



House of Commons
CANADA

Standing Committee on Finance

FINA • NUMBER 015 • 1st SESSION • 39th PARLIAMENT

EVIDENCE

Tuesday, September 19, 2006

—
Chair

Mr. Brian Pallister

Also available on the Parliament of Canada Web Site at the following address:

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• (1010)

[English]

The Chair (Mr. Brian Pallister (Portage—Lisgar, CPC)): Welcome back, committee members. I hope you had an enjoyable summer.

The House of Commons Standing Committee on Finance is mandated by the House of Commons on an annual basis to consider and make reports upon proposals regarding the budgetary policies of the government this year. The theme of our consultations is Canada's place in a competitive world.

As Canada's economic future is in part characterized by rapid technological change and the emergence of new trading partners, the committee is looking to receive from Canadians their views respecting the means of ensuring a prosperous economy by adopting the latest technology, having the needed skills, seizing market opportunities, and making sure that tax regimes enable the attraction of workers and foreign investment in order to maximize our potential as a nation. The decision needs to be taken in the short term to ensure productivity in the long term.

The committee will be holding meetings here in Ottawa and will be visiting other centres across Canada, from Whitehorse to St. John's, Newfoundland. Over 400 witnesses will be heard from between now and the end of October. Groups and individuals will cover an incredible spectrum, as is reflected by our witnesses here today. The committee looks forward to this challenge and the work in front of us. We appreciate your presence here.

We will begin our presentations with a maximum time allocation of five minutes to each presenter so that we can allow time for exchange and questions thereafter. I will ask the representative from the Royal Canadian Legion to commence.

I believe it's Mr. Frost. Go ahead, please.

Mr. Jack Frost (Dominion (National) President, Royal Canadian Legion): Members of Parliament, members of the committee, fellow presenters, my name is Jack Frost. I'm dominion president of the Royal Canadian Legion.

Change in Canadian society is unavoidable as we attempt to deal with challenges brought about by free trade. In adapting to an ever more competitive world, Canada must adopt policies to promote commerce beyond our borders. These policies should not negate Canada's defining attributes of fairness towards all segments of its society.

Canada's fundamental societal objectives are enshrined in section 91 of our Constitution Act, which directs our government, and for that matter Canadian citizens, to strive for peace, order, and good government. As we attempt to maintain our place in a competitive world, we cannot put aside these fundamental principles.

Among the numerous factors to consider in ensuring a balance among all segments of a society, one element that cannot be ignored is the reality of our aging population. If Canada wants to ensure a place in a competitive world, it must provide some measure of economic dignity to this growing segment of its population.

In 1921, the proportion of seniors was one in twenty. In 2001 it had climbed to one in eight. By 2041 it will be one in four. Another factor is that older women outnumber older men. In view of these statistics, there are certain realities we must deal with. For example, seniors should not be seen as a burden on our social welfare and health systems, nor should we assume that they care little about the needs of our society. It should be apparent that older adults will contribute even more in the coming years to Canada's place in a competitive world as purchasers of goods and services. It should be evident that if our society is aging, so are consumers. Thus, it is important for our government to adopt specific measures to preserve the buying power of this segment of society.

To that effect, policies should be implemented in broad terms to meet the changing needs of seniors. Most importantly, any attempt to curtail publicly funded pensions should be resisted as being detrimental to Canada's place in a competitive world. The elimination of mandatory retirement should not be viewed as a substitute for a good mix of public and private pensions to meet the needs of seniors. Though it may be said that older adults have larger disposable incomes and that the rate of low incomes among older adults may have declined, poverty among older adults is still a reality, which will likely increase as that segment of society increases.

Generally, the source of income for seniors is threefold: the publicly funded old age security; the earnings-based Canada and Quebec pension plans; and finally, government and private pension plans, including registered retirement savings plans. There are questions concerning the viability of the employer-sponsored pension plans and the potential adjustments that may need to be made to the CPP or QPP if more seniors elect to take their benefits at age 60.

The bottom line is that for Canada to remain competitive it must provide adequate income to all segments of its population, including seniors. Two of these sources of income provided to seniors by the government, the OAS and CPP/QPP, constitute the largest federal income security expenditures—approximately \$26 billion in 2003-04—and are projected to rise substantially.

The goal of social cohesion can be achieved not only through publicly funded revenue-sharing programs like these pension programs but also through tax measures such as pension or income splitting for seniors.

In reality, the government actively promotes income splitting as a tax savings strategy while denying the right to seniors to split private pension, superannuation, or RRIF benefits. More specifically, the Canadian tax system imposes an income tax penalty on private pension and RRIF income for seniors who favoured the traditional lifestyle of a single breadwinner who worked outside the home and a spouse who worked as a homemaker. Unfortunately, these retired couples pay significantly more tax than two-income couples.

This lack of basic fairness in ensuring economic parity and dignity for seniors must be addressed to promote not only social cohesion but also fiscally sound programs for all Canadians in a competitive world.

In addition to promoting social cohesion for seniors, the Government of Canada should recognize the exceptional contribution of a special category of Canadians who, day in and day out, have promoted peace and order at the risk of their own lives. I refer specifically to retired Canadian Forces personnel, who deserve improved superannuation benefits for their surviving spouses, who currently receive only 50% of the members' superannuation benefits. This is clearly insufficient to meet the basic living expenses previously borne by a couple prior to the pensioner's death and is no longer in line with current standards.

In the same framework, the abatement of the superannuation benefits when CF members reach age 65 and are eligible to receive CPP benefits should be rescinded. This abatement of Canadian Forces superannuation benefits occurs at a time when these benefits are most needed because of declining health and financial realities.

Promoting Canada's place in a competitive world can be achieved only by maintaining the buying power of all segments of our society, especially seniors, who will undoubtedly make up a larger percentage of the overall population in the coming years.

•(1015)

It is the belief of the Royal Canadian Legion that the above measures would indeed benefit a sector of our society that has already contributed to peace, order, and good government. These deserving Canadians should be given an opportunity to continue to contribute with economic dignity, while helping Canada promote social cohesion and maintain viable national infrastructures in a competitive world.

I thank you.

[Translation]

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

Our next witness is Ms. Pearson, from Philanthropic Foundations Canada.

Ms. Hilary Pearson (President, Philanthropic Foundations Canada): I thank you for your invitation to come and speak to you today on behalf of Philanthropic Foundations Canada of which I am the president.

[English]

The Philanthropic Foundation of Canada speaks for Canada's independent and family foundations. Our members collectively manage almost \$5 billion in charitable assets and give almost \$200 million a year to many of Canada's 80,000 registered charities. Private foundations are major investors in the lives and activities of Canada's communities and charitable organizations.

Your paper on Canada's place in a competitive world refers to the fundamental importance of being prepared and proactive to meet the challenges facing a small, open economy. We couldn't agree more about proactivity and preparedness. This is what private foundations are all about, and I'm going to tell you a couple of stories about what they do.

You may have seen the news reports this summer about the unbelievable generosity of Warren Buffett, who pledged to give most of his fortune in publicly traded shares to the work of a private foundation, the Bill and Melinda Gates Foundation. As a smart investor, Warren Buffett decided that he could make the most impact on the lives of others by giving to a private foundation run by individuals he respects.

Would Warren Buffett make a similar gift if he lived in Canada? Almost certainly not. Through continuing taxation of gifts of publicly traded shares to private foundations, federal public policy today acts to discourage donors who give to private foundations.

We are here today to argue that the government should proceed urgently to eliminate capital gains taxation of gifts of public shares to private foundations, as it has for public foundations. This will complete the incentive extended in the 2006 budget to donors to public foundations, which has resulted in the unlocking of substantial gifts of assets. Charities could benefit even more if the government didn't discriminate against donors to private foundations. We believe that public policy should encourage giving and not discourage the individual's choice of giving vehicle.

Why do private foundations matter in this country? How do they help Canadian citizens and communities meet the challenge of competitiveness? They are risk-taking, long-term, social investors. Their actions are complementary and essential to the actions of public policy makers.

Let me tell you a few quick stories to illustrate.

We know that timely access to health care is of major importance to keeping people healthy and productive. In Alberta, a private foundation, the Max Bell Foundation, is funding an evaluation of pioneering work to reduce wait times for hip and knee replacements. Without the foundation's intervention, the public health system would take much longer to identify workable approaches to this problem and create a successful model that can be copied everywhere.

We know that charities have to work hard to hire and retain great people. Most charities don't have the money or the time to invest in their own human capital. The Muttart Foundation of Edmonton has funded a breakthrough innovation by funding the work of a human resources consultant with clusters of charities in Edmonton and Calgary. Sharing the services of this consultant has allowed them to manage their people issues more competitively and, even better, reach more clients and deliver more services in local communities.

[Translation]

In Quebec, the Fondation Lucie et André Chagnon has launched an innovative and unique partnership with the Government of Quebec. The objective of the *Quebec en forme* project is to contribute to preventing poverty by helping economically disadvantaged children from four to 12 years of age succeed in school, primarily through physical activity and sport. Thanks to the exceptional partnership between the foundation and the Ministry of Health and Social Services and the Ministry of Education, Leisure and Sport, we have been able to influence somewhat the practices and policies of several stakeholders who are responsible for improving the wellbeing of children and their families.

[English]

In Nunavut, the Walter and Duncan Gordon Foundation of Toronto is creating the conditions for successful integration of Inuit and southern concepts of justice by funding the teaching work of an Inuit elder in Nunavut's very first law school. The foundation's investment is supporting the development of a much-needed new generation of young Inuit lawyers.

These are just some stories of why private foundations matter in this country.

The federal government said in May that it would look seriously at extending the tax incentive it has delivered to donors to public foundations. Why has it waited so long? Government officials say they want to address concerns about those limited situations in which donors of shares in public companies controlled by the donor could create a conflict of interest situation for a private foundation controlled by the same donor. We recognize the government's wish to be prudent. We have taken this concern seriously, and we have a proposal to reduce it by putting a limit on the number of shares that could be gifted in this particular situation in a given year. We believe this is a very workable solution that will be easy to administer and to comply with. The continuing unfair treatment of donors of public shares to private foundations must be addressed quickly. There is no reason not to move on it now, given the government's stated commitment to look at it seriously and in advance of the next budget.

In conclusion, we ask the committee to recommend the final elimination of capital gains taxation of gifts of publicly traded shares

to private charities. The country will see immediate benefits in terms of greater charitable contributions and more productive and effective community organizations. This is an important part of our competitiveness as a country. Healthy and well-functioning communities are the building block of a more competitive economy. The actions of proactive private foundations lead directly to more prepared citizens and communities. This is a straightforward, relatively inexpensive way to bring about very beneficial changes to communities right across Canada.

Merci de votre attention.

● (1020)

The Chair: Thank you very much, Madam Pearson.

Our next presenters are from the national Assembly of First Nations. I'll invite Mr. Jock and Mr. Watts to share their time, if they so desire.

Thank you for being here, gentlemen.

Mr. Bob Watts (Chief of Staff, Office of the National Chief, Assembly of First Nations): Thank you very much, Mr. Chair, and good morning to the honourable members.

I'd like to extend greetings to you from National Chief Phil Fontaine. He regrets that he's not able to be here to present today, and he would welcome the opportunity to spend perhaps more time going into detail with respect to this unique relationship between the Government of Canada and first nations and what the funding relationship should look like.

We have tabled with the committee a comprehensive pre-budget submission that goes into great detail and covers such areas as the truth with respect to first nations funding. This morning Mr. Jock and I intend to focus on one particular aspect, which is child welfare—the effect of funding of first nations with respect to our children. We have other examples that we can present to the committee, perhaps when there's more time; health would be a really good thing for this committee to get into.

It is estimated that there are at least 23,000 aboriginal children in the child welfare system overall. This is almost three times the highest enrollment figure of residential schools during the height of their operations. The high during that time was about 9,000. Indian and Northern Affairs data confirms that between the years 1995 and 2001, the number of status Indian or first nations children entering into care rose by an astonishing 71.5% nationally. In Ontario this number rose by over 100%.

The federal government agrees that the level of funding it provides to first nations child welfare agencies does not allow them to meet their own statutory obligations with respect to child welfare. On-reserve first nations agencies receive far less money than their non-aboriginal peers. Indian and Northern Affairs provides some 33% less funding per child to first nations child welfare agencies than the average province does. This is an annual shortfall of \$109 million. The current formula drastically underfunds services that support families and allows them to safely care for their children in their homes and in communities. There's not much money, even within that, that is targeted at prevention.

This chronic underfunding means that for most first nations children, removal is often the only option considered—not a last option, the only option.

The status quo clearly isn't acceptable. The social cost of this crisis is beyond calculation. It leads to dependence and dysfunction and to a lot of the social issues that other programs are trying to deal with.

Mr. Richard Jock (Chief Executive Officer, Assembly of First Nations): Thank you.

As Bob has stated, essentially we feel that child welfare represents a case study and that in a sense this is not the only program area that effectively represents a two-tier system of care and a two-tier system of funding.

Since 1997-98 the federal government has retained an overall 2% cap on Indian Affairs funding that relates to off-core services. The cumulative amount of these unrealized INAC funds is estimated at over \$10 billion. This cap of funding is really a key factor in the lack of progress that's been made over the last 10 years in terms of closing the gap between first nations and those other statistical measures that represent all Canadian people. In fact our research has shown that recent federal payments under the Canada health and social transfer program have risen at a rate of 6.6%. If you take into consideration the equalization program that have-not provinces receive, that represents a 9.9% increase in 2004 and 8.4% in 2005-06. The 2% cap on first nations budgets means that in a sense we've lost over \$10 billion over that period in terms of purchasing power. Those large figures tend to not look real or not show what the impact is at the community level, but just as illustration, at a community level this represents a loss of about 45.5% of existing funds for an average of \$1.5 million to \$13.9 million at the community level. This is also something that affects not only Indian Affairs—Health Canada has a 3% cap—but in fact there are 33 other government departments that deliver aboriginal programming and this effect is spread over those departments as well.

In terms of a solution, it's very clear that to achieve real and sustainable improvement in terms of not only the child welfare system—and this could be a quick win for the federal government—and other related first nations socio-economic gaps...really it's important that there be opportunities created for first nations citizens to participate in this perspective and competitive economy. To achieve sustainability will be a key element in terms of those program funds as well as to implement structural changes, which we will be happy to discuss as part of the questions.

• (1025)

The Chair: Thank you very much for both your presentations.

Our next presenter will be from the Canadian Association of Petroleum Producers.

Mr. Alvarez, please, for five minutes.

Mr. Pierre Alvarez (President, Canadian Association of Petroleum Producers): Thank you very much, Mr. Chairman. I've never been with a panel that has stayed on time so ruthlessly, so I've cut mine back. I hope the results are coherent. Congratulations to my colleagues.

I'd like to begin very quickly by giving you an overview of the size and scope of the industry I represent here today. Canada is currently the third largest natural gas producer in the world and the eighth largest crude oil producer. In 2006, direct payments to government in the form of royalties, taxes, and land payments will exceed \$27 billion, \$7 billion of which flows directly to the federal government. Capital investment this year will exceed \$45 billion, with another \$30 billion in operating costs. Environmental spending by the industry on the capital side will exceed \$1.2 billion, which makes us the largest single spender in the economy. Finally, the total employment impact this year, direct, indirect, and induced, will exceed half a million Canadians, making us among the largest employers and contractors of first nations and rural people and businesses.

Let me put these numbers into some perspective. By 2015, Canada will be the number four oil producer in the world, and it is the only OECD country with a growing energy sector. The industry now represents 30% of the value of the Toronto Stock Exchange, which is an awful lot of stocks, units, trusts, dividends, and other interest-bearing securities. We represent 25% of the total private sector investment in Canada and we are active in 12 of the 13 jurisdictions. British Columbia, Alberta, and Saskatchewan, all significant producers, are have provinces paying into equalization, and Newfoundland and Nova Scotia have made dramatic improvements in their fiscal position over the last number of years. In other words, Canada continues to benefit hugely from its natural resource base, and the time is right to focus on how to continue this winning streak.

CAPP strongly supports the finance committee's focus on ways to ensure Canada's place in a competitive world. The major concerns for our sector are the availability of skilled labour, international tax competitiveness, public infrastructure development in areas of growth, and promoting energy research and development. As we have already submitted a detailed brief, Mr. Chairman, I won't go through it; I will simply jump to the recommendations we make to the federal government.

The first is that with the provinces, the federal government needs to promote more trade, technical, and professional training and insist on identifying, coordinating, and implementing multi-stakeholder strategies to address existing and forecast human resource shortages. Priorities for us here at home include non-traditional workers in areas outside of where we have traditionally been, in addition to women, first nations, and disabled people, and foreign workers in key areas, which have been identified. To that end, we want to thank the government for the opening of the immigration office in Calgary. We hope it will be a big assistance with our foreign worker program.

Second, we urge the government to continue to complete the business tax reduction measures introduced in the spring 2006 budget.

Third, we encourage the government to adjust business taxes as necessary to maintain and improve Canada's international tax competitiveness. Once again, we are strong supporters of the elimination of the large corporation tax and look forward to the upcoming changes to the dividend tax credit in the current session of Parliament.

Fourth, we urge the federal government to continue to work with the provinces to ensure that public infrastructure is not a constraint to continued economic growth. I point to where the federal government contributed in excess of \$150 million to do an expansion of Highway 63, which leads from Edmonton to Fort McMurray, as an excellent example of federal-provincial cooperation on key infrastructure.

Lastly, we'd ask that the federal government ensure research and development as highlighted in the forthcoming federal science and technology strategy. We are not running out of resources in this country, but there is no question that the resources we are seeking are further, deeper, and more costly to develop. And it's ideas that will hold the key, not the availability of resources.

Taken together, these measures will improve Canada's overall competitive position, and I would be delighted to answer any questions you or the committee may have, Mr. Chairman.

Thank you.

• (1030)

The Chair: Thank you very much, Mr. Alvarez. I'll note that you didn't use your full five minutes. We thank you for that. It will allow more time for questions after these presentations are completed.

From the Railway Association of Canada, Vice-President Bruce Burrows, please proceed.

Mr. Bruce Burrows (Vice-President, Public Affairs and Government Relations, Railway Association of Canada): Good morning, Mr. Chair and committee members.

[Translation]

Good day, everyone.

[English]

My name is Bruce Burrows, vice-president of the RAC. Joining me today is John Lynch, chair of our taxation committee and also AVP of taxation for Canadian Pacific in Calgary.

Thank you for inviting us to share some thoughts today about how rail, under a modernized fiscal and funding structure, could better help Canadians achieve a more prosperous future with improved quality of life and environmental and economic sustainability—in other words, maximize the potential in the long term, to quote the chair from his introductory remarks.

Rail faces many growth challenges for the first time in decades, with significant changes in the works in terms of services, technologies deployed, security provisions, and an evolving workforce. This year alone, the rail sector has to spend over \$2 billion in Canada. Today we are fundamentally talking about getting Canada's products to market faster and cheaper and moving passengers and tourists quickly and more efficiently.

First, a little bit about who we are. We are the Railway Association of Canada, representing some 60 railway companies across the country. These are the well-known large class 1 freight railways such as CN and CPR, but also over 40 entrepreneurial short lines from across the country, all of the main commuter authorities in the main urban centres, our intercity service provider—VIA—and up to 10 tourist passenger railway companies. We employ, with our suppliers, over 100,000 people. We are a key partner with the Canadian ports. And we represent, interestingly, a small footprint environmentally with a big capacity on separate and very secure corridors. That's a third of the land use of highways and the equivalency of over 1,000 cars and up to 280 trucks per train.

This means we are producing only about 3% of transport GHG emissions with less energy intensity than other air quality emissions. For example, one tonne of freight can move 165 kilometres with just one litre of fuel. With the right technology, rail has become an effective way to minimize the shock of rising fuel prices.

Before I turn to my colleague, I'd like to acknowledge the continued progress made in Budget 2006. In particular, the reduction of the corporate income tax, the elimination of the large corporation tax, and the phasing out of the federal surtax are all welcome and sensible fiscal measures.

• (1035)

The Chair: Mr. Lynch, you have about two and a half minutes.

Mr. John Lynch (Assistant Vice-President, Taxation - Canadian Pacific Railway, Railway Association of Canada): Okay. I'll try to be brief. Thank you.

Bruce was talking about the capital-intensive nature of rail. The issue of CCA rates is particularly important. I would like to refer the committee to the 2004 committee report, in particular recommendation 14, which emphasizes that three criteria should be used to evaluate CCA classes: essentially, similar asset classes should be treated in the same fashion; Canadian rates should be competitive with the U.S.; and Canadian rates should reflect the useful life of assets.

The rail sector feels that using these criteria, which we agree with, there is a compelling case that rail rolling stock should be at a 30% CCA rate. Certainly if you use the first criterion, trucks are at 40%, road trailers are at 30%, vessels are at 33%, and aircraft are at 25%. As for the second criterion, comparability with the United States, they have a different tax depreciation system, but essentially, for U.S. rail, it would be equivalent to about a 30% CCA rate, which we're proposing for the Canadian side.

On the third criterion, in terms of the useful life of assets, with the rapid technological innovation that has taken place—the computerization of the railway sector—a modern locomotive is very much a highly technological asset. Under all three criteria we feel that there is a compelling case for the CCAs to be at 30%.

In terms of the benefits of such a move, because of the capital-intensive nature of the rail sector, we feel there would be an economic spinoff for supply and component companies and, as Bruce referred to, improved emission performance for the rail sector with increased investment. It also helps Canada's trade competitiveness with, again, the requirement for Canada's infrastructure to move the enormous amounts of freight that the rail sector does move.

Mr. Bruce Burrows: In addition to that request, which by the way this committee has endorsed many times before, we also have on the table two other proposals. One is to continue working with the provinces and the rail industry on a partnership basis to fund short-line infrastructure—these are the many small railway companies across the country that face many financial hurdles.

Finally, we are also proposing that we create a rail technology development fund. The U.S. government is abolishing, by the end of this year, its federal excise tax. We suggest, at least in the short term, that in Canada that fund or that amount of money be rolled into a new development fund that can focus on a national innovation effort for the creation, acquisition, and use of some new rail fuel saving and emissions mitigation technologies.

In conclusion, going forward, rail must be able to make investments that yield significant public benefits in terms of congestion mitigation, emissions relief, and energy conservation. We are at an environmental crossroads, so the actions we are calling for today, including the establishment of this new fund, would nicely complement clean air and greenhouse gas emission thinking that currently is very active in Ottawa, and they would help further reduce rail's environmental footprint while attracting more people and freight back on track for the future.

Thank you.

The Chair: Thank you, gentlemen.

From the Sport Matters Group, Mr. Ian Bird.

Mr. Bird, welcome.

Mr. Ian Bird (Senior Leader, Sport Matters Group): *Bonjour, tout le monde.*

Thank you, Chairman Pallister.

You'll appreciate, since the theme of the brief is competition, that we in sport are pleased with the frame; it's a natural environment for us. You'll also appreciate that it's a difficult position for me to be speaking last, in the sense that we prefer the first, second, or third position.

We're already in Olympic gear, with 2010 on the horizon. We're at a time when, quite frankly, the generation of children between the ages of 8 and 14 will not live as long as we will. This is the first such generation of young people to be in that situation in modern time. It is up to public policy makers like yourselves and those who care about the future of the younger generation to respond to that scenario. We make the argument—as has the Conservative Party in the most recent election and the Liberals prior to them—that this can be addressed through some new fiscal measures.

Our specific request to the committee today is for you to encourage the government to fulfill its commitment to invest the equivalent of 1% of federal health spending in the field of physical activity and sport. This is a preventative measure. It responds to a number of things that we know play out in community life and that citizens are endeavouring to pursue on their own terms, to which I'll speak.

We make the case, as the governing party has, that the comparator is really quite relevant. Here we're speaking to the equivalent of 1% of total federal health spending as an upstream investment, or \$435 million. We will look for that in the upcoming budget to fulfill that commitment.

It begs the question, of course, of what this can achieve. I think the primary concern is the health one. We know about the opportunities that can be taken to raise awareness of the benefits of sport and physical activity. We know how to do it. In fact we've done it in the past, and over the course of the last 15 years we've allowed that to regress.

We know that there are issues of infrastructure to be addressed. This is community-based infrastructure that enables citizens to form associations and create the kinds of sport opportunities and local recreation opportunities for young people to go out and pursue activity. Quite frankly, we think it's a modest request.

There are three million Canadians who volunteer and 34,000 citizen-based associations that go about making sport happen in this country, and we think there are certain things they can do on their own terms. They can volunteer and better enable young people to participate in sport, but they cannot build the kind of infrastructure and create the kinds of programs that we know can happen through effective public policy and an effective system. So we're turning to the committee to intervene and encourage the government to fulfill its commitment to invest \$435 million in physical activity and sport.

I would also point to some of the other elements in the brief, which no doubt you've read. Despite the burgeoning need for volunteers, there are some trends that you are no doubt familiar with in your challenges to raise volunteers to participate in the political process. We share those same challenges in the Canada volunteerism initiative, as well as the sector strategy promoted by Imagine Canada. Those are two effective and cost-effective ways that we can address those trends.

I would also point to the new sources of funding, which we've indicated are viable alternatives worth consideration and lead us back to the frame of the brief and the frame of competition.

There are fiscal measures that have yet to be explored in the field of physical activity and sport. There have been some long-standing contribution agreements that have enabled investment in programs.

• (1040)

We've seen in the 2006 budget, and we're pleased to see, the use of the tax system to support parents who place their children into organized physical activity and sport programs. But we've yet to explore some of the other fiscal measures, and we would encourage the committee to look at those—the establishment of a foundation, a national lottery or a sport bond.

Thank you, Mr. Chairman, for the opportunity to speak to the issue. I look forward to your questions.

The Chair: Well done, Mr. Bird. Thank you all for your presentations. I assure you, Mr. Bird, that committee members who at this point aren't aware of the need for physical exercise will in 10 weeks from now be well aware of it as we sit through this process. I appreciate your presentation very much.

• (1045)

Mr. Ian Bird: I'll have lunch, and maybe I'll walk around Parliament.

The Chair: That's a good suggestion. We'll note that.

Our first questioner will be Mr. McCallum. Mr. McCallum, you have seven minutes, sir.

Hon. John McCallum (Markham—Unionville, Lib.): Thank you, Mr. Chair.

Let me begin by congratulating all of the presenters for what I thought were really first-rate, succinct, and compelling presentations. I'd like to begin, since this is the first of many meetings we're going to have, by stating our party's overall view and thrust. The basic fact of the matter is that the fiscal cupboard is bare.

As a member of this committee, I feel not a little bit embarrassed to be inviting members of the public to come and make proposals for

making our economy more competitive when the government essentially spent all the money in the last budget. In the last budget, the annual cost was \$15 billion—a record high—on matters such as GST cuts, which, every economist would agree, do absolutely nothing to enhance Canada's competitiveness or productivity.

According to the best current estimates by Don Drummond, the amount of money available currently for the rest of the decade is not more than \$2 billion per year. The first proposal from the Canadian Legion alone would cost more than \$2 billion a year. And this \$2 billion is before the government has devoted a penny to the fiscal imbalance. I think most estimates of the cost of a minimal solution to fiscal imbalance are \$3 billion to \$5 billion per year.

So it's almost fraudulent and almost insulting to invite Canadians to come and make their requests when the government has already blown its budget in unproductive ways. We're inviting you to make great proposals in a situation where there isn't any money. We will get final budget numbers for last year perhaps this week. Instead of \$2 billion, it might be \$3 billion to \$4 billion. We shall see. But the point remains that having blown the budget in an unproductive way, we're now inviting Canadians in good faith to come and propose productive solutions in a fiscal situation where there's little if any room for manoeuvring.

The Chair: Mr. Turner on a point of order.

Hon. Garth Turner (Halton, CPC): We have some very important witnesses here before us today whose time is valuable. I'm sure they can listen to CPAC if they want to hear a second-hand political diatribe against the government. But if there are truly some questions from a noted economist with a background as distinguished as yours, cough them up.

Hon. John McCallum: Mr. Chairman, I was actually—

The Chair: Mr. Turner does not have a point of order, although he does have a point, and it's a point of interruption. Mr. McCallum may use his time as he desires. I would encourage him to involve the witnesses in some way in the exchange.

Hon. John McCallum: I had finished my opening comment, and I made it because this is the first of a series of hearings and I wanted to put our overall view on the table. I was about to come to the witnesses, which I will now do.

I'd like to direct my question to AFN. I've had some involvement with your leader, Phil Fontaine, over the years, having written a paper before I got into politics called *The Cost of Doing Nothing* and having followed and supported your activities over these years. My question has to do with the Kelowna accord.

Here, at least, was inaction that did something. We talk about the cost of doing nothing. The Kelowna accord did something, at \$5 billion over five years. I guess my question to you is whether you can explain to the committee, in human terms, the cost to your community of not proceeding with the Kelowna accord. Also, more specifically, if we had proceeded with the Kelowna accord, the specific issue you raised today might have been addressed through that accord.

The Chair: Mr. Jock or Mr. Watts, would you like to proceed to answer that?

Mr. Richard Jock: I have a couple of comments. Very clearly, in terms of the child welfare situation, in a sense this is a good example of putting kids at risk in an area where there is a clear federal responsibility. Our reason for presenting this as a case study was to show that there are some very real examples to show that not providing appropriate funding within what would be considered an appropriate standard, or comparable standard, has real costs and real implications for children now and essentially in the future, because of the inappropriate nature of the interventions that result from that lack of funding. I think child welfare is a good example.

We have also done a lot of work in terms of health. We actually feel we're on the brink of a health crisis in terms of access to health care. In terms of access to health services, we feel similarly—and we've worked very closely with departments to look at the impacts of those—that we're in a situation in which there's going to be loss of life or loss of limb, or other similar and very real and tangible losses.

We can go down the list in terms of education, and so on. It represents similar lost opportunities. Our point is somewhat similar to the point made by the oil sands and other groups—we really feel that this infrastructure is necessary to be part of participating in this prosperous future that seems to be out there for Canada. To us, dealing with these issues will enable us to participate fully and vigorously in these opportunities, but only if our youth have access to good education and similarly good access to the training opportunities. We see it as both a challenge and a very real area of difficulty.

I've tried to express some of the human terms, but I want to go back to the individual community example. In our analysis, these funding restrictions actually represent a 45% reduction in terms of costs that should be there to run those systems appropriately; those costs run from \$1.5 million, depending on the size of the community, to \$13.9 million in real terms at the community level.

• (1050)

The Chair: Thank you, Mr. Jock, for your response.

I'm sorry, but your time is up, Mr. McCallum.

[*Translation*]

Mr. Paquette will be the next speaker.

Mr. Pierre Paquette (Joliette, BQ):

Thank you, Mr. Chairman.

I too wish to thank you for your testimony. These are the first briefs we have heard, and they contain a lot of interesting information and food for thought.

I will first address my remarks to the representatives of the Canadian Association of Petroleum Producers and of the Railway Association of Canada. There is a desire to see tax reductions, especially on the part of large corporations, and one can readily understand why. However, the argument that income tax reductions make investments possible is not always borne out by reality. We have seen considerable tax reductions over the past years. Last year, investments did not follow suit; this is particularly true in Quebec.

I'll take the Canadian Association of Petroleum Producers' brief as an example. On the one hand you are asking that the government follow through on corporate tax reduction measures adopted in the spring 2006 federal budget and on the other hand, you ask that government continue to work with the provinces in order to ensure that public infrastructures not constitute a brake on ongoing economic growth.

If you had to choose between tax reductions and investments in public infrastructure — we can all see that the road network is deteriorating — what would you choose? What should our priorities be?

The question is indeed broad, but did you know that our theme was Canada's place in a competitive world?

Mr. Pierre Alvarez: Thank you for your question, Mr. Paquette. I think that we can indeed serve as an example. If we compare ourselves to other sectors, we note that in our case, taxes have dropped from 28 to 21% over the past five years. However, our contributions to the federal government went from two to seven billion dollars annually. There is, thus, an enormous increase in investment by our sector.

Moreover, the industry grew considerably. Throughout the country, this has meant that government revenue tripled and even quadrupled. We believe that in our sector this indicates quite clearly that both things can be done together. However, that may not be the case in other sectors.

• (1055)

Mr. Pierre Paquette: May I point out that last year in Quebec, investments increased by less than 1%, although there were generalized tax reductions. I know that there is a particular set of economic circumstances in the petroleum sector.

And what do the representatives of the Railway Association of Canada have to say?

[English]

Mr. Bruce Burrows: We very much are focused on investments in infrastructure. As you say, the highway infrastructure has deteriorated and so has the railway infrastructure. Quebec is a prime example of a new partnership agreement that we have with the Quebec government and the federal government to spend up to \$100 million on a shared basis in infrastructure in Quebec. We hope to conclude that very soon. We hope, as I mentioned earlier, to expand that type of partnership investment coming from the Canada strategic infrastructure fund to other parts of the country, again to support those smaller railway companies.

The proposal to convert our excise tax into a new technology fund again is an investment-orientated objective. The response in terms of reducing the capital cost allowance is that it's a very modest fiscal measure in terms of a reduction, but it has huge investment implications for new technology.

[Translation]

Mr. Pierre Paquette: I must add that I very much like your approach concerning accelerated amortization. The committee has already spoken out on that topic and the Bloc Québécois expressed its agreement. I think that the time has come for tax cuts, tax credits, or, as you suggest, certain more targeted measures to encourage businesses to do what must be done to ensure economic growth and the competitiveness of the Canadian and Quebec economy.

If I have any time left, Mr. Chairman, I would like to put a question to Mr. Fontaine.

Your presentation touched a chord with me. In Manawan, in my riding, there is an Atikamekw community. I go there regularly and I see that the needs are enormous, especially as concerns social housing. The demographic growth in that community is well known. This year, 20 units are to be added, which means that this is an exceptionally good year.

There are a whole array of social problems pursuant to this overcrowding. Consequently, should we not this year, in our report, prioritize the issue of social housing? The objective here is that large investments be made to help the communities meet their housing needs. There may be other issues you would like to bring to our attention.

[English]

The Chair: There's approximately a minute and a half remaining in the allocated time.

Mr. Watts.

Mr. Bob Watts: Perhaps I'll start.

In our action plan that was presented to first ministers, housing was highlighted. We talked both about social housing and market value housing. Our plan calls for a mix of both fair market and social housing. There are some who think that if only we had private land ownership and more private housing, all the problems in the world would be taken care of, but that's just not the case. Social housing requires huge investment. We're looking at the development of an institution outside of government that would work directly with first nations to develop both fair market housing and social housing.

In terms of priority, I think that's something we need to do some joint work on. We've highlighted child welfare in this presentation to bring a sharp focus to something that's very real in terms of the youth of this country, in terms of the future of first nations. We present it as a case study, but in our full report we cover all of the areas. Clearly, the relationship between a good house to live in, being able to do homework, and the relationship between overcrowding and disease can't be overlooked. The relationship between poor-quality housing and respiratory problems and diseases related to mould—all those things are there. Again, what we wanted to do is present a case to really focus the committee's attention on how the 2% cap has affected our communities very directly.

• (1100)

The Chair: Merci, monsieur Watts.

Madam Ablonczy, seven minutes.

Ms. Diane Ablonczy (Calgary—Nose Hill, CPC): Thank you, Mr. Chairman. And thank you to all of you for good presentations, not only in boiling them down to the time you had available—a very short time—but giving us additional background material, which you can be sure will be looked at and considered.

I particularly, though, want to take a minute to address the musings of my friend, “Cassandra” McCallum. To listen to him, you would think that Canada is on the brink of disaster. Sadly, sometimes politics does intrude in what should be straightforward considerations. But I can tell all of you that in fact under our government, spending on a number of programs actually increased from what it was before. In addition, we believe that by putting money back into the hands of job creators and ordinary citizens, tax revenues will actually go up. This has been demonstrated in jurisdiction after jurisdiction. We know that in the government that Mr. McCallum was part of, spending increased 15% a year and more, and yet you're still here with tremendous concerns. We want to continue to meet those concerns in meaningful ways. All of you in various ways have given high marks to our government's first efforts, and now we're going to our next budget and again we are considering the needs of all your organizations and your different sectors of the economy. You all contribute in many ways.

So I want to just ask some brief questions, starting of course with the gold medallist. The first shall be last and the last first.

You mentioned in number three of your recommendations that new fiscal policy measures, including tax measures, would remove economic barriers to participation in sports and promote activity at the community level. I'm wondering if you could be a bit more specific about the tax measures you have in mind, but very briefly please, because I do have other questions.

Mr. Ian Bird: Thank you for the question.

I think it's a given that we know about the children's fitness tax credit that's been tabled, and we're seeking its extension beyond the age of 16 to the age of 18. It's exactly at the age of 16 that we see a decline in participation, especially among young women. So at the point at which the tax credit ends and when the economic barrier is then put back in place over this next two years, we're likely to see a continuing downward trend in especially young girls' participation.

There would be a real benefit to looking at the tax system as a means to support volunteer training. This has yet to be explored by any government, including provincial and municipal governments. Yet it could respond to both a downward trend in volunteerism as well as the importance of volunteers to physical activity and sport.

And we've sought an upward amendment of those corporate donations to sport, to go from a 100% write-off to 150%, to promote the involvement of the private sector in sport participation opportunities. You likely all know of the local dry cleaner and supermarket that seek to support the local baseball group or the trail-walking group. We think it's a viable approach to support those small businesses who are supporting the small local community non-profit organization.

We'd consider those three opportunities as worth your consideration at the committee level.

Ms. Diane Ablonczy: Good. Well, we appreciate that level of detail. That's very helpful to the real people.

You're looking for opportunity to make greater investment. I note that greenhouse gas emissions and the use of fuel is a great concern, I think for all of us here, all parties. And it has been suggested that moving goods more often by rail would address that problem to some degree. I'm wondering if your industry has done any studies that you might be able to share with the committee that show how increased use of movement of goods by rail may impact the environmental considerations. You alluded to that. But do you have any studies you could share?

• (1105)

Mr. Bruce Burrows: Yes, in fact we do, and I'd be pleased to pass the material forward to you that clearly illustrates that.

Ms. Diane Ablonczy: If we could get that, Mr. Chairman, that would be very helpful.

To Mr. Alvarez, as you well know, sometimes the oil industry is seen as the fat cat of the corporate world. Yet you pointed out that it is a real contributor to the fiscal pie that we can use to support other measures in our society and other groups. But I wonder specifically, again on the environment—because this is a big concern of mine and many others—what the industry can offer in terms of cooperating with other measures in reducing the environmental impacts of oil and gas production.

Mr. Pierre Alvarez: In 30 seconds or less?

The Chair: In one and a half minutes.

Ms. Diane Ablonczy: No, in 30 seconds.

Mr. Pierre Alvarez: There are two parts to this. One is the way you operate your business, and we have seen dramatic changes, particularly at the provincial level, on things like flaring and venting the gases that are released. We're looking forward to the

government's upcoming air quality and climate change package, because clearly that's going to push things a little further, and we will participate in it.

Quite honestly, Ms. Ablonczy, the biggest issue is capital stock turnover. When you bring in and build an \$8 billion facility, which is what a new oil sands project costs, you're not going to turn around and change out the equipment in two years. Changing out equipment and the processes that go with that take time, both in terms of development and in terms of deployment.

To throw out one statistic, the new oil sands plant will have 99.5% SO₂ recovery. If you go back to a plant built 15 years ago, it's probably less than 80%. On the other hand, you don't retrofit a facility quickly, so we support capital cost allowances and those kinds of things, and we think they are important. It's clearly something we spend a lot of time on, and we will, I imagine, continue to do so.

Ms. Diane Ablonczy: That's helpful.

Mr. Watts and Mr. Jock, I do want to get to you. I appreciated the fact that in your presentation you had a page on solutions. It's easy to point out problems, but we don't always get solutions. I wonder if you could just—

The Chair: I'm sorry, Madam Ablonczy, your time is up.

We will continue with our next questioner, Madam Wasylycia-Leis. Please proceed; you have seven minutes.

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

I thank everyone here to kick off what's going to be a very lengthy and exciting process as we try to shape the next federal budget and try to shift some of the priorities of the present government. Notwithstanding what John McCallum has said, I think this is about choices. Many of you have confronted the difficult challenge we face.

One shouldn't assume the cupboard is bare. When you read the reports on the growth in the economy and surplus dollars available, I think we will soon find there is significant flexibility in the government coffers, and we really do need to grapple with some outstanding obligations. If we're talking about choices, in a competitive economy it's not just about the size of the oil reserves or the profits of banks, but about how we treat our seniors and our youth, and about how we invest in the future.

I want to start with seniors and our veterans and ask Mr. Frost if he could give us a little more detail on his two proposals. Given what is happening in Afghanistan and given the fact that we do have troops who are dying and others who are coming home with many health problems, how can we advance this issue of improved superannuation benefits for surviving spouses and prevent the abatement of the benefits when CPP kicks in? It seems to me, given the economic and social conditions facing our troops, this is a pretty basic request. What obstacles have you run into, and what can we do to advance this cause?

Mr. Jack Frost: Thank you for the question.

I'd like to draw your attention first to the private and crown industries, in which the survivor pension benefit runs anywhere from 50% to 75%. Actually, the benefits they receive are more to the tune of about 65%.

I think it's only fair that we look at our CF personnel, the ones who today are putting their lives on the line. For example, since 2002, 36 Canadian soldiers have lost their lives, including the four who just lost their lives yesterday. Since August, 13 have died and 150 have been seriously injured and have returned to Canada. They deserve not only great benefits from Veterans Affairs Canada, which they do receive, but they require the same eligibility and the same fair and equitable treatment from the superannuation benefits, which, as we have suggested, would include a 60% survivor benefit as well as the abatement of the CPP.

• (1110)

Ms. Judy Wasylycia-Leis: Thank you.

Mr. Chair, this is a very specific recommendation, which we ought to consider seriously.

Richard and Bob, concerning children, you've identified a very serious problem in terms of building a sustainable and competitive society, and you've given us some clear solutions.

There's another area where I think we need to address the problem, and that's with respect to the cap on INAC funding, which has been in place since 1995. Without it, there would have been another \$10 billion in funding that would have helped deal with these problems.

My question is, is the cap still in place? And is the present government's freeze on internal spending still there? Does it affect your areas, and specifically what about in Health Canada?

Mr. Richard Jock: Our understanding is that there is an overall 3% cap on proposed federal funding. As well, our understanding is that INAC currently remains at the 2% cap.

As mentioned, we also understand that part of what's going on is that there are budget reductions in terms of contributions to potential funds. We understand that both Indian Affairs and Health Canada are going through a process of examining those cuts. There may not only be constriction on the amount of growth, but there will also be reductions at the other end, which will further compound the potential funding problems.

As I mentioned, there are 33 other federal departments with some responsibility for first nations issues, and those agencies are not exempted from the cap. Further, one of our concerns is that in terms

of these reductions, first nations or aboriginal programs may be targeted and reduced most. So we see that it's not only the go-forward position, but the whole issue of cuts may actually make this entire situation even more dramatic.

Ms. Judy Wasylycia-Leis: Thank you.

May I ask Ian a short, final question?

The Chair: There's a brief amount of time available.

Ms. Judy Wasylycia-Leis: Again, regarding youth, I hear what you're saying. Given the fact that the physical fitness credit for children is going to be about \$40 million this year and another \$160 million next year—that's what it's going to cost us—wouldn't it have made more sense to take that money and put it into programs and facilities to meet the objectives you're talking about, so that our young people can be truly engaged in physical fitness without restrictions due to economic barriers?

Mr. Ian Bird: It's true that the current tax credit will cover only a certain part of the population. As you know, your party supported what amounted to a multi-billion-dollar infrastructure investment recommendation through the last election. We're talking about two degrees here: one is a relatively modest investment in a certain part of the population to get their kids into sport programs, and the other is the sort of Canadian endeavour that was taken up around the centennial year in 1967 through 1972, during which we had a substantial community infrastructure fund, so that your local community centre was not 40 years old and at risk in the winter snow load.

I agree with you that a comprehensive approach is required. There are both the kinds of fiscal tax measures that have been proposed and the kinds of essential infrastructure programs, which frankly link up with the child welfare agenda that we heard about from my colleagues here. So it's the comprehensive approach that's essential.

• (1115)

The Chair: We'll continue with Mr. Savage for five minutes, sir.

Mr. Michael Savage (Dartmouth—Cole Harbour, Lib.): Thank you, Chair, and thank you to all the panellists. I thought the presentations were very good.

I want to follow up with Mr. Bird. The place I want to go puts me in agreement with Ms. Wasylycia-Leis, which causes me a mild level of concern, but not too much. I do want to talk about fitness, particularly for children. It's an area that I've spent some of my life working in. I joined the health committee last year in hopes that we would have some impact on getting a national wellness agenda put through following the creation of the Public Health Agency of Canada, which I think is a good initiative, both for public health but also for population health, chronic disease. I come from Atlantic Canada. We have the highest levels of chronic disease: diabetes is out of control, cancer, heart disease, and all the risk factors for poor health.

I've talked recently with Dean Hartman, who owns Nubody's Fitness in Nova Scotia, and Kevin Cameron. They are people involved in trying to put together a health promotion agenda in Nova Scotia. We're fortunate in Nova Scotia that we have Canada's first health promotion department, ably led by Scott Logan, and we have Jamie Ferguson, who you may have met somewhere along the way. They've done some good work.

I'm pleased with your recommendations. One of them mentions including tax measures. The others are sort of more involved in volunteerism and infrastructure. It seems to me that we have to go that way. The kids who are most unable to access measures that will keep them fit are at the lowest level of income in society.

I just registered my son for hockey for the first time. He's seven years old. It was \$350 to register. It was another some hundreds of dollars to buy the equipment. There's travel. Getting a tax credit at the end of the year would incent nobody to do it. It will help me and it will help other people who already register their kids in hockey, but it doesn't provide any kind of direct incentive for kids who otherwise might not be able to register for hockey.

We have the Commonwealth Games coming up in Halifax, which I strongly support, mainly because I think it will provide some infrastructure afterwards for kids and adults and others in the community.

I have two questions after that lengthy regional preamble. Do you agree that direct investment in infrastructure and in programs mainly for kids who can't afford it otherwise is more important than tax measures, or do you think the tax measure is better? I'm not condemning it. I think it's a worthwhile initiative. In my view, it's not the priority. I would be interested in your view.

The second question is, whatever we do for hockey and baseball, should we not do for dance and other forms of physical fitness?

Mr. Ian Bird: Yes. You can become a spokesperson for the issue, Mr. Savage, in the sense that we're talking about a crisis. We're talking about a generation of youth that is going to face something that none of us have and that Canadians have not faced. So everyone putting their oar in the water is the key thing.

By the current estimate, we have a \$14 billion infrastructure deficit that we've just let aggregate since 1972, when the last infrastructure programs were shut down. We will create new demand by raising awareness and through some of the current tax measures, but where will these young kids go? So I think infrastructure has to be a key part of this.

I also think, though, that we don't want to overlook the fact that there is a human infrastructure component to this, and this is the part that Nova Scotia has really led on. They've created a whole leadership agenda around the concept of health promotion. The people you've mentioned have spearheaded this, and as a result they've been the ones to describe the link between tax measures, infrastructure, and the kinds of community investment programs that will actually get us out of this crisis.

Can we collectively take on all three things at the same time? I think we're pretty mature folks. It happens. Perhaps it's not surprising that you don't bump up against the NDP position and others, in that it's a relatively non-partisan issue. We're talking about community

sport, kids being active, and the kinds of basic ingredients to help that happen.

My guess is that we can pursue this, and this next budget is a good time to do so.

• (1120)

[Translation]

The Chair: Thank you.

Mr. St-Cyr, you have five minutes.

Mr. Thierry St-Cyr (Jeanne-Le Ber, BQ): Thank you, Mr. Chairman.

I too would like to thank you for your presence here today. It must sometimes be frustrating for you to only have a few minutes to tell us everything you would like to tell us.

I would like to hear the opinion of the representatives of the railway industry. Reference has been made to investments to improve the profitability of the industry. That is quite understandable, but I would also like to hear the opinion of industry representatives as to the investments required to help many Quebeckers who live in ridings like my own, where there is a lot of railway activity, and where people have to live with many inconveniences caused by the operation of railways.

In the opinion of many Quebeckers, and in my opinion, large investments should be made to allay these irritants. I will name four of them, briefly, the first one being noise. Often, for historical reasons, railways run right through the middle of residential neighbourhoods. People have to live with the noise.

It would be reasonable to think that the more industries invest, the more prosperous they will be and that there will be, a corresponding increase in railway activity through residential neighbourhoods. This will add to the problems that already exist. People are concerned about that. Throughout the world, people are attempting to find technological solutions to reduce noise, and new routes will eventually be built to bypass those neighbourhoods. I presume that considerable investments will be needed to solve the problems caused by increased railway activity.

The second irritant that is raised fairly frequently is the storage of dangerous substances on railways. I presume that is because railway transport companies have nowhere else to keep these substances, but when they are stored in railway cars, that often happens in residential neighbourhoods. People are concerned by that.

Thirdly, I would like to talk about infrastructures in areas where people live, about lands that member companies of your association own, that are often in an advanced state of deterioration. At the corner of the street where I live, there is an overpass, and I am scared to pass under it because I am always afraid that cement chunks are going to fall on my head. As for the land, there is ragweed growing rampant all over it. It would seem that railway companies do not have any money to invest to ensure some kind of basic maintenance.

And finally, there is the whole matter of soil contamination, which we could discuss in greater detail.

Here is my question: If the government were to bring in some type of tax incentive, subsidies, or some other measure to encourage you to do your part to do something about these problems, do you think the industry would be willing, in term, to invest money as well to settle these matters?

[English]

Mr. Bruce Burrows: *Absolument.* The answer to an earlier question from your colleague is a good answer to your question about infrastructure.

We are very supportive of the federal and Quebec governments' conclusion of an arrangement to spend up to \$100 million on infrastructure in Quebec, where I think we can make some real improvements to the quality of the track and various facilities that can help take some trucks off the road and help alleviate some environmental congestion pressures.

On the issues of noise and the handling of dangerous goods, one of the proposals I spoke about today was the establishment of a new rail technology development fund. By putting the excise fuel tax into that fund we can look at new technologies that can help with noise evasion and minimization. There are some ideas out there in which we would be very interested in investing. If we had a better CCA regime we would also be better able to invest in those things. Our members are very keen to make some of those investments.

There's a lot of work going on in the area of handling dangerous goods. We're looking at ways to move those cars more quickly so that they don't sit on a siding close to residences for a very long time, and so that they keep moving. That minimizes the risk and helps keep residents more comfortable.

We have a major agreement with the Federation of Canadian Municipalities to address noise issues. We're working very closely with Westmount and a number of other municipalities in Quebec, which are very keen and supportive of that initiative, by the way, and which are helping to lead that initiative, which I think will help on the proximity front as well.

• (1125)

The Chair: Thank you, Mr. St-Cyr.

We will conclude, Mr. Turner, with your round. You have five minutes, sir.

Hon. Garth Turner: Thank you.

I'd like to direct a question or two to Mr. Frost, somewhat in response to Mr. McCallum's throw-away line about your request, which I gather was for pension splitting, as costing \$2 billion or some such ridiculous amount that the government doesn't have. I'd just like to explore this issue for a minute. You brought it up in your presentation about pension splitting among your members and among seniors in general. Do you have a realistic estimate of the cost of that particular change in the tax code?

Mr. Jack Frost: Can I just take a second?

Hon. Garth Turner: Sure.

Mr. Pierre Allard (Director, National Service Bureau, Royal Canadian Legion): Could I answer that?

Hon. Garth Turner: Please.

Mr. Pierre Allard: We don't have an estimate of the cost, but the reality is that in the year 2040, one in four of your people who are going to be buying goods will be seniors. Surely you have to preserve a way to allow them to compete in Canadian society and purchase these goods, and this is probably one way that would cost a very small amount of money to the government and would allow Canada to remain competitive.

Hon. Garth Turner: Thank you.

Well, I have good news for you: I do have a cost. Actually, this is an interesting issue. I think it's an issue of tax fairness, where we have a lot of Canadian seniors who are in a higher tax bracket because the income of the family flows into that family in the hands of one individual and not two. I actually asked the Library of Parliament if they would research this issue and come up with a cost estimate. I'd like to share that with you.

The total cost to the treasury of allowing income splitting for couples with at least one spouse over 65 years of age, which would allow all taxable income flowing into that household to be shared between the two individuals in that household, is \$301.9 million. A significant portion of the benefits would flow to seniors in the income bracket of \$40,000 to \$60,000.

So perhaps we might be able to develop that and you might be able to make the case as to whether that is an affordable issue or not. I think it is.

Also, Mr. Frost, I'd like you to respond to a comment. I did write about this the other day in my infamous blog, and I made the case for pension splitting. I'd like to read to you a response that was typical of those I got from a number of people:

I refuse to pay higher taxes so that the greedy 50- to 65-year-olds can get optimal health care and drive their Mercedes. They had every opportunity to prepare for retirement and fund it on their own...a no more affluent time in history. If they have it all tied up in their houses and cars, tough luck.

How do you respond, sir?

Mr. Jack Frost: It's rather difficult to respond to that. It's an unfair statement. I think if you look at a dual-income family today, you do see more affluence out there, but the people who are in need today stem mostly from single wage earners. The spouse traditionally stayed home and took care of the family, which was encouraged by the government of the day and private industry. In the 1960s and 1970s, we started to see more spouses come into the labour market. It has only been since, I believe, probably 1986 or in that range of time that the wage of the female of the household drew proportionally in line to what it should have been with the male. So we're looking today at a more affluent younger society, but as for traditional senior society, I disagree with that statement. You're not seeing that today.

Hon. Garth Turner: Mr. Frost, are you aware of a conference we're having here in Ottawa on October 3 to speak about pension splitting? Your colleague, I believe, indicated you are. I'm wondering if you'll be able to be in attendance.

• (1130)

Mr. Jack Frost: We are certainly supportive of the conference. We're trying to see if it will fit within our schedule.

Hon. Garth Turner: All right. I might just remind members who are interested in educating themselves more on this issue—and I might address this particularly to Mr. McCallum—that we are having a conference here on Tuesday, October 3, at 10 o'clock, and you're most welcome to come by. We're going to be discussing this issue, the costs and whether in fact it is an affordable change to the tax code and whether it's something in fact that should be brought forward by the government as an issue of tax fairness.

Thank you.

The Chair: Thank you, members, for your participation and intervention, and to all the panellists, thank you very much for your presentations. We appreciate your time.

We will take a brief recess to give committee members and staff the opportunity to eat, and we will ask the next panel to make their way to their seats, please.

Thank you.

• _____ (Pause) _____

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• (1140)

The Chair: I invite witnesses to get comfortable and I encourage committee members to return to their seats.

The Standing Committee on Finance will continue its deliberations on the pre-budget consultation process.

We welcome and thank our witnesses for being here. I'll apologize on behalf of committee members as we continue to partake of our lunch while the process continues. But understand that we can multi-task, so we will be listening.

We will begin this round with a representative from the Canadian Trucking Alliance, Mr. Bradley, if you'd like to proceed.

You have no more than five minutes, ladies and gentlemen.

• (1145)

Mr. David Bradley (Chief Executive Officer, Canadian Trucking Alliance): Thank you very much, Mr. Chairman and members of the committee. I'm delighted to have the opportunity to address you again.

For those of you who aren't too familiar with our industry, we move 90% of all consumer products and foodstuffs in Canada and about two-thirds of Canada's trade by value with the United States.

The essence of our presentation to you today is to increase the sustainability of our industry from an environmental point of view and also our competitiveness. Some of you may know that in recent months CTA has issued a 14-point, made-in-Canada clean air act plan. I'm pleased to announce that only two of those 14 measures require some sort of tax or expenditure measure by the federal Government of Canada; however, in total our plan would lead to a reduction in air-equivalency terms of 91,000 current trucks from the roads in terms of N₂O, and in terms of the other major contributor to smog, a reduction of 100,000 current trucks with regard to particulate matter. With respect to greenhouse gas emissions, our 14 proposals would combine to contribute to a reduction—again in air quality value—of 46,000 existing trucks. This is quite substantial.

We are on the cusp of a radically different, new technological situation in the trucking industry as it pertains to smog. By law, starting on October 15 of this year all diesel fuel—for trucks only—sold in Canada will see a lower sulphur content, down from 500 parts per million to 15 parts per million. That fuel will be used in the new smog-free trucks of the 2007 model year—again by law—that will come into the marketplace this October as well. This will see, between now and 2010, the virtual elimination of smog emissions from trucks. This is by law both from Environment Canada and from the U.S. EPA. Ours is the only freight industry whose fuels and engine emissions are so regulated.

However, these new engines come with a significant new cost. Just to purchase them, the ticket price is averaging around \$8,500 Canadian more. There are increased maintenance costs, and there is the uncertainty of some of the new technologies. All of this contributes to pressures on carriers to pre-buy before the new engines come into the marketplace.

What we would like to see, if the goal here is the environment, is acceleration of the penetration of those vehicles into the marketplace as soon as possible. We're calling for a more aggressive, separate capital cost allowance bracket for this equipment—not for all trucks that are out in the marketplace, but simply for the new equipment—so that we can get them out into the marketplace more quickly.

In terms of fuel efficiency, another major contributor to idling that really goes along with the environment we have here in Canada is the end-idling of truck engines. Over the last few years we have benefited greatly from a program from Natural Resources Canada that provided rebates of up to 19% for investment in auxiliary power units to run heating and cooling systems so that truckers don't have to keep their engines running all night or all day, depending on whether it's in a heatwave or in the middle of winter.

This program has worked exceedingly well and has encouraged investment in over 13,000 of these units. The government's investment was \$6.2 million; industry's investment to date is \$31.3 million. Unfortunately, that program was cancelled in March of 2006. We would like to see it reinstated.

On both these counts, if you don't like CCA rates or rebates, there are other ways one could approach this, through ITCs, etc., but certainly with respect to the capital cost allowance, we're already at a competitive disadvantage compared with U.S. carriers. There is a natural gap we would like to see closed.

We also obviously have an interest in infrastructure and were very pleased when the current government announced a highway and border infrastructure fund with moneys dedicated to it. However, we're still only investing about 10% of the fuel taxes that are generated in Canada. We'd like to see either more of that invested in the highways and borders or we should get rid of the excise tax on diesel fuel. Excise taxes are an archaic form of taxation. It should be woven in with the goods and services tax.

● (1150)

Finally, an old chestnut of ours. In 1994 the federal government followed the United States by reducing the meal tax deductibility for all employees, including truck drivers, from 80% to 50%. In the United States they saw the error of their ways and have, over the course of the last several years, moved back towards the 80% level, which they would reach in 2007. We would like to see that restored for workers who spend a significant amount of time away from home, whose hours of service are dictated by regulation and don't always have the luxury of determining where to stop and what to eat. This is really just a subsistence issue.

That is my presentation. Thank you very much.

The Chair: Thank you, Mr. Bradley.

We'll continue with Mr. Williams from the Tourism Industry Association of Canada.

Mr. Williams.

Mr. Randy Williams (President and Chief Executive Officer, Tourism Industry Association of Canada): Thank you very much, Mr. Chairman.

On behalf of the Tourism Industry Association of Canada, I want to thank the committee for giving tourism a voice in the pre-budget consultations. We hope your report will acknowledge the important role this industry can play in ensuring Canada's prosperity.

Tourism is a \$62.7 billion sector that accounts for 2% of Canada's GDP. More than 200,000 mostly small and medium-sized enterprises operate in communities large and small in every province and territory in Canada. They keep 1.6 million Canadians working, contribute to community and economic development, and generate over \$15 billion in tax revenues, including a federal share of \$7.7 billion. Thus, tourism makes an important contribution to Canada's local and national economies, its standard of living as a nation, and the quality of life of all Canadians. It also makes a less tangible but equally important contribution to fostering mutual recognition and understanding among citizens of different countries, and in fact helping Canadians when they travel Canada to understand Canadians better. This is a tremendous asset in an era of rising global tensions. But that contribution is being challenged on a number of fronts: by growing competition from other countries that recognize the value of tourism and are investing strongly in marketing their countries; by the stronger Canadian dollar, which has made Canada a relatively more expensive destination for American visitors; by rising fuel prices, which have increased transportation costs and heightened security and are reducing traveller confidence and convenience; and by a domestic public policy environment that is threatening the Canadian tourism industry's growth potential.

According to the United Nations World Tourism Organization, Canada's global ranking has fallen from eighth in 2000 to twelfth in terms of receipts and from seventh in the world to eleventh in terms of international tourism arrivals. U.S. visitation to Canada fell by close to 30% from 2000 to 2005, from 44 million visits to 31.7 million visits. At the same time, Canada's travel deficit more than doubled, from \$2.4 billion to \$5.5 billion.

So what can be done? Three things. There are some key actions that the federal government can take to ensure that Canada continues to be a source of prosperity for Canadians.

First and foremost, it should increase its investment in destination marketing. Canada has some of the best tourism products, services, and experiences in the world, but it is not getting the message out to enough potential travellers about what we have here. The Canadian Tourist Commission needs an extra \$100 million so that Canada can compete and win. That amount would be leveraged with matching private sector investments, and it would pay off, according to an independent study, in up to \$4.2 billion in increased tourism revenue growth, yielding about 45,000 new jobs and \$620 million a year in federal tax revenues. With a \$100 million investment there would be a \$600 million return to the federal government.

In the area of human resources, the federal government should invest more in tourism-related education programs through the Canadian Tourism Human Resource Council, and it should consult with the tourism industry on improvements to foreign worker programs. These actions are needed to help the industry deal with the shortfall of workers in the next decade.

Finally, in the critical area of air travel, Ottawa should immediately reduce airport rents and completely eliminate the air travellers security charge. Canada's air transportation system and the many businesses that rely on it have been bearing the burden of government-mandated cost add-ons that threaten the competitiveness of our airline industry in Canada.

Our written brief discusses each of these areas in more detail. I urge the members to take a look at those in preparation of their final report. Again, I thank you for your time.

● (1155)

The Chair: Thank you, Mr. Williams.

We have Ian Morrison here, with Friends of Canadian Broadcasting. I invite you to make a presentation, Mr. Morrison.

Mr. Ian Morrison (Spokesperson, Friends of Canadian Broadcasting): Thank you, Mr. Chair.

Friends of Canadian Broadcasting is a watchdog group, financed by 100,000 Canadians. Our mission is to defend and to enhance the quality and the quantity of Canadian programming in the English-language audio-visual system.

[Translation]

I wish to thank you for meeting with us today. We always appreciate the privilege of appearing before you to present our viewpoint in an effort to influence your proceedings.

[English]

As citizens of a small country dependent upon international trade for wealth creation, Canadians have a large stake in promoting abroad our identity and our brand. In large measure, Canada's branding is the product of our audio-visual system, the export of our images and stories to other countries. Confidence in our cultures, a belief in the integrity of our identity, and a projection of those values beyond our borders are key to our national development.

Successful models of national branding among our principal competitors abound. Other than the United States, where Hollywood plays this role, the best international branding models come from countries with strong national public broadcasters, such as Finland, Denmark, Norway, the United Kingdom, and Germany.

The House of Commons Standing Committee on Canadian Heritage researched investment in public broadcasting by OECD countries in its recent report, *Our Cultural Sovereignty*, and identified that Canada ranks 20th among 25 countries. These data are reproduced in our written submission; they come from page 178 of the Lincoln report. Canada spends 0.08% of our GDP on public broadcasting, well below the OECD average of 0.14%, and far below the range of 0.28% to 0.19% in the leading countries I just mentioned.

Friends of Canadian Broadcasting recommends that the committee recognize the importance of strong public broadcasting to Canada's identity and branding in the world. As a long-term goal, funding for Canadian public broadcasting should be increased to at least the OECD average. In return, Parliament should establish practical benchmarks for Canadian public broadcasting.

Second, we recommend that your committee re-adopt a recommendation from your December 2004 report that the federal government provide stable, long-term funding to a number of important cultural institutions. Specifically, your committee recommended then that the government should increase funding to the Canadian Broadcasting Corporation and Radio-Canada.

The recent CBC lockout demonstrated what a Toronto broadcasting corporation would sound and look like. As you know, it has also demonstrated how strongly Canadians rely upon our national public broadcaster.

In this respect, you might be interested in data from an Ipsos Reid opinion poll that Friends of Canadian Broadcasting commissioned during the week before the writs of the 2004 general election. In that poll, Ipsos Reid posed the following question: "Assume for a moment that your federal member of Parliament asked for your advice on an upcoming vote in the House of Commons on what to do about CBC funding. Which of the following three options would you advise him or her to vote for: decrease the funding to the CBC from current levels, maintain funding for the CBC at current levels, or increase funding to the CBC from current levels?" Ipsos Reid found that 9% of Canadians would recommend decreasing CBC's

funding, 51% would maintain it at current levels, and 38% would increase CBC funding from current levels.

We also draw to your attention a series of recent recommendations from the Senate Transport and Communications Committee, which touched on reforms to CBC's mandate. Among its recommendations, the Senate called on the CBC to reduce its dependency on advertising revenues and professional sports.

Friends of Canadian Broadcasting recommends to the finance committee that it endorse a two-part reform in CBC financing. In return for reducing or eliminating its reliance on advertising revenues, the CBC's public funding should be increased. This funding could come from either general revenues or from charges to the television distribution system akin to the subscription fees charged for services like TSN or Sportsnet. Friends of Canadian Broadcasting notes that such a reform would likely enjoy the support of many of Canada's private broadcasters, it could be introduced gradually over several years, and it would fulfill the Prime Minister's commitment to, and I'm quoting, "...reduce CBC's dependence on advertising revenue and its competition with the private sector for these valuable dollars, especially in non-sports programming".

● (1200)

In conjunction with these reforms to the financing of public broadcasting, Friends of Canadian Broadcasting endorses a proposal that Heritage Minister Bev Oda made, "That the government should undertake to establish an independent task force to review the mandate, role and services of the CBC-SRC". That task force should be charged with recommending reforms to the CBC's management and governance, which would remove political patronage from the CBC's board and presidential selection process in keeping with the best international standards for public broadcasting.

[Translation]

CBC is our largest cultural institution. It plays a major role in our democratic life and we must ensure that it remains healthy and that it has the capacity to carry out the important mandate given to it by Parliament.

Thank you, Mr. Chairman.

The Chair: Thank you very much, Sir.

[English]

Our next presenter is from the Canadian School Boards Association, Mr. Lance Bean, president.

Mr. Lance Bean (President, Canadian School Boards Association): Thank you.

The Canadian School Boards Association represents school boards across the country. Our members are the provincial school board associations that provide direct support to boards that in turn govern the range and quality of educational services in Canada's public schools. We are, at the level of democracy, responsible for the development of Canada's most precious resource. Elected trustees represent Canadian communities, Canadian taxpayers, including the 70% of the population who do not have children in school. As a result, they must be committed to high-quality education for every child and a well-educated Canadian citizen.

Our submission contains six areas worthy of federal action or need for cooperation with other levels of government: the goods and services tax, immigrant and refugee children, first nations education, national emergency support for such situations as soaring energy prices, federal support for provincial efforts in early childhood learning enhancement, and copyright legislation.

I will be brief and focus on the GST, immigrant and refugee children, first nations education, federal support for early childhood learning enhancement, and copyright.

On the GST, transfer payments indirectly support education throughout our country. Through equalization, the federal government also ensures that the provinces have the fiscal capacity to ensure a quality level of education. It works, as Canadian students rank among the best in the world; however, school boards are struggling to maintain that quality. They're routinely forced to rob Peter to pay Paul, juggling special needs students against repairs as their budgets become leaner and less discretionary.

When the GST was imposed it came as a burden that exacerbated these struggles. We ask you to stop this clawback of transfers that you provide and eliminate the GST on school board purchases.

During last year's pre-budget process, the CSBA raised the issue of improving federal support for immigrant and refugee families. We recently launched a national consultation process. Our draft paper, "Meeting the Language Learning and Settlement Needs of Immigrant Children and Youth in Canada's School System", developed through extensive discussion with school boards, has also been sent to the federal minister. Our provincial associations are consulting with provincial governments, and we shall have a final paper shortly. But we have some early conclusions and recommendations.

Number one, there need to be interprovincial collaboration and federal-provincial-municipal partnerships with school boards. The early stages of the Canada-Ontario agreement are promising and show a high degree of collaboration.

Two, there are programs that work. The federal settlement workers in schools program is extremely successful. Its expansion could have an even greater impact on how well and how quickly families integrate. Intergovernmental partnerships with school boards would ensure that no one slipped through the cracks and would deliver the right services to the right people at the right time.

Last year we also expressed our concerns about the achievement gap in first nations education. The CSBA national office has begun working with the Assembly of First Nations, and our provincial associations are working with first nations authorities in their

regions. The CSBA focus is on students in our jurisdiction—public schools.

There are examples of successes, such as the agreement in British Columbia and the partnership between the Saskatchewan School Boards Association and the Office of the Treaty Commissioner. These examples also show that the cookie-cutter approach won't work. No two provinces are alike, and first nations are not homogeneous. Let the grassroots lead.

We'd also like to ask the federal government to fully support first nations communities in developing their own capacity to deliver high-quality education.

Research solidly shows that investing in children in their early years represents a powerful investment. A child's readiness to learn in grade 1 is the single strongest predictor of how a child will do in every grade, and indeed throughout life. Our paper cites a few of these studies.

• (1205)

Every province, depending on their internal structures, geography, and demographics, has different ways of supporting early learning enhancement. We ask the federal government to support individual provinces in how they approach the development of their young citizens.

Can I have about ten more seconds?

The Chair: Yes.

Mr. Lance Bean: Finally, CSBA supports modernizing the Copyright Act; however, we need clarity on the issue of digital rights and on students' and teachers' use of Internet materials in the classroom for educational purposes. The CSBA endorses the amendments put forward by the Council of Ministers of Education. The council proposes a win-win solution that offers copyright owners the ability to receive payment via the Internet if they do not wish their materials to be freely available.

That's my report. Thank you very much.

The Chair: Next, from the Hotel Association of Canada, Mr. Pollard, president.

Please proceed, sir.

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

I appreciate being invited back here once again to meet with this group.

My association represents all of the lodging industry right across Canada. We did about \$13 billion in revenue last year. About \$11.5 billion is generated as value-added for other sectors. We employ about 270,000 people; needless to say, they are in each and every riding, right across the country.

One of the things I always like to point out when I appear before committees is that we're an industry that the government typically likes. Last year across Canada we generated \$5.1 billion in taxes, of which about \$2.3 billion went to the federal government. We kind of like those numbers, and you people kind of like them. We still aren't at the levels we were in the year 2000, when we hit our peak.

The one area that I'd really like to emphasize strongly this afternoon is that in business, successful operators have two maxims. One of them is that we never have enough business, and the second one is that you should never leave any money on the table. Well, we believe very firmly that the federal government is leaving a whole bunch of money on the table when it comes to marketing and promoting Canada around the world.

We've heard, and it's in our written brief, that if the federal government invested an additional \$100 million annually, they would have an ROI of up to \$620 million coming back to them. I wish I knew where I could take money like that and get that type of ROI. It really dismays me when I see that the Government of Canada isn't making that investment.

The second item I want to talk about very briefly is the fact that we have a shortage of people working in our industry. I'm sure that a lot of other sectors are making the same case to you. This is particularly significant out west, in Alberta and B.C., but we're feeling it in a lot of other sectors, including the Muskokas, Tremblant, and places like this.

There is a program in place called the temporary foreign workers program, run out of human resources development. This needs to be expedited. We need to get people in here now. It is just not happening. That's critical to us.

I have a couple of other points, very briefly. One of them is that we're delighted that the Government of Canada continues to support the infrastructure program, but we do see them needing to take more of a leadership role in upgrading the national highway system. In fact, we would see the elimination of the \$22 billion maintenance deficit as being key.

The air system in Canada needs to be overhauled. We need to remove the security charge. We need to adopt Open Skies. We need to increase foreign ownership. We also need to cancel the planned rent increases in Canada.

The final one I want to touch on very briefly is something that impacts all of you as parliamentarians—the government rate, and the process by which the government rate is established across Canada. The Department of Public Works has come in with a new policy and process. It doesn't work. It doesn't take into account the business cycle of hotels. It does not take into account the business cycle of people travelling on government business. The two aren't working together. They've imposed new rules on us. All that's going to happen is we're going to end up with a lack of good rooms for you

and the rate is going to go up. We're trying to work with them, but it's falling on deaf ears.

Mr. Chairman, I've tried to be brief. Thank you very much for this opportunity.

•(1210)

The Chair: Thank you very much, Mr. Pollard, for your concise presentation.

We'll conclude with the presentation from the Pauktuutit Inuit Women of Canada.

Madam Dickson, five minutes, please.

Ms. Jennifer Dickson (Executive Director, Pauktuutit Inuit Women of Canada): *Ullakut.* Good morning. I bring greetings from our president, Martha Greig, and our board of directors, Inuit women from across Canada's high north, as well as youth and urban Inuit women who could not be here on such short notice—we were called last night at six o'clock—and who have tasked me, their executive director, with carrying their important message on their behalf.

The primary purpose of this presentation is to respectfully request that Pauktuutit Inuit Women of Canada be recognized in the Government of Canada's 2007 budget. Pauktuutit is a vital national organization with a unique mandate that provides the Inuit women of Canada with a united voice to improve the social, economic, and political conditions for Inuit women, their children, and their communities. In addition, Pauktuutit provides leadership to encourage Inuit women to take their rightful place in Canada's society. And I think it's not one bit of an exaggeration to say that with the exception of their children, they're arguably the most marginalized people in Canada.

With this submission, Pauktuutit makes four recommendations that advance the interests of Inuit women and benefit all Inuit women in Canada. It is sincerely hoped and requested that these recommendations are afforded due and serious consideration.

Inuit women are the keepers of the light, which means they're the custodians of the *qulliq*, which is the traditional Inuit oil lamp that we've all seen in the movies, formerly the only source of light, warmth, and cooking for Inuit. Without the *qulliq*, Inuit would never have survived the harsh conditions of Canada's Arctic. The *qulliq* symbolizes survival as well as physical and emotional well-being. Inuit women are keepers of the light and now play a similar crucial and integral role in governing their communities and their society.

You might ask what Canada's Inuit women have to do with your important theme for the current budget deliberations, Canada's place in a competitive world. In less than four minutes, let me try to answer that question.

Inuit have by far the highest rates of poverty, the highest rates of unemployment, the lowest levels of formal education, the highest cost of living, the lowest levels of housing quality and availability, and the highest, by far, suicide rates among all Canadians. Since Inuit women truly are the keepers of the light, many of these appalling circumstances are disproportionately borne by them.

Pauktuutit's mandate is to foster greater awareness of the needs of Inuit women and to support them by providing leadership, voice, and program excellence for the benefit of themselves, their families, and communities in the areas of equity, health, social well-being, cultural traditions, and economic development. In point of fact, Pauktuutit is the primary and almost always only national organization that develops and implements programs to put into action the Government of Canada's policy agenda in Canada's north. Let me just state that again: Pauktuutit is the primary and almost always only national organization that develops and implements programs to put into action the Government of Canada's policy agenda in Canada's north.

Yet despite the breadth of Pauktuutit's work, the organization is usually severely marginalized in influence and limited in resources compared to resources made available to the other five national aboriginal organizations. Though Pauktuutit is broadly recognized as one of six Canadian national aboriginal organizations, this status has yet to be acknowledged formally by the Government of Canada. This failure translates into critical discrimination against Inuit women in terms of Pauktuutit's mandate to independently represent them at policy tables, and it also results in our inequitable access to funding to engage in our important work in northern communities, support that is provided to the other NAOs.

Why does it matter in the broad competitive world we find ourselves in? Well, Canada is seen around the world as a leader in human rights, equity, and fairness. It reflects well on us internationally when our record at home is strong, fair, and consistent. It is in this context that Pauktuutit respectfully makes the following four recommendations.

One, in order to fulfill its commitment to gender equity, it is recommended that the Government of Canada provide Pauktuutit financial support and recognition commensurate with that provided to the other five NAOs. Pauktuutit seeks adequate multi-year funding to allow the organization to contribute to the critical issues facing Inuit women, their families, and communities with the same stature, resources, and influence afforded the others.

The second recommendation is that the Government of Canada funding considerations reflect the disparity between the social conditions faced by Inuit families and those of other Canadians. Further, these considerations factor in the unique high costs of transportation, health, social services, housing, food, and fuel in the Arctic.

•(1215)

Three, that the Government of Canada put tools and instruments in place that encourage, support, and develop inter- and multi-departmental program partnerships and funding frameworks for programming dollars. There is now growing recognition that not only cost effectiveness, but broader, overall success on the ground may be achieved through multi-dimensional, holistic strategies that cut across the mandates of many traditional departments and

agencies. Such an initiative must recognize the unique challenges and costs associated with arctic programming and include tools to ensure gender equality.

Four, it is recommended that the Government of Canada commit to appropriately support the contribution that Pauktuutit makes to international issues and agencies. A practical long-term commitment of human and financial resources will ensure effective and meaningful participation in international events and practical contribution to the critical issues that indigenous women are facing around the world.

These are our four recommendations. As mentioned above, Pauktuutit is the national organization that represents all Inuit women. We have strong democratic roots across all Inuit communities and within southern urban areas. Through Pauktuutit, Inuit women have a clear and unimpeded voice at the national level. The mandate is to foster awareness of the needs of the Inuit women and to encourage their participation in all matters, as well as in national and international concerns in the areas of health, social, cultural, environmental, and economic public affairs. Working in partnership with Canada's public and private sectors, Pauktuutit delivers realistic and concrete projects and initiatives that bring measurable change within the remote Inuit communities.

The Chair: We can continue now with questions.

We'll begin with Mr. McCallum. You have six minutes, sir.

Hon. John McCallum: Thanks, Mr. Chair.

Again, I'd like you to congratulate you all for having compelling and succinct presentations. Given my lack of time, I'd like to focus on one issue, which is tourism. My question will be for Mr. Williams and Mr. Pollard. When you don't have much money, sometimes it's good to focus on things that don't cost money, and I'd like to mention two. One is the issue of the Canada-U.S. passport requirement, or possible passport requirement at the border, and the second is the issue of China.

We, on our side of the House, thought the government capitulated a little too quickly on the passport issue. I wouldn't necessarily ask you to comment on that. But what is the current state of play? What are the implications for your industry? Do you think there is a viable solution that will not be too damaging in this area, and what is the timeframe?

On China, I remember Mr. Emerson announcing in the House in 2005, when he was a Liberal, that we were about to sign an agreement with China, known as the approved destination status agreement, which would facilitate Chinese tourists coming to Canada. I don't know the numbers, but for a country of 1.3 billion, I think the potential might have been very high in terms of numbers of tourists. Now the current government misses no opportunity to poke China in the eye, whether it's by not meeting the ambassador or by having zero ministerial visits to China versus 13 under the Martin government. I could go on.

The Chinese have now refused to speak to the Government of Canada on this subject, so there is no prospect for this agreement. I would think that would be a major concern to the tourism industry.

So here is my second question. How important is this agreement with China, and what are the implications for your industry if no progress for the indefinite future is made on signing that agreement?

• (1220)

Mr. Randy Williams: If I can take a first run at it—

Mr. Anthony Pollard: Why don't you do passports and I'll do China?

Mr. Randy Williams: I have something to say on both, but I'll save you time, Tony.

The WHTI is a big hit on our industry, as you have heard. We're anticipating to lose, in North America—travel between Canada and the United States—\$2.5 billion before the law even takes effect. It's already had an effect on bookings, conventions, and meetings across Canada, because nobody is going to book a convention in Las Vegas when they don't know what the law of the land will be. It's not only passports; it's other secure documents. They've still not been defined. So there's a lot of confusion out there right now. Some 33% of Americans believe they need a passport to enter Canada. Well, that's wrong on a number of fronts: it's not to enter Canada, it's to go home, and it hasn't started yet. So you understand, there's a whole bunch of issues there.

There is a solution. The solution is we have to communicate to Americans that Canada has something to offer. We need to promote, because other countries are stepping up their marketing effort in the United States, and we're falling behind, as I said in my remarks. It is going to hurt us badly; it's going to hurt us in the long term. We need to off-set that with increased promotion. It will take effect.... The update for you, Mr. McCallum, is that the passports will become law, and other secure documents. They're on a track, and they will put this into effect. We can't tell the Americans not to do this, unfortunately; it's going to become law. It's going to become a new reality at our border.

When you were speaking, I was anticipating questions. I had written down two things: WHTI, which is the western hemisphere travel initiative in passports, and China and ADS status. Those are two issues that are global in nature, impacting our trade with those foreign countries.

When we had a beef dispute, the federal government stepped up and tried for many years to resolve the BSE problem with beef. We had a softwood lumber dispute. We stepped up and we negotiated softwood lumber. Tourism is bigger than those two industries combined, and we've done nothing on China ADS. In 1997, Australia became the first country in the world to get China ADS. Now, if we got China ADS today, we'd be 80th in the world to get China ADS status. It represents 100,000 Chinese to us now; it grew by 17% last year, to 117,000. But it could mean half a million, which is 500,000, if we had China ADS.

So there are those two issues. We need increased investment, and more attention on the China ADS, such as softwood lumber and BSE got.

Hon. John McCallum: Mr. Pollard, there's not much time, but it's all yours.

Mr. Anthony Pollard: I'll be very brief.

You have to be cautious with China ADS. There are only so many A340s and 767s in the world to be able to fly people across from China to Canada. It won't be the panacea a lot of people think it would be.

The other thing is we've prepared a document, a book, on Canadian hospitality for Chinese guests, which can be used obviously in hotels, but in a lot of different sectors. I encourage people to go to our website to look at it.

• (1225)

The Chair: Thank you, Mr. McCallum.

To continue, we'll go to Monsieur Paquette, *s'il vous plaît, pour six minutes.*

[*Translation*]

Mr. Pierre Paquette: Thank you to all of you for your presentations. They were very informative.

You have raised several points which are obvious to us. For example, we have been asking for a long time that the security tax be abolished, as well as a number of other things.

I wish to ask a question to the representative of the Canadian School Boards Association. First, I quite agree with you that it is illogical to ask a public educational institution to pay GST when these are taxpayers' provincial taxes which are transferred to the federal government which does not give back enough of them to the provinces. I think that you are absolutely right in that respect. We should stop charging them the goods and services tax, as we have done for municipalities.

With regard to the second point, dealing with immigrant and refugee children, you say:

CSBA brings this forward as a continuing priority and renews its call for stronger federal recognition of the role of communities and particularly school boards in the settlement and integration of immigrant and refugee children and their families.

I do agree on the principle, however I should like to know what this means in concrete terms. As you know, Quebec and the federal government have their own jurisdiction which we want to see respected when it comes to immigration. That said, the federal government of course has a responsibility in particular when it comes to refugees. I would like you to be a little more specific.

What do you want to say when you ask the federal government to recognize the role of school boards in the integration of newcomers, whether they be refugees or immigrants?

[*English*]

Mr. Lance Bean: Thank you very much.

Our concern is that there's an increased number of students coming into the system. It has caused a new dynamic of pressures in delivering the programs in our schools. Again, it's one of those areas where education is a provincial jurisdiction and immigration is a federal jurisdiction. One of the priorities of bringing people into our country is that we get them up and running and functional within our society and our communities.

Right now there are huge pressures in certain areas with language and some of the social areas that are in the education system. It's just an area that is growing and is causing concern. It also has an effect on the kids in the classroom. The supports aren't there for the new kids and it has an adverse affect on the kids who are already in the classroom. What we want to do is make sure that the supports are there for immigrant children coming into the schools that are not only advantageous for them but are also advantageous to maintain a high quality of education throughout the education system.

[Translation]

Mr. Pierre Paquette: Would this mean that there should be specific transfers to provinces for the integration of new kids in the classroom? I am quite interested in this matter because my daughter is a school trustee.

[English]

Mr. Lance Bean: That makes it more important, doesn't it?

I think what we're after is for more support in the areas of immigrant children and the supports for them. We realize that the provincial governments are responsible for the direct educational costs. The immigration is an added cost to the education so we are asking for support there.

[Translation]

Mr. Pierre Paquette: Ms. Dickson, your recommendation 3 deals a little with the same concern:

It is recommended that the Government of Canada put tools and instruments in place that encourage, support and develop inter and multi departmental program partnerships and funding frameworks ???

First, could you be a little more specific when you talk about interdepartmental partnerships? What do you mean by that? What is the role played by the provinces in that recommendation 3 in your report?

•(1230)

[English]

Ms. Jennifer Dickson: Thank you, and through you, Mr. Chairman, what we're finding—and this isn't about Pauktuutit but is about many NGOs—there are pockets of activities and policy development in many departments that would function much better if they worked together.

I can give you one example in our work, and that is, we do a lot of work on many facets, many kinds, of abuse. We spend probably 40% of our core activity developing, proposing, negotiating, and reporting on tiny pieces of money from across various departments. Status of Women Canada has a little bit of money to help on abuse. INAC has a little bit more, and even CMHC, Canadian Mortgage and Housing Corporation, has some. There are about seven or eight different departments that have little bits of mandate to work on abuse matters. For a tiny, outside NGO we have to not only know all about

that, which takes a huge amount of work to even stay up on it, as you can imagine.... As a committee, your staying on top of it must be a major accomplishment, and we're not even privy to the communications you have. Then there's knowing about requests for proposals and timing and various requirements in terms of proposal drafting and the contents that are required and the negotiations. Let's say you're fortunate enough to receive \$100,000 to work on one aspect of your national strategy on abuse prevention. Then you have to implement that work and report back to that department in their language—and I'm not talking about English and French here; I'm talking about very strict, sometimes arcane, bureaucratic language. That's all for one piece of one file for us. We have 32 files across, probably at the moment, about 11 different departments, and that is aside from our private sector funders. It is onerous, to say the very least, to pull that off.

Even if we're successful, I don't think it serves very well the Canadian demographic we're serving to do that much work at that level. If we can get the departments themselves to break across some of their silos and work together and even maybe, hey, God forbid, pool those resources and make it easier for a small, outside organization, especially an organization whose entire mandate is to implement the government policy on these matters.... We should be partnering and we should be working together.

The Chair: Thank you very much.

Mr. Paquette, your time has elapsed. We'll continue with Mr. Dykstra. You have six minutes, sir.

Mr. Rick Dykstra (St. Catharines, CPC): Thank you.

I have about three questions for three different groups. I'm hoping we can scoot through this fairly quickly.

One of the questions I had was for Mr. Bradley with respect to his recommendation that the Government of Canada should restore the 80% meal deductibility rate.

Have you done a little bit of research on what that might potentially cost from a federal perspective? Does that recommendation translate further through other industries, or is it just related specifically to yours?

Mr. David Bradley: The Government of Canada, over the last 10 to 12 years, has taken the position that it would have to be a broad-based measure. The United States has taken a different approach. They've looked at different segments of the working population and decided where it makes sense to have a higher deductibility and where it doesn't.

It's not mentioned in our brief, but we've always made the offer that we're quite prepared to work with government to set a limit. We're not talking about lunches at the Rideau Club and stuff like that for truck drivers. We're talking about a sandwich and a pop. In terms of the cost, we can contain those, whether it is \$25 or \$45 a day.

It's an odd situation in which federal civil servants get about \$75 a day in a tax-free allowance, yet working Canadians don't, particularly working Canadians who have to operate all over North America.

Mr. Rick Dykstra: Thank you.

One of the other questions I had was related to tourism. Mr. Williams, in terms of the WHTI, how long has this been an issue in this country, and how long have we known the direction the United States was going to take in that respect?

•(1235)

Mr. Randy Williams: WHTI became law in December of 2004. It became known in April of 2005, when they started releasing the rollout of the law. A final rulemaking has come out. We've submitted to the first rulemaking—there was an opportunity to submit input—and we've submitted now to the final rulemaking.

It will take effect on January 8 of 2007 for air and sea and on January 1 of 2008 for land.

Mr. Rick Dykstra: From your perspective, should we continue to try to win the battle in terms of getting them to change their minds, or do you think we're better off focusing on partnering with them and finding a way to make it work?

Mr. Randy Williams: I think we're better off trying to mitigate the damage. There will be damage. The border, as of next year, will become more expensive and more bureaucratic and more difficult for travellers. As people responsible for the public good, you must realize our industry is going to be damaged by that, and we should try to mitigate the damage.

Mr. Rick Dykstra: Thank you.

I'll be very quick. I know I have only a couple of minutes left, Mr. Chair.

Mr. Morrison, one of the recommendations I read with great interest was the one that our heritage minister, Bev Oda, is moving forward on. It is in terms of undertaking to establish an independent task force to review the mandate, role, and services of the CBC. The task force would be charged with ensuring the removal of political patronage from CBC's board and presidential selection process, in keeping with international standards for public broadcasting.

Could you expand on that a little bit? Are there any thoughts on how we could improve over the last 13, 14, or 20 years?

Mr. Ian Morrison: Yes, sir.

First, on the recommendation of Minister Oda, there's an end-of-quotation mark before you get to the patronage part. The comment about patronage is one we brought to the table. In the best practice of western democracy public broadcasting, it is not effectively the prime minister, the cabinet, or an order in council that appoints the senior leadership of the public broadcaster; in common with private sector corporation practice, a board of directors hires and fires the chief executive officer. That process should be brought to bear in Canada. That is our opinion; it was also the unanimous opinion, if I recall, of the Lincoln committee in 2003.

Then, of course, arises the question of how the board of directors gets there. There have been recommendations in public policy—

again, the Lincoln report—that nominations for the board of directors of something as important as the Canada Council or the CBC should come from a variety of sectors and represent a variety of perspectives and experiences. The best and the brightest people should be running billion-dollar corporations. That is not a fiscal measure, but it would increase public confidence—and probably governmental confidence—in the management of the Canadian Broadcasting Corporation.

Mr. Rick Dykstra: So that type of accountability hasn't happened in the past, but it should certainly happen in the near future.

Mr. Ian Morrison: Yes, we would be very supportive of an initiative of that type.

Mr. Rick Dykstra: Thank you.

The Chair: Thank you, Mr. Dykstra.

We'll continue with Madam Wasylycia-Leis, please.

Ms. Judy Wasylycia-Leis: Just following up on my colleague's comments on CBC, are you not a little worried at all, Mr. Morrison, about Bev Oda's task force, which may in fact really be an attempt to further dismantle CBC and put another knife in the back of our public broadcaster? Maybe I'm overreacting to some of the previous comments by the Conservatives, but I certainly worry about the future of a public broadcaster. Also, perhaps you could indicate why you think a public broadcaster is important in terms of building a competitive nation.

Mr. Ian Morrison: Sure.

The Friends of Canadian Broadcasting is supportive to the intent of Minister Oda's plan. That was a motion she moved in the last days of the last Parliament at the heritage committee, and it passed that committee with the support of the Bloc; the Conservatives and the Bloc voted for it. My information is that her proposal to do that has been blocked by the Prime Minister's Office, which is a cause of concern to us. We don't think, at the moment, that that proposal is going forward. I would love to be wrong about that.

With respect to the second part of your question, the public broadcasting role in Canada, with respect to competitiveness, is partly to tell Canada's story to the world. It's also to gather stories from a variety of locations in Canada. I referred in my remarks to the evidence of the Toronto broadcasting corporation—what it would look like if in fact the kind of broadcaster that happened during the lockout of last year were to become the case. You represent Manitobans in this Parliament, and Manitoba's share of CBC employment and resources has gone down a great deal in the recent past. There's a question of equity. There's also a question of Canadians, particularly young Canadians, having access to stories, factual and fiction, about their own culture, as opposed to stories from Los Angeles or Miami.

• (1240)

Ms. Judy Wasylcyia-Leis: Thank you.

For the school board, I don't disagree with your recommendation around a full rebate for the GST, but I think it's estimated to cost about \$160 million a year. You may need to correct me on the numbers.

Mr. Lance Bean: I think, by our estimates, it's in excess of \$1 billion a year.

Ms. Judy Wasylcyia-Leis: A billion? So I'm way off.

My question still holds. How do we make the argument to government then to take that hit of a billion dollars? What's the cost-benefit analysis so that we can see how we'll reap so much more if we in fact give school boards that much more flexibility?

Mr. Lance Bean: Schools are a publicly funded entity. Right now what we're doing, and also the government, is paying transfer payments to each of the provinces to make sure that these types of services happen, but then the money keeps going around and around.

One thing we really have noticed in the last number of years is that school budgets are becoming tighter and tighter and expectations of schools are increasing. I think some of the things we talked about here, such as early childhood identification, English as a second language, are all cost increases that come to boards of education.

We need to make sure that the funding is available. Education is probably the only proactive endeavour that we do of almost any, especially dealing with children. Any money invested in education pays off. It takes an awful lot less money to educate a child than it does to run him through a penal system. We found that early identification of students saves tons of money just in the education. It's not a cost; it's an investment. Education is an investment and we're taxing probably the most important resource that we have in our country. We have to make sure that we're providing the best quality education for our students. This is becoming an impediment to the success of our students.

Ms. Judy Wasylcyia-Leis: If I have time for another question, it's to Mr. Bean.

You've touched on a very important issue as well: enhancing early childhood learning. But you've really skirted the debate we're having daily in Parliament around investing in programs and spaces versus giving tax benefits or allowances or credits to individuals. Do you have a position as a school board on the best way to ensure adequate childhood learning capacity in this country?

Mr. Lance Bean: From our association's perspective, each of the provinces has a different approach to it. But we all agree that the research shows that investment in children at an early age helps in their success, not only through school but beyond, especially with special needs students and students at risk. It's not a cost; it's an investment.

• (1245)

The Chair: Thank you, Ms. Wasylcyia-Leis.

We'll continue with the second round of questions.

Mr. McKay, we will endeavour to make it four minutes.

Hon. John McKay (Scarborough—Guildwood, Lib.): Thank you. I appreciate that.

I'll direct my questions, therefore, to the Canadian Trucking Alliance, and to appendix B, where you say that the successful NRCan program was suspended in March 2006 after the purchase of 13,000-plus units of APUs. Apparently the government invested \$6 million and the trucking industry invested \$31 million.

Basically, it's the cancellation of a program that seemed to be working. Do you have any insight into why this is, or is this just a sort of anti-environment agenda on the part of the government?

Mr. David Bradley: I don't have any inside information on why it was cancelled. All I would say is that this program was working. We are aware of the fact that the new government is developing a new "clean air act"—or that's the name it's been tagged with—and we think this program is one that deserves reinstatement.

As part of the issue, one might ask why the industry doesn't invest in these things anyway. In most cases we would agree with that. But what we found with the auxiliary power units is that there's a heck of a cost associated with maintaining them. When you get that sort of message out to the industry, people are loathe to make an investment. So it requires, we believe, an incentive at this point to give people some comfort that they're not going to be absorbing a huge cost as a result of doing this.

Hon. John McKay: Given their lack of enthusiasm for the environment, what about your appendix C, which talks about trying to get a tax credit for investing in high-performance engines and new tires and aerodynamic improvements, which apparently would cost something on the order of about \$25,000 a truck? Do you really think you have a snowball's chance on that one?

Mr. David Bradley: I remain eternally optimistic.

An hon. member: How long does eternity last?

Mr. David Bradley: Well, an eternity, perhaps.

Indeed, if the environment is a key and important issue to this country, both in terms of GHG and in terms of air quality, then I think what we're proposing makes a heck of a lot of sense. The kinds of incentives we're talking about here are not enormous. Many of them are going to require provincial cooperation. While our transportation industry is one it's easy to point to as a bogeyman in environmental terms, we don't get credit for what we do as a sector, and we've been excluded historically from the kinds of incentives that have been made available to other sectors—manufacturing, agriculture, etc.

Hon. John McKay: Just as a final point, one of the reasons your trucks are doing a lot of idling has to do with border problems. I'm given to understand there's a tax recently imposed by the U.S. government with respect to border crossings. Can you elaborate on that, please?

Mr. David Bradley: I think what you're referring to is just the latest in a long and ever-expanding list of so-called security measures. The most recent one is—not even a proposed rule—an interim rule that was published a couple of weeks ago by the U.S. Department of Agriculture, whereby starting on November 24 they will begin to conduct inspections looking for possible sources of pests and disease in product that some shippers, it would appear, are importing from elsewhere in the world and putting a “produce of Canada” label on.

We believe that if there are issues surrounding that, they can be dealt with within the Departments of Agriculture, and we don't see why members of the trucking industry, including truckers who are hauling auto parts and everything else, need to pay this new Department of Agriculture fee.

But as I say, this is part of a long list of irritants at the border. The U.S. security folks long ago moved away from risk assessment to checking everything and everyone all of the time, and because trucks are an easy target and we're at the front line, we end up paying it often.

• (1250)

Hon. John McKay: What role, if any, has the government played in trying to assist the trucking industry, and indeed the shipping industry generally, with respect to this latest imposition of so-called terrorism issues?

Mr. David Bradley: Bio-terrorism is the term they're using. Agriculture Minister Strahl met last week with his counterpart, and the indication we received was that the preliminary meeting was positive and that they are at least prepared to look at alternatives. So again, as I said to you earlier, I remain eternally hopeful, but just as it seems it's safe to go back in the water, they come up with other measures.

At the border we're not seeing the kinds of slowdowns necessarily that we have seen in years gone by, but I can tell you the reason for that is that traffic is down across the border in terms of both car traffic and tourists, but also because our manufacturing sector has been hit extraordinarily hard by the dollar appreciation. Traffic levels are masking some of the problems at the border at the present level.

Hon. John McKay: Thank you.

[*Translation*]

The Chair: We now go to Mr. St-Cyr.

You have four minutes.

Mr. Thierry St-Cyr: We thank you for your presence among us today.

I should like to speak a little with Mr. Bradley about the trucking industry.

Frankly, I am rather pleased to see a submission by the trucking industry which deals as much with the environment. You are right when you say that the reputation of that industry has not always been very good in that respect. Therefore, it's interesting to note that in this case, it is the industry which asks the government to put greater emphasis on the environment. As a matter of fact, nowadays, it is rather the other way around.

I wanted to deal in particular with the matter of auxiliary power units on board of trucks. If I understand correctly, this is a program which worked very well but was cancelled when the new government came to power. How does the success of this program compare with that of other programs? We heard a lot about the EnerGuide program and its amazing success with regard to greenhouse gas reduction, especially with regard to the cost on a per tonne basis, which was rather low. However, I had never heard that this other program existed. I must have missed that.

Can you tell us what was the yield of this program relative to others, whether they are existing or terminated programs?

[*English*]

Mr. David Bradley: No, I don't. There are no other similar programs in the transportation sector, and that's what I'm involved in. How that compares to allowing people to get rid of microwaves quicker and that sort of thing, I can't say.

However, I think it's clear that transportation is a major contributor to greenhouse gases. While all the modes bear some responsibility for that, and certainly I think the freight sector pales in comparison, for example, to the contribution of cars, we believe that all components of our industry, all the various sectors, need to do everything they can, not only to enhance their fuel efficiency and thereby reduce greenhouse gases, but something that's been lost in all of this is smog. I cringe. This isn't a shot at public broadcasting, but every time I watch the CBC and they talk about GHG and you see smog in Toronto, people just don't get it. They're two different things.

Our industry, perhaps more than any other, has made terrific strides in terms of improving air quality. It's somewhat tongue in cheek, but not really, that the air coming out of the new trucks that are entering the marketplace this fall will be cleaner than the air you're breathing in most cities. What we have lacked I think is a comprehensive environmental policy that in fact recognizes the difference between air quality and greenhouse gas emissions, and we're hopeful now that we can bring the two together.

In that regard, if you look at our clean air act plan—and as I indicated, from a smog point of view we're talking about eliminating the equivalent of about 100,000 current trucks from the roadways in Canada and from a GHG perspective about 46,000 trucks. I would challenge that against any other program out there at the present time in terms of its impact.

The other thing is that what we're talking about isn't rocket science. We're talking about technology that is there already. We're simply talking about getting it into the marketplace quicker so you can have an immediate impact.

•(1255)

[*Translation*]

Mr. Thierry St-Cyr: As far as the greenhouse gas reduction and atmospheric pollution are concerned, you are telling us that ultimately, it is wrong to suggest that it is impossible to reach our objectives and that nothing can be done in that respect. It is possible: all that is needed, for us as a society, is to have the necessary will and determination.

[*English*]

The Chair: I think we have time for a very brief comment.

Mr. David Bradley: I think we can do better.

The Chair: Thank you, sir.

Before we conclude, I will remind committee members that we will be reconvening at 3:30, immediately following the vote this afternoon. Apparently there's a vote. I encourage members to arrive as promptly as possible following that vote so we can keep the maximum time available for our witnesses this afternoon.

To conclude, Madame Ablonczy.

Ms. Diane Ablonczy: Thank you, Mr. Chairman, and I thank all of you for your presentations. We don't have a chance to have discussions in-depth with all of you, but we know that your material will be very helpful.

I did want to concentrate on the tourism factor, and the hotel industry is part of this, of course, because we want as Canadians to be internationally competitive, globally competitive, as well as making sure that institutions within our own country are helping. There's huge competition for travelling dollars, particularly as the population ages; we'll have more people doing more travelling in all of the developed world.

My question really is for us to concentrate on what needs to happen for our industry to be internationally competitive. It would be helpful if both of you could just discuss that a little bit.

Mr. Anthony Pollard: The first point you have to be conscious of is that we are lacking a sufficient number of workers. Out in Alberta you know this very well. We've got hotels out there that are only half open because we don't have the people to work in them.

We need to be able to convince the human resources department that there is a problem. They continue to be exceedingly bureaucratic, running around saying to us, "Well, prove to us that you can't find workers". We have. There are no workers.

A solution is to bring in other workers from other countries under Canada's temporary foreign worker program. I have people from El

Salvador, the Philippines, Barbados, and the Dominican Republic. They are trained. They speak English. They're ready, willing, and able to come up here right now. The hotels will pay to fly these people up here, and yet the government continues to be so bureaucratic and to hold up all of these blockages to allow us to do it.

That is the number one priority that we need to address right now. And it would be particularly beneficial for you out in Alberta, particularly in the resorts, and in British Columbia, right across the board. That's what we need to do to be competitive.

Ms. Diane Ablonczy: That's helpful.

Mr. Randy Williams: Three things. First, I agree with Tony that HR is our number one issue, one of our top three. It's a challenge right across the country. It used to be just a summertime problem, in our peak season, but it's a problem throughout the year now. We have to do a better job of getting foreign workers to work in our country and allowing immigration to bring in workers for our industry.

Open Skies is not a costly venture. It doesn't impact the budget of the federal government. We need to be more open to liberalizing our airways and allowing for greater access from China and from other countries so that people can visit us. We are difficult to get to, and when they're here, Canada's airlines are expensive compared to those of the rest of the world. We don't have enough competition, and the government is in too many airlines' pockets. We need to take them out of the airports and the ATSC.

Finally, we have a competitive industry right now that's globally ready, market ready, but if you don't advertise, if you don't tell the world... Australia, a country two-thirds the size of Canada, is now investing \$150 million. We invested \$85 million three years ago, and now \$75 million. You cut our budget by \$10 million in three years. When the rest of the world anted up, according to the UNWTO, with an 11% increase in promotion and marketing, we cut ours by 12% in three years.

So we're going in the wrong direction. You can't compete without advertising. If the world doesn't know about your product, they won't come. That's the challenge.

•(1300)

Ms. Diane Ablonczy: Thank you.

The Chair: Thank you to all our panellists for appearing today and for the quality of your presentations and responses. We very much appreciate it.

We are adjourned.

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

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

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