clear, and as I say, it's also very clear that those funds have to come from sources outside the organization.

Hon. John McKay: Okay.

The second question—sorry to just race through this, but this is the way the system works, or doesn't—is on the foundations: you get a lot of grants from foundations. I'm just looking at your list here: \$41 million, of which a lot is Canadian foundations. The Auditor General is arguing that that should be included in the government's books, and for a foundation over \$100 million, that will actually take place.

Are you at all concerned that insofar as it becomes part of the government's books, the grants themselves will become a little bit more political?

Dr. Janet Rossant: If you're talking particularly about the Canada Foundation for Innovation, which is the major infrastructure agency outside of and a separate organization from government, that is a very good organization. I think it has set up a very transparent process to distribute its funds, but it is not driven by political purposes. I don't believe that bringing it back under the government would necessarily make it more political, but I think that by having it hands-off, it does essentially remove it from any yearly interference with its budget that might take place. I think CFI has been a very important and strong contributor to the research environment.

Hon. John McKay: To the colleges folks, to Rick Miner, we had a very interesting lunch a few months ago and I accepted your points quite directly. I was particularly interested in the parts that we shared about the dropout rates and the graduation rates and things of that nature, and comparing that with the university stream.

What I want to ask you is whether you and Dr. Shapson have thought about how this knowledge council might actually benefit the college community, which frankly is getting the short end of the stick on the granting councils, possibly intentionally, and how that would work between his idea and your situation.

Mr. Rick Miner: I'll let Stan speak for his point of view.

I think there's a potential that it could work very effectively if it broadens its definition of what is involved in knowledge, and as we discussed before, one of the difficulties now is there's a very homogenous definition that tends to centre around a university education rather than a college education. What I'm worried about is that would be proliferated in the assumption that you're only really educated if you go to university. What you find is that increasingly a college education is the way many people are going. In fact, at Seneca, 20% of our students are university grads, yet the funding systems don't recognize that.

If this council can allow for a broader recognition of a whole array of learning opportunities, then I think it would be positive, but if it just perpetuates what currently exists, then I don't think we're going to achieve a lot.

Mr. Stan M. Shapson: I think there are two points here. One is that we also have to look in Canada at the easy movement between the different parts of post-secondary, because someone might need skills at a particular time that are better at a college than a university. We have to be lifelong learners right now in Canada, so both parts of the system must work together.

On the research dimension, the role of working with colleges has come up in our consultations. So let me backtrack very quickly. SSHRC has been very open to different knowledge models and ways of thinking. I'll give a couple of examples.

Fine arts faculties were actually falling between the cracks. They couldn't really be funded by the Canada Council because it doesn't have enough money and it was supporting active performers and artists. So we came up with a new initiative just in the fine arts, for that community, and they brought in a lot of partnerships in the new grants, with performing artists.

We also opened up a new program for aboriginal grants, only because the aboriginal community felt that their way of knowledge was not supported. So we started a new program where you had to have partners in that particular community. In fact, it went through a relevance test to make sure the partners were real, before it went out for peer review on the international level.

The third program we have is a community research alliance program where we work with a number of groups in the non-profit sector, where they have an active role in defining the research. Based on those experiences, I think we could easily come up with a very meaningful partnership with the college on shared research within the social sciences and humanities, but I can only speak for this council. I can't speak for the science and the health council as separate entities right now.

• (1310)

Hon. John McKay: I agree completely with the zero-tolerance policy.... [*Inaudible—Editor*]

Mr. Stan M. Shapson: We have data on that.

The Chair: Thank you, Mr. McKay. You've been hanging around too long with your colleagues from the opposite side of the table.

Some of my questions were answered, but in a few words, Mr. Miner, is it written specifically in the research councils' bylaws that they cannot give money to colleges?

Mr. Rick Miner: No, it's certainly not written there, but the rules basically say that successful applicants for NSERC, SSHRC, CFI, or CRC will be based on their academic career: publish or perish.

Colleges are based on application and commercialization. So if a college professor applied, part of the requirement is to submit your data and show your publications. A college professor is not going to have publications. What he or she will have is successful commercial ventures, and that's not the purview of the research councils.

The Chair: That clarifies a few things.

Ms. Rossant, one of your recommendations was to create a national child health research fund. Why is that a good idea? Is there not a percentage being devoted to child research already from those granting councils? Aren't we going to be creating another foundation, with more cost?

Dr. Janet Rossant: We're not proposing a separate fund. I think this would really be to ensure that in any funding that comes through, any new funding to CIHR, any new funds for clinical research initiatives, there is a component of that specifically for children's health research.

The Chair: Does the funding change from year to year, going to child health research?

Dr. Janet Rossant: Yes, it does, because at the moment, there are no specific programs. There's no set-aside for children's health. So I think in that sense we'd like to see an insurance that there really is specific priority—

The Chair: So there's a steady flow.

Dr. Janet Rossant: Yes.

The Chair: Would you be able to provide us with a percentage or something that you can recommend to us? I don't need to have that right now. You can just send it to the clerk.

How does your hospital work with other hospitals? I know in Montreal we have two that work together: Sainte-Justine and Montreal Children's Hospital. Do you work across Canada with the other children's hospitals?

Dr. Janet Rossant: Yes, we do. In fact, Sainte Justine is part of that as well. We've established a council of pediatric research centres; 16 pediatric research-intensive hospitals across Canada have established a working relationship. We're trying to build that from a working relationship to a fundamental clinical research network.

The Chair: And was it done through the research...the foundation...? Or is it just the council you set up?

Dr. Janet Rossant: Yes, it's just working together between the hospitals. We don't have a specific foundation to support that national endeavour.

• (1315)

The Chair: Okay

Mr. Shapson, just quickly, why is your council not now accumulating the knowledge you need?

Mr. Stan M. Shapson: Well, we're accumulating it, but we don't have the ability to get it transferred into the public domain. Individual researchers may or may not do it, but as a council we have no capacity to do that as well.

The Chair: Who is it that would mandate that change?

Mr. Stan M. Shapson: Well, our board has approved this plan, but the plan requires more funding.

The Chair: Right, but I'm saying that even if you did have the funding, who would mandate the change? Would it be Industry Canada?

Mr. Stan M. Shapson: We report to Industry Canada, but I think it would come through our council as a requirement of grants. We would have these knowledge mobilization units, we would require it of researchers who apply for that suite of programs.

The Chair: So if you got the money, you would be able to change your mandate internally?

Mr. Stan M. Shapson: Exactly.

The Chair: Okay. Thank you.

Thank you to all the witnesses. It's tough. Some of the issues we've seen already, and it's tough for the members to ask everybody questions.

Again, thank you for taking time out of your day.

Just one more thing, which I always forget to mention: when the committee travels, it only travels with half of the committee to begin with, so that's why there's a lack of members. And some of them had to go. But all your testimony is on the record, so if the members want to go back and check it or verify or read it, it's there, and that's what's important. So I want to thank you for it.

The meeting is adjourned.

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