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—
Chair

Mr. Brian Pallister

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• (1000)

[English]

The Chair (Mr. Brian Pallister (Portage—Lisgar, CPC)): We are offering a welcome to all of our guests this morning, our witnesses. Thank you for being here; we appreciate you taking the time. Thank you also for your briefs, which you submitted earlier.

We will keep you to five minutes on your presentations to allow for exchange with the committee members. I'll give you a visual indication when you have a minute remaining or less and then I will cut you off at the five-minute mark as politely as I possibly can.

We will start immediately with the presentation from the National Council of Welfare, John Murphy, chair. Welcome, and proceed.

Mr. John Murphy (Chair, National Council of Welfare): Thank you very much, Mr. Chairman. Thank you for the opportunity to meet. I hope the committee will also refer to our written brief.

The National Council of Welfare agrees with the goal of prosperity for all Canadians. In order to achieve this goal, however, it is not enough to examine the health of Canada's businesses; it requires that everyone can participate in our economy and society.

Most people do not require incentives to work. Many women and men in fact work very hard for little or no pay. People need an opportunity, supports, and decent compensation for their efforts: 4.8 million Canadians live below the poverty line in spite of a period of prosperity; 17.6% of children live in poverty; 48.9% of female lone-parents live in poverty. Recent immigrants, visible minorities, aboriginal peoples, and people with disabilities face poverty rates much higher than the Canadian average.

The majority of people in poverty are employed or struggling on fixed pensions. For the 1.8 million women, men, and children who are on welfare, the situation is truly bleak. Welfare rates across Canada are far below the poverty line and many have declined dramatically since 1986.

The one overall policy measure that we think is crucial, therefore, is a national anti-poverty strategy. Countries such as the United Kingdom and Ireland have adopted such strategies. Here in our own country of Canada, Quebec and Newfoundland and Labrador have done so as well.

The council just yesterday launched an online questionnaire to find out what Canadians think about an anti-poverty strategy. This is not a partisan issue. Existing strategies have been developed by governments with widely differing political views.

What is common to all the strategies is the setting of goals and timetables for poverty reduction and accountability mechanisms to track those results. Governments then develop the best policy mix to get on with the results. We think the federal government needs such a strategy to reach the goal of a prosperous Canada for all.

What is the alternative? Leaving almost 5 million Canadians behind, when we are facing labour shortages and an aging population? Leaving 1.2 million children with a very limited future?

How can Canada compete with so many of its own team on the sidelines? Investments today to reduce poverty would soon do wonders for the economy and increase our tax base. Lower costs for programs for social assistance, health care, and criminal justice would follow.

I want to share some examples of strategies that have clear goals and timetables. Canada, through the United Nations, is committed to reducing global poverty by half by 2015, but we have no domestic objectives. Quebec has set out to become, by 2013, a nation having fewer people in poverty. Newfoundland and Labrador over ten years intends to transform from a province with the most poverty to one with the least. The U.K. aims to eliminate child poverty by 2020.

In Canada, the council believes the federal government must play a leadership role. First, we need a minister and a cabinet committee to take charge. We need to analyze the root causes of poverty and coordinate programs within and across all orders of government to avoid giving with one hand and taking away with the other. We need a process that involves Canadians to set goals, targets, and priorities.

We need to restore valuable social infrastructure programs that are mere shadows of their former selves. And we need to develop innovative programs to meet the new demands of the 21st century. Using Canada's social transfer to improve social assistance is one way of doing this. Other ways are increasing employment insurance rates; increasing child benefit up to \$5,000; creating child care spaces across the country; affordable housing; establishing a \$10-per-hour federal minimum wage; and also creating an aboriginal poverty strategy.

In closing, ladies and gentlemen, I want to stress that true prosperity in our great, diverse society means investing wisely so that everyone can contribute and benefit. Poverty is costly and it is not inevitable. It is the result of policy decisions. We must do better.

Thank you very much, Mr. Chair.

• (1005)

[Translation]

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

Our next witness is Mr. Michel Rouleau from the Conseil canadien de la coopération.

Mr. Michel Rouleau (President, Conseil canadien de la coopération): Thank you, Mr. Chairman.

The Conseil canadien de la coopération represents a network of francophone cooperatives across Canada and more than 8 million francophone cooperative members in over 3,300 cooperatives, whose consolidated assets now exceed \$125 billion.

As part of these pre-budget consultations, Mr. Chairman, the Conseil canadien de la coopération would hereby like to share with the committee a number of suggestions and proposals. My submission will focus on four axes, the first of which is the capitalization of cooperatives, or the introduction of a cooperative investment plan.

The Cooperative Investment Plan, an investment plan designed to meet the identified needs of cooperatives, promotes and enhances the growth and capitalization of eligible cooperative enterprises, because this is the primary tool that allows cooperatives to grow and develop across Canada. The plan primarily targets worker cooperatives, producers and the agricultural sector in general.

The CCC testified before the committee in 2004. In the 2005 budget, the Canadian government made a commitment to continue studying the idea of creating a cooperative investment plan. It should be remembered that this plan grants a tax benefit to members who acquire eligible preferred shares, thereby making capitalization possible. Such a plan was first established in Quebec over 20 years ago. Currently, over \$200 million has been invested in cooperatives to allow for their development and sustained growth.

Therefore, Mr. Chairman, we call upon the Minister of Finance to introduce a nation-wide cooperative investment plan for agricultural cooperatives and worker cooperatives in its 2007 budget. I would point out that these are long-awaited initiatives.

Axis 2, Mr. Chairman, is the cooperative development initiative, a five-year program instituted in 2003. The purpose of the CDI is to

help groups develop the cooperative model, to assist with research and to test innovative applications of the cooperative model.

Our submission notes the lack of available financial resources to the advisory service component. This became clear last year following an exercise conducted with the Cooperatives Secretariat.

Mr. Chairman, we ask the Canadian government to confirm the renewal of the existing partnership agreement with the Conseil canadien de la coopération and with the Canadian Co-operative Association with a view to extending the program until the Co-operative Development Initiative comes to an end. We would like the government to make a commitment in its next budget to renew the program for the 2008-2013 period before the current phase of the initiative expires.

Axis 3, Mr. Chairman, is the social economy sector. In 2004, the Canadian government committed to a social economy development program to promote businesses involved in the health care, home care and community care sectors.

Recently, as part of its cost-cutting exercise, the Canadian government eliminated certain program components. We are asking the Canadian government to reinstate in its 2007 budget a development incentive program for cooperatives and social economy enterprises.

The final axis, Mr. Chairman, is the funding of the Conseil canadien de la coopération. The CCC represents all provincial councils and we ask for greater, ongoing support from the Canadian government, so that we may promote the development of francophone cooperatives across Canada.

In conclusion, we ask that the Canadian government acknowledge more forcefully the cooperative movement as a partner in social and economic development across Canada. The cooperative formula was first developed over a century ago and provides the community with an opportunity to take charge of its own affairs and in the process, ensure its survival. The population of Canada is concentrated in some densely populated areas, while certain other regions are threatened. We want to be perceived as the government's partner in social and economic development.

Thank you.

• (1010)

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

[English]

We'll now go to the Canadian Worker Cooperative Federation. Representative Mark Goldblatt is here.

Welcome, Mark. You have five minutes.

Mr. Mark Goldblatt (President, Canadian Worker Co-operative Federation): Hi. My name is Mark Goldblatt, and I am the president of the Canadian Worker Cooperative Federation.

I am going to divide my short remarks into three areas—what a worker co-op is, how the model can be applied in enterprise situations, and then our specific budget requests.

First, what are worker co-ops? Quite specifically, they are employee-owned businesses that are structured on a cooperative basis, on the basis of one member, one vote. Every employee of the cooperative is a member. Worker co-ops may have the same structure and division of labour as similar privately owned corporations; the difference is that they bring efficiencies and productivity gains because people are basically working for themselves.

In terms of areas where this worker co-op model can be applied, I think there are basically three. The first area is small business start-ups. As an example, here in Ottawa we have a worker co-op called La Siembra Co-operative, which imports and distributes fair trade products like cocoa sourced from cooperatives of small farmers in the developing world. That's a start-up worker cooperative, and in that case growing very rapidly.

The second area in which we have successfully applied the worker co-op model is when you have a small or medium-sized business and the owner is retiring. Statistics Canada is reporting that thousands of small businesses—I don't have the exact numbers—are facing a situation where the owner is retiring, has no children to take over the business, and is committed to trying to help retain the jobs for his employees.

One example of that model would be the Moncton Restaurant Equipment Co-operative in Moncton, New Brunswick. Mr. Gorman, the owner of the firm for many years, was retiring. He sold his business to his own employees, structured on a worker co-op basis.

There's a third example of where you'll find a lot of worker co-op applications, and that's in the area of employee buyouts of larger businesses structured as worker cooperatives. One well-known example in Canada would be the worker co-op buyout of Algoma Steel in Sault Ste. Marie quite some years ago. It saved the business and it saved the jobs until the point when there was an upturn in the steel market. That particular type of employee buyout was led by the trade union—in that specific instance, the United Steelworkers.

So there is a definite history of union-led employee buyouts structured as worker cooperatives.

In terms of our budget requests, I am going to repeat some of the remarks already made by my colleague from the CCC. They bear repeating, because these are budget requests that all the national cooperative organizations have worked out together.

As our first point, we recommend that in budget 2007 the federal government announce the creation of a federal cooperative investment plan designed to encourage investment in cooperatives. A CIP would provide a tax credit to those who invest in agricultural co-ops and in co-ops owned by employees. This would significantly assist the cooperatives in raising capital for their businesses. The resulting influx of capital would be used by cooperatives to expand

employment, increase economic activity, and branch out into other value-added businesses.

As our second budget request, we're recommending that the 2007 federal budget reconsider the cuts to the social economy initiative announced by ministers Flaherty and Baird on September 25, 2006, and roll out the social economy in all parts of Canada.

My last point, also mentioned by my colleague from CCC, is that we are recommending that in the 2007 federal budget the government signal its intent to develop a new public-private partnership with the cooperative sector, designed to strengthen Canada's grassroots network of co-op enterprise and community entrepreneurs.

Essentially, we did have a five-year, \$15 million co-op development initiative. There was a technical assistance component of \$1 million a year. It was split up by 17 different francophone and anglophone associations across the country. The program has just been totally oversubscribed.

The other component of that co-op development initiative was to provide help for start-up cooperatives in the area of feasibility and business plan development. By the time we got to the end of the two years of the five-year program, we had already received requests for the entire amount of money.

So we're looking for a dramatic expansion of that program, based on the track record of what the additional existing program achieved.

Thank you very much.

•(1015)

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

We'll continue with Judy Cutler, who's here from Canada's Association for the Fifty-Plus. Welcome. Five minutes to you.

Ms. Judy Cutler (Director, Government and Media Relations, Canada's Association for the Fifty-Plus): Thank you for the opportunity to participate this morning.

The Canadian Association of Retired Persons agrees that in order to sustain Canada's place in a competitive world, it's important that actions be taken to ensure that our citizens are healthy, that they have proper skills, and that they are presented with appropriate incentives to work and to save. We agree that it is imperative that our nation has the sound infrastructure that is required by citizens who are seeking a high quality of life. Older Canadians must be embraced in this process. Our population is living longer, healthier, and active lives. Seniors continue to have a lot to contribute, and society can benefit from what they—we—have to offer.

CARP's mandate is to promote and protect the rights and quality of life for mature Canadians. Our mission is to provide practical recommendations for the issues we raise. In conformity with this mission, and in order to sustain Canada's place in a competitive world, CARP's brief presents 46 recommendations, including the following: a House or a Senate standing committee to assess the impact of the demographic shift on our society and to identify and root out ageism and age discrimination wherever it exists; a national home care program that includes chronic and community continuing care, with transparency and accountability; a national mental health strategy, as outlined in the Kirby-Keon report, with the immediate set up of a commission; a national family caregivers' support strategy; pan-Canadian wait time guarantees; Canada assuming a leading role globally in creating and protecting safe, healthy, and sustainable clean air and water; long-term CMHC funding to the provinces and territories for subsidies and grants for affordable rental housing—please don't privatize CMHC, in fact, use the surplus to build more truly affordable housing; funding and tax credits to make continuing education, exercise, etc., available, accessible, and affordable for all seniors, using as a model the tax credit for children's sports activities; abolition of mandatory retirement where it exists under federal government jurisdiction; the federal government's proposed \$3 billion CPP contribution to be put into OAS/GIS instead; increased OAS annual payments in order to meet the real cost of living—not excluding volatile items in the CPI—thus enabling seniors to purchase more, as well as to pay more taxes; GIS payments to the level of the low income cut-off line across the country; allowing all registered retirement pensions to be split; direct 100% access to LIF principal in federally regulated pensions, such as is now available to LIF holders over 90, we are told; the age of the conversion of RRSPs into RRIFs restored to age 71; and seniors to determine the annual amount they withdraw from their RRIF or LRIF.

We also would like to see the benefits of filing an income tax return clearly and broadly advertised to seniors, highlighting, for example, deductions, benefits, and GST rebates; continuation of the current five-year deadline for paying pension shortfalls and the retention of under-funded pensions as a legal liability on a company's books; and the taxable rate on U.S. social security received by Canadian residents restored to 50%.

Canada is on the cusp of a major demographic evolution, as is the rest of the world, and about one quarter of our population will be 65 by 2030. If society chooses to ignore them, everyone will suffer. In the brief moment I have, I just want to point out that quality of life has a strong correlation with the productivity of our country. I have to express CARP's shock and dismay that the federal government would arbitrarily determine value for money, without any public or stakeholder consultation, or presenting alternative policies. These cuts will adversely impact a lot of CARP's constituents, Status of Women volunteers, adult literacy, and more. We urge the government to rethink this proposal.

• (1020)

Thank you very much.

The Chair: Thank you very much, Ms. Cutler.

We'll continue with Phil Upshall from the Canadian Alliance on Mental Illness and Mental Health. Welcome, sir. Over to you.

Mr. Phil Upshall (National Executive Director, Canadian Alliance on Mental Illness and Mental Health): Thank you, Mr. Chairman.

I'm here today representing the Canadian Alliance on Mental Illness and Mental Health.

Two of my colleagues, Dr. John Service, our past chair, and Connie McKnight, our current co-chair, are only available for questions.

The Canadian Alliance on Mental Illness and Mental Health has filed a brief that we hope is understandable, readable, and that sets out our targets without too much interspersion.

Judy has already mentioned the CARP support for the Canadian Mental Health Commission. Of course, that's the main thrust of our own request.

The Canadian Alliance on Mental Illness and Mental Health is the largest coalition or association of national not-for-profit NGOs, including consumer family organizations, service providers, and professional organizations. There is no other like it in Canada or in the world. We cover the entire spectrum of service delivery, including patients, and we pick up the Canadian Medical Association, the Canadian Psychological Association, and the Canadian Psychiatric Association, plus disability groups such as the National Network for Mental Health.

We have a broad voice. We have a tremendous grassroots capacity to get to our communities and understand what they want. And I'll tell you exactly what they want. They want you to recommend to the federal government—to Mr. Flaherty and whoever else you have to go to—to fund the establishment of the Canadian Mental Health Commission, as recommended by the Senate standing committee.

The Senate standing committee, as I'm sure you know—and I'm sure you've all seen this “Out of the Shadows at Last” document—recommended that the Canadian Mental Health Commission be established and become operational by September 1, 2006. We're a bit late, but we're ready to move forward as quickly as possible. We have great hopes that you will do that. The funding required is \$17 million a year, which is not significant, in our opinion, compared to the other funds paid on health care activities.

The other aspect that we'd ask you to fund is the research component, again as recommended by the Senate standing committee, which is a \$25-million-a-year fund that would go to the Institute of Neurosciences, Mental Health and Addiction, one of the Canadian institutes of health research, and would be managed similar to the AIDS fund, which you already fund on a regular basis.

The third funding aspect that we want you to look at very carefully is the funding of the Public Health Agency and Health Canada to fund surveillance and data-gathering aspects. As much as we'd like to, we can't rely on the Canadian Institute for Health Information and others, because hospital records show only about 15% of the actual mental illnesses in Canada. The vast majority of mental illnesses are treated in the community by psychological services, EAP providers, and others. It's absolutely essential that we acquire that data in order to provide us with comparative information, so that we can deal with the real aspects of the cost of mental illness in Canada.

The brief sets out in significant detail the cost of mental illness in Canada. I'm sure you all know the business issues; it costs \$33 billion a year. Health care costs are about \$14 billion. Suicides are incredible. We have an unconscionably high rate of suicide for a country that calls itself advanced. We have issues in our aboriginal mental health that are beyond belief and need to be dealt with. Poverty issues are more often than not associated with mental health issues.

Within its own jurisdiction, the federal government has the capacity to move forward on a number of issues, particularly federal correctional issues. As Judge Ted Ormston will tell you, the courts are now the largest warehouses or keepers of people with mental illnesses. It's a national disgrace as well, and something that should be attended to.

And as I'm sure you know, Howard Sapers issued his report yesterday and made it available to all MPs.

The second issue is the Department of National Defence and the mental health issues of our armed forces. Post-traumatic stress syndrome is incredible. Again it's something that needs to be addressed, and it can be addressed through the Mental Health Commission.

Those are just some of the issues.

•(1025)

Quickly, one of the questions that was asked of me was to compare mental health with other groups. The prevalence of mental illness in Canada is 10.4%. The one-time federal allocation for mental illness research is 1.5%. The ongoing federal allocation for mental illness research is 1.3%. Diabetes has an impact rate of 4.8%. It gets 30% of federal funding.

I'll stop there, but I'd be happy to answer any questions, as would Dr. Service or Connie McKnight.

Thank you very much for the opportunity.

The Chair: Thank you very much for your presentation, sir.

We will continue with Lu Ann Hill from the Aboriginal Institutes' Consortium. Welcome, and proceed.

Ms. Lu Ann Hill (Executive Director, Aboriginal Institutes' Consortium): Thank you.

[Witness speaks in her native language]

I am here with Aboriginal Institutes' Consortium, which was established in 1994 to address the collective needs of aboriginal-owned and -controlled post-secondary education and training institutions.

Recognition and resources continue to be the key issues impacting the institutes today. The membership of the consortium, which is located in Ontario, consists of eight institutions in aboriginal communities from Akwesasne, which is near Cornwall, all the way to Fort Frances in northwestern Ontario.

Aboriginal institutions were established by first nations communities to address the lifelong learning needs and the development capacity of first nations communities. They fill a unique need that cannot be duplicated by mainstream institutions.

The bulk of the students who enrol are adult learners who would not necessarily compete for space in mainstream post-secondary institutions. And believe me, there are a lot of them, because secondary schools have not been able to address the needs of aboriginal learners.

Aboriginal institutions are student-focused; they provide culturally relevant, community-based programs in culturally enriched learning environments that address the learning styles of aboriginal people.

The types of programs we deliver include literacy, secondary and alternative secondary programs, adult education, trades, pre-apprenticeship, apprenticeship, and provincially recognized certificate, diploma, and degree programs.

Areas of programming we deliver include automotive, aviation, media, human services, nursing, paramedic, computer, language, renewable energy, welding, pipefitting, and much more.

Aboriginal institutions support all levels of education in our communities through the delivery of teacher education and curriculum development; they host youth science and technology camps and career fairs and conduct school evaluations, and more.

Aboriginal institutions demonstrate great success in attracting students and in increasing the educational attainment level of aboriginal students.

Our institutions in Ontario have educated more than 27,000 learners over 11 years. We've experienced an increase in enrolment of over 92% in five years. We can demonstrate success rates of up to 98% and we provide more than 400 jobs in aboriginal communities. Throughout Canada, more than 60 aboriginal institutions can demonstrate similar success.

Aboriginal institutions are key drivers of economic success in aboriginal communities, much like colleges and universities in mainstream society.

The challenge is that aboriginal institutions lack formal recognition by the federal government and as such are not eligible for secure and adequate funding from any source for operations, infrastructure, facilities maintenance, or research. In addition, student credentials do not have the same currency as those from provincially or federally recognized institutions.

Aboriginal institutions get caught up in the jurisdictional debate between the federal and provincial governments. The federal government supports aboriginal post-secondary education as a matter of social policy. The provincial governments say it's a federal responsibility.

We're seeking federal recognition to build upon the success achieved by aboriginal institutions. We need access to secure and stable funding and we need to provide aboriginal institutions with recognized authority to grant certificates, diplomas, and degrees.

The Consortium is also seeking an immediate infusion into the national allocation of the federal post-secondary student support program to address the level of funding required in each province to support the stability and development of aboriginal institutions, and to support students.

One of our institutions, First Nations Technical Institute, received 549 registrations this fall, but 271 of those students were not able to enroll because they weren't able to get support through the federal post-secondary student support program.

I have with me the president of First Nations Technical Institute, Tim Thompson, as well as the chair of the National Association of Indigenous Institutes of Higher Learning, Trevor Lewis.

• (1030)

Thank you.

The Chair: Thank you very much for your presentation.

We continue with Gilles Séguin, from the Ontario Museum Association. Welcome, sir. Five minutes to you.

[*Translation*]

Mr. Gilles Séguin (Board Member, Ontario Museum Association): Good day.

[*English*]

The Ontario Museum Association, or OMA, represents some 600 museums, art galleries, and historic sites, both large and small, in every corner of Ontario. We appreciate this opportunity to present the views of Ontario museums to the direction of the federal 2007 budget.

We fully support the Canadian Museums Association's call for the implementation of the new Canadian museums policy, and appreciate that Canadian Heritage Minister Bev Oda recently signalled the urgency of this matter. We are working with Minister Oda and her Ontario counterpart, Minister Caroline Di Cocco, to ensure that museums in Ontario contribute to the vitality and prosperity of our citizens and communities.

The key to long-term business planning and growth for museums all across Canada is predictability in revenue. The OMA urges the government to implement a robust policy framework that allows that predictable, sustainable public support. An appropriately funded federal program, in concert with more adequate provincial and municipal support, will give Canadians the opportunity to enjoy the full potential that museums can offer.

I assure you museums do make a difference. Museums are integral to the quality of community life and the appeal of a community. Museums provide unique services to communities all across Canada by preserving our collective memory, telling our stories, and passing on a rich legacy to future generations. Museums reach out to all demographics, including children, youth, and new Canadians. Canadian parents view museums as one of the most important places for educating their children, along with schools and libraries.

Museums also provide opportunities for civic engagement and volunteerism. Museum volunteers contribute work valued at more than \$40 million per year across Canada. Museums also contribute to Canada's cultural infrastructure. Ontario museums contributed \$355 million to the provincial GDP in 2001, and obviously the full economic impact is much higher through service industries. Museums help to create a well-educated, creative, and competitive labour force. They provide employment to 11,700 workers across Ontario. Canadians and visitors from abroad value our museums. Total attendance at Ontario museums is almost 19 million a year, which is a 12% increase over the past 10 years.

The Ontario Museum Association joins with its partners like the Canadian Museums Association in calling on the federal government to implement a new museums policy that adequately and appropriately supports museums in Ontario and throughout the country. Investments in Canada's cultural infrastructure are as important as those made to support public infrastructure in areas such as transportation, schools, and hospitals. Attractive and vibrant cities and communities are places where people want to live, invest, and work.

Support of our heritage organizations like museums is the responsibility of all levels of government. No level of government can do it alone. It is incumbent on the federal government to assume the leadership at the national level in the implementation of a museums policy that will work in concert with other governments across the country.

It is important that the federal government's role extend beyond federal museums to include the viability and growth of locally run museums, which are essential to local economies and to preserving the history of local communities across Canada. Each museum tells an important part of the Canadian story.

We ask the Standing Committee on Finance to endorse our recommendations calling for new and predictable, sustainable funding to allow museums greater ability to contribute to Canada's social, economic, and cultural economy.

Merci.

•(1035)

The Chair: Merci.

Thank you to all of you for your presentations. They are much appreciated.

We'll move to questions now and we'll begin with Mr. Savage. Six minutes, Mr. Savage.

Mr. Michael Savage (Dartmouth—Cole Harbour, Lib.): Thank you, Chair.

And thank you to all of our panellists for your presentations.

I'd like to talk a bit about poverty.

It's nice to see John Murphy. I know that you're no stranger to Ottawa, and it's good to see you again.

I'd like to just chat a bit, because it seems to me that one of the big issues facing Canada in the next little while is whether we are even going to make an attempt to bridge the gap between the rich and the poor. I would argue that successive governments of different stripes have at least claimed that was their goal, although we've fallen short in a lot of cases. But some of the measures that were introduced in this past budget, such as the GST cut and the proposed continuation of that to go to 5%, have actually been trumpeted as being good for lowest-income Canadians because personal income tax may not affect them but GST does.

I wonder if you have a view on whether reducing the GST is of benefit to the lowest-income Canadians.

Mr. John Murphy: Yes, thank you.

In our view, lowering the GST and the child benefit and so on are band-aid approach material. What needs to be done is a much broader approach to the reduction of poverty, because the GST, really, does not affect poor people. They don't buy the big items, so it's just of no benefit. If you were making huge sums of money, it might make a difference.

What we need, Mr. Savage, is a pan-Canadian reduction strategy that allows the federal government to take leadership, with its partners in the provinces and the territories, to take a look at how you can bring those departments together, in fact, instituting a new department with a leader. You need to look at how you can best bring together all of those departments that affect people's lives, and begin to look at targets that you need to set—around housing, around social assistance, around a number of issues that need to be worked on with the provincial and territorial governments—and then evaluate. Have amounts of dollars in your budgets to go after that

reduction strategy, and then evaluate what's happening to see if we have arrived where we wanted to be.

It's not a dream at all. I mean, Newfoundland and Labrador are doing it. Quebec is doing it.

In Ireland, for instance, they started a reduction strategy. They were at 15% of their population living below the poverty line, and they brought that down to 5%. Now, there's a real indication that this can be done. And if we can do it in some of our provincial territories like Quebec and Newfoundland and Labrador, we certainly can do it at the federal level and begin to give that leadership and vision that's required for this country.

We have a morally disgraceful situation with 4.9 million people, 1.2 million children, living in poverty, and for a country as wealthy as Canada that is not satisfactory.

•(1040)

Mr. Michael Savage: I agree with that.

Specifically on the GST, I appreciate your answer. People are loath to say they don't want lower GST, but at the end of the day, it's about choices. There's a certain number of dollars in the federal treasury, and if you're taking billions out to give it to those who disproportionately need it less, then you're actually doing less for those who need it the most. And there are ways other than personal income tax. According to the Caledon Institute, the child tax benefit, introduced, I think, in 1997, has actually had an impact on child poverty.

One of the proposals that has been made regarding the universal child care benefit to \$1,200—and again, there have been studies indicating it actually helps those who need it the least because of the way it's taxed—is that if you're going to that, then you should perhaps do it through the young-child supplement of the child tax benefit.

Have you a thought on that?

Mr. John Murphy: Well, I think that makes sense.

But people basically want to get back to work, and one of the elements that's going to allow that to happen is that people have affordable child care that's consistent. The \$100 a month on the child care supplement is some help, in terms of income, for people, but it's not what's required. Again, in my view it's a band-aid approach, and we need a wider picture of all of this to make sure we have the spaces for people to use and be able to get back to work.

It's not just child care. There are many elements that are required to make this happen, but certainly child care is one of them, and a very important one.

Mr. Michael Savage: Okay. I'm running out of time, but I'm just going to go back one more time to Mr. Murphy.

You've talked about the CST and that we need to separate out the part of the CST that goes for social assistance. We've heard a lot from people on the post-secondary side that we need to separate out the post-secondary. So it may make sense that we just separate everything out again, and then dedicate it.

I'm assuming you would have some specific ideas that you would want the provinces to agree on with the feds if that were to happen.

Mr. John Murphy: Yes.

What we have recommended on a number of occasions is that the fund be split for social assistance contributions. Previous governments have cut it badly. I'm not talking about just splitting it, I'm talking about enhancing it.

Mr. Michael Savage: Thank you.

[*Translation*]

The Chair: I must interrupt you, Sir.

[*English*]

The time is used up, so we continue.

[*Translation*]

You have six minutes, Mr. St-Cyr.

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

Thank you everyone for joining us here today.

My first question is for Mr. Murphy. I've read your recommendations. In Point 2, you mention employment insurance. Interestingly, you reminded us that currently, only four out of every ten unemployed workers receive EI benefits when they need them. I submit to you and to committee members that any insurance plan that offers benefits to only four out of every ten insured members in need would be perceived as scandalous, and rightly so.

Furthermore, the benefit rate is quite low because for several years now, the government has been reducing benefits and restricting program eligibility, while at the same time maintaining employer and employee premium levels for the most part. As a result, the EI fund has amassed an enormous surplus.

The Bloc Québécois has called for—and in the past the Conservatives have agreed with us—for an independent employment insurance fund and has demanded that employee premiums be used solely to provide benefits to people who are out of work.

Do you agree with our position, or do you think any surplus funds should be deemed to be part of the government's Consolidated Revenue Fund?

• (1045)

[*English*]

Mr. John Murphy: Thank you. I did miss a bit of the interpretation because this machine wasn't working very well.

As you're aware, back in the mid-1990s about 80% of unemployed Canadians were availing themselves of the EI fund. That's now under 40% in Canada; in my own province of Nova Scotia, it's less than 40%.

We need to ratchet that up. We need to have criteria that will allow people to be able to use that fund, because not only does the fund not access those numerous people out there, but those people also can't access training and they can't access a number of benefits that come through the EI fund.

I believe that this fund belongs to the workers.

[*Translation*]

Mr. Thierry St-Cyr: I don't know if you have the figures, but to illustrate even more clearly how this situation affects poverty levels, I have to mention that insurance benefits are even lower in the case of young people and women.

Is it in fact true that young people and women are more poorly served by the current system?

[*English*]

Mr. John Murphy: Yes. I just spoke at a conference in Nova Scotia with teachers. The topic they asked me to talk about was youth poverty. What's happening is extraordinary. We don't have a youth strategy either in this country, and it's indeed required.

If you were a poor individual, a poor mother, you could not afford, if you were on EI, to go and get 55% of something that's well below the poverty line, so that whole group of people.... It's okay for people with middle income and above, but poor Canadians really can't access it; they have to go back to work very quickly, because 55% of something below the poverty line is not very much money.

Consequently, we're hurting our ability to raise children. Children are getting hurt, because their mothers have to go back to work very quickly, and 55% of little is not very much. That's where we need to change these things and have access. That fund needs to be enriched, particularly for low-income people, and also so that they can use some of the tools of the EI program—the training, etc.—to be able to go back to work.

[*Translation*]

Mr. Thierry St-Cyr: I see.

I also liked what you had to say in point 4 about how important it is for society to invest in day care services.

There are many reasons why this is so. Those who testify before the committee list a variety of reasons why the government should invest in day care. The arguments are piling up. Many point to the advantages of investing in this sector.

I'm pleased to see you present a new argument, namely the fight against poverty. You demonstrated that for a single mother, day care costs are often so exorbitant that her only choice, or almost, is to stay home and collect welfare. Ultimately, this entails a cost to our society.

Are these merely isolated cases, or is this a common problem that needs to be addressed?

• (1050)

The Chair: Thank you very much, Sir. Your time has expired.

You have six minutes, Mr. Turner.

[*English*]

Hon. Garth Turner (Halton, CPC): Mr. Murphy, we're going to continue to pick on you for a bit.

Just about every economist I've ever heard of calls the GST a regressive tax. Do you know why they use the word "regressive"?

Mr. John Murphy: Yes, it's regressive.

Hon. Garth Turner: Right. What does that mean? What is a regressive tax?

Mr. John Murphy: I think it's a tax that is maybe not so beneficial for the people.

Hon. Garth Turner: No, actually, the economic definition of a regressive tax is one that is blind to the economic circumstances of the person paying the tax, as opposed to a progressive tax, which people can afford to pay. So the more they can afford to pay, the more they pay.

The GST is a regressive tax. A regressive tax, which my friend John McCallum, the esteemed economist, would surely back me up on, is one that lower-income people pay as a proportionately higher proportion of their income than wealthy people do. That's a regressive tax. The GST is blind to whether you make \$100,000 or \$10,000 when you buy an article that has GST on it. You pay the same.

Therefore, would you not agree that lowering the GST is actually of more benefit to lower-income people than to higher-income people, which calls into question your statement that it doesn't affect low-income people because they don't buy big items? I'm interested in your response.

Mr. John Murphy: Surely, I don't agree with you.

Hon. Garth Turner: It's not a matter of whether you agree with me or not. It's a statement of economic fact, is it not?

Mr. John Murphy: You're asking for an answer and I'll give it to you. I'm just telling you where I sit and where the National Council of Welfare sits.

Hon. Garth Turner: I know where you sit. I'm just asking you about the regressive tax situation. Does this not benefit people, the fact that we have lowered the GST and that actually people who have lower income now pay less of their portion?

Mr. John Murphy: No.

Hon. Garth Turner: What do you mean, no? It's a fact.

Mr. John Murphy: No, it doesn't, because they're not buying the kinds of qualities and big items that people with more income would buy.

Hon. Garth Turner: People buy the same item. If they buy the same item, rich or poor, they are buying the same item.

Quiet over there.

The Chair: Order. Excuse me.

First of all, Mr. Turner, I'm responsible for decorum; you are not.

Secondly, we'll have the same respect shown to Mr. Turner and the witness when they are engaging in a dialogue as we will expect when we are engaging in one. That will commence now.

Mr. Turner, continue.

Hon. Garth Turner: Thank you.

Let's abandon that point. We're not getting anywhere.

The budget we brought in removed 255,000 people from the tax rolls, generally people who make under \$25,000. Is that a good thing?

Mr. John Murphy: It was a good thing, a good move.

Hon. Garth Turner: Thank you. So we did a good thing. I'm very pleased with that.

Now, in the anti-poverty strategy you've outlined in your brief you have no costs attached to any of it. Have you guys worked out what the cost to the treasury would be of your platform here, your seven-point platform? Can you help us?

Mr. John Murphy: No, we have not costed that out.

Hon. Garth Turner: All right.

Judy, I have a couple of questions for you. You've mentioned a number of things that are very salient here in terms of our demographic time bomb. I think CARP has a lot of great proposals. I particularly like pension splitting, which is something I've been working on myself and which would be great to have this government consider.

I thought you were doing really well until the last minute or two of your presentation, when you gave us a few shots for cutting program spending. How on earth can we afford these just tax reforms for people over 50 if we don't trim program spending? Is it not a worthwhile thing for us to engage in?

Ms. Judy Cutler: No.

First of all, I want to apologize that I did not introduce my colleague Bill Gleberzon, who came from Toronto to be here today, and I invite him to the table to help me answer the question.

In terms of the cuts that have just been announced, if it was based, as we understand, on value for money, then what are the alternatives that would be more cost-effective? That's what we're asking for. We're not disputing that perhaps it could be done better, but not to do it at all, whether it's museums, whether it's adult literacy, whether it's palliative care, these things are essential to people's quality of life, and if they are not provided with some of the essentials it's going to cost the system a lot more.

• (1055)

Hon. Garth Turner: I just don't quite understand—

Ms. Judy Cutler: Maybe I'm not responding to what you're referring to.

Hon. Garth Turner: I don't quite understand how you can suck and blow at the same time, how you can ask for more money and criticize the government for cutting program spending. If we're going to reallocate resources, it is all about choices. For example, we give \$245 million a year to museums and we cut \$2.3 million in administrative expenses, so we're still giving stable funding of \$245 million.

I'm just a little concerned that CARP is trying to now play the role of a social advocate here. You had some excellent points in your brief, and you're not helping your cause here when you're criticizing us for trying to keep government within the economic framework.

I know we're going to run out of time here, but—

The Chair: I'm sorry, we have run out of time.

We'll continue with Madam Wasylycia-Leis now. It's six minutes to you, Madam.

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

I want to start off by saying that I respect all of your presentations. I think your recommendations are made with the spirit of being constructive and cooperative, and I certainly disagree with any suggestion that any of you are trying to suck and blow at the same time. If anybody's having trouble here, it is the Conservatives, or at least one Conservative member who just can't seem to figure out the difference between voodoo economics and—

The Chair: Order, Madam Wasylycia-Leis.

Ms. Judy Wasylycia-Leis: —proper policy-making.

I want to ask a question to—

The Chair: Order.

We'll move on if you do not respect the chair, Madam.

Now, continue to address your remarks only to the panellists and proceed.

Ms. Judy Wasylycia-Leis: Yes, Mr. Chairperson.

On a point of order.

The Chair: On a point of order.

Ms. Judy Wasylycia-Leis: I felt compelled to say that, because—

The Chair: There is no point of order. Proceed with your questions. The clock is running.

Ms. Judy Wasylycia-Leis: All right. Mr. Chairperson, I hope that you will at least ensure that we treat our witnesses with respect from here on in.

Michel and Mark, you've made excellent presentations on the need for cooperative development and worker co-ops. I think your recommendations are a bit out of date, at least in the written documents, because of the fact that this government actually did cut—eliminate—the whole social economy initiative, which means we're starting from square one. We also know that CDI runs out in 2007 and we need to figure out how to convince this government to carry on with that program, even in the face of its callous, meanspirited cutbacks on the social economy side.

What is your advice for us to try to get back this very important initiative for creating jobs and building communities?

[*Translation*]

Mr. Michel Rouleau: The social economy program was launched in 2004. It enables social economy enterprises, cooperatives as well as non-profit organizations, to acquire capital. At this stage, the focus of our concern is capitalization.

We're proposing that this initiative be reintroduced. In all, there are four social economy agencies located in Quebec, Ontario, Western Canada and Atlantic Canada. The Quebec agency has been around for some time and its positive benefits are well known. However, the three other agencies were lagging behind and we wanted them pick up the pace. But in actual fact, this initiative was stopped. There has been talk of enterprises that make up the new fabric of the social economy and that will help satisfy the needs of the public. There is talk of creating businesses to address community needs. We're proposing that this component be reintroduced so that businesses can acquire capital and grow.

In short, we're asking the government to reintroduce this measure which fundamentally, in our opinion, was not that costly to maintain.

Ms. Judy Wasylycia-Leis: Thank you.

[*English*]

Mr. Mark Goldblatt: I'm just going to very briefly answer your question.

From the point of view of the Canadian Worker Co-operative Federation, just being completely straightforward about this, our attention and energy would now be shifting towards expanding the federal government's co-op development initiative. That is a generic co-op program that has had an enormous track record of success. None of us knows whether that social economy program can be revived in any way, but even if it can't, I think with respect to the co-op development initiative that for the worker co-op movement, expanding that program would be of the most direct benefit to us at this point in the political process.

● (1100)

Ms. Judy Wasylycia-Leis: Thank you very much.

Phil, let me ask you a question about the difficulties we face in trying to move forward on a national strategy dealing with mental health. Would you agree that some of the cutbacks in this recent announcement only make it harder? Secondly, how do we ensure that the next budget finally addresses this long outstanding issue?

Mr. Phil Upshall: Cutbacks to anything don't hurt people with mental illnesses, because there is no funding for them anyway. It's like wait times or wait lines. We don't have any wait lines, because there is nothing to wait for. We're at the bottom of the barrel, Judy. There is nothing the government can do to cut back that will really impact us in a significant way. Homelessness remains rampant; suicide remains rampant; depression is at one of the highest levels in the western world. Nothing is being done about it, so cutbacks don't help or hurt us.

What helps us is a reflection on the fact that there is no health without mental health. What helps us is that if we start working on mental health in a positive way through the development of the commission, that commission will have a mandate to work towards a national strategy. That national strategy, I think, will be very comprehensive if it follows along the lines Kirby and Keon recommend. We'll see an incredible change in the fabric of the Government of Canada and the federal employees, in the happiness and welfare of Canadians, and in the tax revenues of Canada. So cutbacks don't hurt; they don't.

The Chair: Thank you, Mr. Upshall.

We'll continue now with Mr. McCallum, with five minutes to you.

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

I certainly support my NDP colleague's point about respect towards witnesses.

My first question is to Mr. Goldblatt. I had the pleasure of speaking to some of your colleagues before this meeting, and we focused in particular on the cooperative investment plan. I've heard many times that the agricultural sector is in great difficulty nowadays. I'd like to know whether you think this plan would be of specific help to farmers and whether it is a better way of helping farmers than other possible mechanisms, because I think the problems of our agricultural sector today are certainly a high priority.

Mr. Mark Goldblatt: It's the right question and a good question, but the problem I have in directly answering the question is that if you look at my specific background, I don't have an agricultural co-op background. As you know, there are many agricultural co-ops across the country. This recommendation to you about a co-op investment plan is certainly endorsed right across the board by agricultural cooperatives—small, medium, large—across the country.

It would certainly make a huge difference to the worker co-op sector, where I'm more directly involved, because capitalization for our types of work as co-ops is a really huge issue. We absolutely feel the members must put in their own equity—absolutely; it's a requirement of a successful worker cooperative. But you're still left with the other part of the financing package that goes over and above what the worker co-op members can afford by way of equity.

I'm not answering your real question, because you asked me about agricultural co-ops.

[*Translation*]

Hon. John McCallum: Perhaps I could ask Mr. Rouleau the same question, since I know this initiative has been in place in Quebec since 1985.

Can you explain to us how this suggestion would greatly assist farmers?

Mr. Michel Rouleau: Certainly. Your first question had to do with agricultural cooperatives, also known as work cooperatives and farm cooperatives. Why is that? Because cooperative members, the workers and the producers themselves, can actually invest in the cooperatives. In Quebec, farmers, workers and cooperative members

have invested \$200 million to provide enough capital to allow for the growth and sustained development of the cooperative system.

In order to develop, a cooperative relies solely on surplus funds, a critical element of the capitalization process. So then, this is a very interesting tool, as witnessed by Quebec's success over the past 20 years. This initiative has had a very positive effect and has been a major source of capital.

Hon. John McCallum: Thank you very much.

My next question is directed to Mr. Séguin.

[*English*]

I believe Canada's museums were recently the victims of some mean-spirited cuts by the government, and you perhaps were too polite to mention those. What has been the impact of these cuts on Ontario's museums?

● (1105)

Mr. Gilles Séguin: There is no doubt that the cuts to the museum assistance program will have an impact on museums all across Canada, because that \$9 million envelope—which was the amount until the current cuts—serves a wide range of small and medium-sized museums across Canada, but at this point we're still in the dark. It's been several weeks since it was announced, but there's been no official word from the Department of Canadian Heritage as to how these cuts will be applied and what will be impacted.

I heard the minister here say that the \$2.5 million in cuts is from an administrative component of that \$9 million, but I would be very surprised if a \$9 million grant program has an overhead of \$2.5 million.

Hon. John McCallum: So you're totally in the dark now in terms of what these cuts will do and who will bear their cost.

Mr. Gilles Séguin: We know that the cuts, regardless of size, will have an impact on museums. We just don't know at this point how the government plans to deploy these cuts. We can certainly send you examples of how these cuts can impact museums across Canada.

Hon. John McCallum: I'd certainly be interested in hearing the outcome when you know it.

Thank you very much, Mr. Chair.

[*Translation*]

The Chair: You have five minutes, Mr. St-Cyr.

Mr. Thierry St-Cyr: Thank you Mr. Chairman.

During our last week of consultations, we travelled to Western Canada to meet with people from various regions. I have to say that I was very pleased—and I still am—to be a member of the Standing Committee on Finance. We had an opportunity to exchange ideas and listen to some constructive comments, all in a congenial setting.

Unfortunately, I'm a little disappointed because since our return last Monday, the situation appears to have deteriorated. I hope that stops. I'll leave it up to each one of you to reflect upon the reasons why the situation has gone downhill since Monday.

Mr. Chairman, I would suggest that you personally talk to some of the committee members to stop the situation from deteriorating even further.

On that note, I have a question for Ms. Cutler.

At the end of your submission and recommendations, you propose that the 50 per cent rate of taxation on U.S. social security benefits collected by Canadian residents be reinstated.

I have to admit that this is the first I've heard speak of this. Since you are recommending reinstatement, what is the story behind this and what is prompting you to make this suggestion?

[English]

Ms. Judy Cutler: I'm going to turn it over to my colleague, Bill Gleberzon.

Mr. William Gleberzon (Associate Executive Director, Canadian Association of Retired Persons): We raise this issue because we are constantly implored on this issue by Canadians who worked in the States. The 50% was the amount of taxable rate until about 1996; then it was changed to 85%, which is what it is currently. For a lot of people, this is their only form of income. Because they didn't work in Canada, they don't have Canadian pensions, and they're finding it simply too difficult to maintain themselves.

[Translation]

Mr. Thierry St-Cyr: I want to have a clear understanding of the issue. This is revenue from the US government. Are these benefits taxed in the United States, or only in Canada?

[English]

Mr. William Gleberzon: This is American social security that these people have paid into, so it's from the American government, but it's really from these people. American social security really is much like CPP, and they are taxed only in Canada, but the taxable rate is 85%, as opposed to the 50% that it had been for a number of years.

[Translation]

Mr. Thierry St-Cyr: However, will the average citizen receiving benefits from the Canadian government be taxed at 100 per cent?

[English]

Mr. William Gleberzon: No. They're taxed on 85%. It used to be that they were taxed on 50%. Now they're taxed on 85%; 15% is not taxed.

[Translation]

Mr. Thierry St-Cyr: Getting back to Ms. Cutler, I see that you mentioned surpluses accumulated by the Canada Mortgage and Housing Corporation. As a matter of fact, the Bloc Québécois has introduced a bill which would see surpluses over a certain limit spent. A \$1 billion reserve would be kept along with a certain amount every year to safeguard the loan guarantee program. However, any revenue over and above this limit should, we feel, be returned to the provincial governments in order to be invested in affordable housing.

Would you encourage MPs to pass this bill?

• (1110)

[English]

Ms. Judy Cutler: Absolutely. We have been pushing for this for a long time.

Let me add that we would like a definition of "affordable", because affordable being slightly less than the market price is not truly affordable for many people. If we're going to do it properly, we have to do what your bill recommends, but we have to take it to a realistic level.

[Translation]

Mr. Thierry St-Cyr: How do you feel about the fact that GIS benefits were not paid retroactively to seniors who in the past neglected to apply for them, either because they were uninformed or because the system was too complex?

No doubt you're aware of this problem, which was resolved in part as a result of some lobbying on the part of the Bloc Québécois. The fact remains that some seniors cannot claim amounts not received over a period of many years because the current legislation only provides for an 11-month period of retroactivity.

Do you support our efforts to obtain full retroactivity for these seniors?

[English]

Ms. Judy Cutler: Yes.

The Chair: Thank you, Monsieur St-Cyr.

We continue now with Mr. Dykstra, for five minutes.

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

I do want to ask a couple of questions. I know I only have five minutes, so I'm going to jump right into it.

Mr. Séguin, I have a couple of points. During your presentation you articulated that you were looking for new, predictable, and sustainable funding. That's contrary to the way the MAP program is run; it's allocated on a grants basis.

I take from your comments that you're actually opposed to the direction that MAP was taking with respect to funds being allocated based on applications being submitted and either being turned down or approved. Obviously, if you submit an application there is nothing predictable about whether you are actually going to get the grant.

Sir, can you confirm for me that you're not happy with the MAP program, to begin with?

Mr. Gilles Séguin: Any federal investment in museums is welcome. The MAP program has been a key component of sustaining all of Canada's museums since 1972. We are not seeking the disappearance of the MAP program. We would like to see the funding that has been cut reinstated. At the federal level, at least as an interim measure, and until a national museums policy is brought together, we're open to alternatives to the MAP program.

Mr. Rick Dykstra: The difficulty I have, looking at how the funding was allocated over the last number of years, is that in the 2004-05 budget, there was \$9.2 million allocated. There now remains \$9.5 million in the actual allocation. It's still \$300,000 more than it was in 2004-05. In the last fiscal year, only \$7.6 million was actually allocated to programs and applications that were submitted. There was over \$4 million remaining in the fund that was either used by administration or not used at all.

Mr. Gilles Séguin: I'm very surprised to hear that, because the word from Canadian Heritage is that the program is consistently oversubscribed.

Mr. Rick Dykstra: I'm just telling you what the facts are. That's the way things stand right now.

I have a couple of museums in my riding, and they're not funded through the \$245 million; it would be directly through the MAP program, if they were to apply. So I certainly have a deep appreciation for it.

Perhaps you could explain this to me. We have been in power for a little over eight months, and we've committed to a new policy on museums in terms of how we're going to move forward. You have that commitment from the Minister of Heritage and from our platform. I'd like to know who told you that we weren't going to move forward with the new program and that we weren't going to move forward in partnership with you on that.

Mr. Gilles Séguin: As I indicated earlier, information from the government is coming out, but we're not getting a lot of information. Yes, there has been an announcement of some \$245 million, but we do not have details concerning what that will look like.

•(1115)

Mr. Rick Dykstra: Are you still prepared to work with the government on implementing the policy we've committed to?

Mr. Gilles Séguin: Very much so.

The Canadian Museums Association worked with its 2,500 members and with all parties to come up with alternative proposals. We certainly welcome investments from the federal level.

Mr. Rick Dykstra: Mr. Upshall, I'll have to be quick here. I'm sure I don't have much time left.

What would be the first steps of the process in terms of the national strategy?

Mr. Phil Upshall: The first step is to establish a mental health commission: put \$17 million into it; put another \$25 million towards research; put a proper board in place that would manage it in a way that stakeholders want to see it managed. The mandate of that commission will be, among other things, to start work on a national strategy on mental illness.

We'll be the last national government, as you know—

Mr. Rick Dykstra: The first step would be the mental health commission?

Mr. Phil Upshall: Absolutely, yes.

Mr. Rick Dykstra: Okay, thanks.

I have one quick question regarding the aboriginal institutions. I want to ask how many times you've actually put this request, this submission, forward over the last number of years. Why have you not had support on this in the past? Most importantly, have you made this presentation to previous finance committees?

Ms. Lu Ann Hill: In Ontario, we've made a presentation to the finance....

Mr. Rick Dykstra: Okay. The one thing we have committed in our—

The Chair: Thank you, Mr. Dykstra.

We'll move on now to Mr. Pacetti. Five minutes to you.

Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.): Thank you, Mr. Chairman.

Thank you to the presenters. It's always interesting.

Time is limited, so I'm going to try to ask a couple of brief questions and maybe leave some time for my colleague, Mr. McKay.

Mr. Murphy, just to continue the line of questioning Mr. Savage had, we've been hearing from quite a few post-secondary education groups—colleges, universities—and they've all been asking for the same thing you've been asking for—to separate the Canada social transfer payments. You're asking for an increase, but do you have a breakdown of how much is dedicated to post-secondary? Does \$2 billion make—

Mr. John Murphy: I don't have that figure with me, no.

Mr. Massimo Pacetti: If the amount were to be \$2 billion out of the \$8.5 billion...the \$6.5 billion that's dedicated to the social transfers.... You're asking for an increase. Is there anything specific that you would like to see increased? Is there just a general number or a request?

Mr. John Murphy: Well, I think what we're looking at is that the fund needs to be increased so that at the end of the day the recipients from the provinces and territories will get more from being on welfare.

Mr. Massimo Pacetti: But should there be an amount dedicated to a specific program, or is it just a general increase, your preference being for the provinces to decide?

Mr. John Murphy: I think I'm saying a general increase is what is required. I don't have those figures to tell you what numbers they are, but we know that funds were cut from that fund when the Liberal government came into power, and that fund needs to be brought back up to a point where more funding will be available, at the end of the day, for people who are on welfare.

Mr. Massimo Pacetti: Great. Thank you.

Just quickly, Ms. Cutler, CARP is recommending pension splitting. I think you're saying the QPP and RRSPs can already be split between spouses. But shouldn't that start earlier? Shouldn't it start where all families should be allowed to split income, if need be, so that when you do get to retirement it's not an issue any more? Why should we just be looking at people over 65 having that benefit?

Ms. Judy Cutler: I'm going to ask Bill to answer that.

Mr. William Gleberzon: Well, because we think it's the best way to phase in the program. Of course we'd like to see it applied to everybody, but we think this is a more workable way to get that objective accomplished.

We agree with you.

Mr. Massimo Pacetti: Okay, thank you.

John.

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

I just want to mention that I support completely Mr. Upshall's analysis, but I did want to direct a question to Mr. Murphy.

In the November update by the Liberal government, \$2 billion was set aside for WITB, the support for the transition from assistance to the workplace. Has your organization formed any view on that, and can you offer any guidance?

Mr. John Murphy: Well, certainly for people to be able to move from welfare to work there are a number of steps that need to take place. It's not just income. There are a number of issues around child care, around training. There are a number of issues that need to be addressed if somebody is going to get back to work.

The fear for parents is that if they don't have good child care...or for instance, they may have the use of pharmacare because they have a sick child, and if these things aren't addressed, then what happens is people stay where they're at, even though they're living below the poverty line. What we need is to help them make that transition and make it more easily.

• (1120)

The Chair: One minute, Mr. McKay.

Hon. John McKay: The problem is easy to describe; the difficulty is in the actual delivery. The perverse consequence currently is that people around the \$40,000-a-year bracket effectively pay a tax rate that's among the highest. We've set up a system that is quite perverse for people getting back into the workforce.

If you had one specific recommendation on how to mitigate the effects, could you give it to us?

Mr. John Murphy: That's a difficult one. I think some of these are in concert, and work together. Besides the income being shifted to a higher level, I think child care is a very important one so that people can know that their children are being looked after fairly and are in good hands.

But there are also the other things I've mentioned, the training and so on. I don't think you can just point to one, because that's not the answer. It's more of a package.

The Chair: Thank you, Mr. Murphy, and thank you, Mr. McKay.

I have just a quick observation concerning the cooperative investment plan that you gentlemen both spoke about. In theory, the idea is to assist grassroots farm producers and residents of rural communities, among others, to bring together capital and invest in value-added business opportunities, value-added manufacturing and processing.

Is that in theory what this is about?

Mr. Mark Goldblatt: I guess in part, yes. The whole capitalization dilemma for agricultural co-ops, for worker cooperatives, is that in terms of regular venture capital, there is no exit strategy. So they're not interested in putting in their money in the first place.

As well, cooperatives maximize the services to members instead of maximizing the returns to shareholders, which is another reason why raising capital becomes a very difficult premise. The co-op investment plan would directly address that by giving an incentive for members to invest in their own cooperatives.

The Chair: Right. And it would be an even more intriguing idea for a western Canadian member of Parliament if agricultural producers in our area of the country didn't have to sell their crops through the Canadian Wheat Board and then buy them back before they could engage in processing, such as pasta plants or flour mills. I think there perhaps would be an opportunity for this plan to work to an even greater degree if there was a little more flexibility in the hands of the people who produce the crops that would be processed.

I'll conclude with Mr. Del Mastro. You have five minutes, sir.

Mr. Dean Del Mastro (Peterborough, CPC): Thank you.

To Mr. Séguin, I want to go back to a point that my colleague was making. Just for clarification, I understand that museums in Ontario and museums across the country have had to rely on the MAP program in many jurisdictions. There wasn't a program outside of that, or there weren't sufficient supports.

We are working on a long-term museums strategy. Given a choice between almost a lottery-based, heavy administrative-based system and predictable funding, something like a core-funded program, which would you choose?

Mr. Gilles Séguin: We would endorse sustaining operating funding over project funding.

Mr. Dean Del Mastro: Thank you. I appreciate that.

Mr. Murphy, I wanted to come back to a couple of points you made, and I wanted to ask you a very brief question.

My personal position is that you create strength in the economy. You create a robust economy. You create opportunity. You give from a position of strength. I believe that if you open the door, people will walk through it.

Would you agree with where I'm going?

• (1125)

Mr. John Murphy: Surely, and I think that's fair enough, but people have to have the tools to be able to get through that door.

Mr. Dean Del Mastro: I agree. That's why we've made significant announcements in such things as skilled trades and so forth. A lot of people find themselves in poverty in Canada, and we know that the list has grown over the last decade. We know that there are more people who don't have homes. We know that there are more people who rely on food banks.

One of the things we're working on is bringing skills up. Really, a lot of people have tremendous abilities, but they haven't been trained in skills and so forth so that they can jump from the \$8-an-hour job, which does not sustain any kind of living, to the \$20- to \$30-an-hour job that will provide a living.

You would agree that these are positive steps we're taking?

Mr. John Murphy: These are indeed positive steps. We need to get more training so that people can get back to work. We need to get those skills honed so that they can begin to contribute to society and look after their families like any one of us.

Mr. Dean Del Mastro: Thank you, sir.

Ms. Cutler, you talked a little bit about an increase to the OAS. A lot of times when there have been increases to the old age security program, it has been a percentage increase and hasn't amounted to very much. Has the OAS even kept up with inflation over the last number of years—real inflation?

Ms. Judy Cutler: No. The short answer is no, it hasn't. We hear constantly from people who are struggling to make ends meet because the percentage is so out of sync with what the real cost of living is.

Mr. Dean Del Mastro: Right. I agree.

Do you think a majority of your members would prefer a percentage increase or an across-the-board, easy-to-understand increase? For example, suppose we looked at adding \$25 a month, something they could actually physically see, onto their pension cheque. Would that be something they would prefer, or do you have a position on something like that? How would you like to see us go about implementing increases to the OAS if we were to do it?

Ms. Judy Cutler: What we would like to see is some kind of review of the entire public pension system, so that it's not tinkered with here, there, and everywhere, and so that there's a holistic, integrated upgrading of it—of the CPP, the GIS, the OAS—because doing a bit here and a bit there helps a few, but it doesn't really help enough.

Mr. Dean Del Mastro: Thank you.

Mr. Upshall, you propose setting up a commission. How long would it take to set up something like that if funding were set aside, and what would be the outcomes of such a commission? Would the outcomes be to come back and recommend additional spending? Is that what the ultimate outcome would be?

Mr. Phil Upshall: I'm not recommending the commission. The Senate Standing Committee on Social Affairs, Science and Technology, co-chaired by Senators Kirby and Keon, did. They worked two and a half years to develop the model and the structure. The development of it could go ahead very quickly, either through Parliament with a bill or through the Privy Council Office.

The establishment of it would be very similar to what the Minister of Health is working on now, the national cancer strategy. As you know, last year you put \$276 million into that. I think the model of the commission, the management, will be very similar to that; it's not a cookie cutter, but there is a precedent we can easily follow. We've been working with the government, the Prime Minister's Office, the Minister of Health, and others in moving that forward, but it's very slow, and the issues are always coming back to us. It's to get the money, so that's why we're here today—to get the money.

Mr. Dean Del Mastro: Thank you.

The Chair: Thank you very much, Mr. Upshall, and thank you all for your presentations and your participation in the discussion today. It's much appreciated, and we thank you again.

We'll invite the next panel to replace this panel in their seats, and we will suspend for about five minutes.

• (1125)

_____ (Pause) _____

• (1140)

The Chair: We will recommence. I'll invite our panel to be seated and be comfortable and feel welcome.

I welcome you on behalf of the finance committee, who are currently engaged in the onerous challenge of preparing recommendations for the finance minister for his next budget, and we appreciate your time here today. I will signal you when you have a minute remaining in your presentation time, and then when you have less, and we'll cut you off at five minutes in order to allow these people to question you. Look forward to that; I'm sure you'll enjoy it.

We'll begin immediately with the representative from the Ottawa Centre for Research and Innovation, Mr. Jeffrey Dale, president and CEO. Welcome, and proceed.

Mr. Jeffrey Dale (President and Chief Executive Officer, Ottawa Centre for Research and Innovation): Mr. Chair, thank you very much.

It's a pleasure to be here once again. Our brief is just being handed out to you now. I apologize; we just got the call on Friday. You will find copies of our brief in French and English being distributed to you at this moment.

I'd like to focus in on just two items primarily, for the consultations today. The first one is the SR&ED tax credit and changes that we would like to see in the SR&ED program. The second one is access to capital, primarily limited private equity capital, and structural problems coming in from the United States.

On the SR&ED tax credit system, earlier this year OCRI and ITAC jointly commissioned a paper on how to improve productivity through the SR&ED program. The purpose for doing this was because we have made representations to this committee for the last number of years on changes that are necessary to the SR&ED program, and we have seen some of those changes implemented, but many of them not. I understand the challenges this committee has, because there have been over 13 different submissions made to this committee over the past number of years. What we did was we retained some former officials from the Department of Finance and from CRA to actually help us with this study, to look at all those 13 reports that were produced to come up with what is the main recommendation that we find is consistent among all these reports.

You will find in our brief that what we have is a synopsis of this. The main thing we are asking for is when you take a look at the SR&ED program, which does finance private sector innovation in this country, what we like to see is that all SR&ED claims become refundable, and refundable up to the \$10 million in qualified R and D expenditures to a maximum of 20% or \$2 million.

Now, we did have officials from the Department of Finance, so the next question that's usually asked is what is the cost of this to the treasury? We cannot estimate it to any fine level because the data are just not available to do that. We do know that there are over 11,000 claimants every year in the SR&ED program, and that a combination of the credits going forward is about \$2.6 billion in the refundability. We estimate that the cost to make all claims refundable up to \$2 million would be between \$500 million and \$1 billion. But it would certainly go a long way to encourage R and D performers in Canada to continue to do so, and also to increase that level of productivity improvements.

The second item that we'd like to bring to your attention, which we have done before, is on the venture capital and the private equity side. Ottawa has been very fortunate to attract, on a consistent basis, between 20% and 25% of all the venture capital money that flows into Canadian companies. We are also very successful at getting approximately 50% of all foreign venture capital that comes into Canada. However, that silver lining has a bit of a cloud over it because there are barriers to U.S. limited partnerships investing in Canada that cause them not to. And most of the companies that receive U.S. venture capital financing are forced to go through a very complicated structure to either change their head office to a U.S.-based company or to do something with their shares, which makes it very awkward for them, and very expensive, and typically we lose these companies to the U.S.; they now become U.S. head office companies.

What we are recommending to the finance committee is that you take a look at some of these provisions that are restricting or limiting the foreign limited partners from investing in Canada. Those conditions have been made public in a number of different fora, and through the task force on early stage financing, which functioned a number of years ago, and the main issues here are to remove the barriers to treat the U.S. tax-exempt institutions from investing in Canada in a tax-exempt fashion in Canada; to remove the Income Tax Act provisions that trigger taxation from cross-border mergers; and to remove the IT provisions that trigger withholding tax on capital gains made by foreign investments in private equity.

Mr. Chair, these are not going to cost the treasury very much money because they're not investing right now in Canada. As a result of this, their money is staying offshore and they're forcing Canadian companies to structure themselves to be offshore entities.

Thank you.

• (1145)

The Chair: Thank you very much, sir.

We'll continue with the Co-operative Housing Federation of Canada, Ken Elliott. Welcome, sir, and proceed.

Mr. Ken Elliott (President, Co-operative Housing Federation of Canada): Thank you very much for giving me the opportunity to be here today.

My name is Ken Elliott. I am the president of the Co-operative Housing Federation of Canada. I live in the Eastwood Housing Co-op in Woodstock, New Brunswick, where for the last 15 years I've had the privilege of raising my children as a single parent and

experiencing first-hand what a community, in particular a co-op community, is all about.

Cooperative housing in Canada is a success story dating back almost 40 years. Today, housing co-ops provide over 90,000 safe, secure, affordable homes for over a quarter of a million Canadians in every province and territory. Many of them are in all of your ridings.

About 40% of these households use federal or provincial assistance, paying rents that are set at an affordable level according to their income. Other households pay market rents. Housing co-ops are mixed-income communities and provide good, affordable rental homes for the working poor, seniors, young families, and middle-income households.

But there is an increasing need for more cooperative housing, particularly in the major urban centres. We believe cooperative housing could provide ongoing affordable homes for some of the 1.4 million Canadians spending more than they can afford for housing. The housing market has failed these people, and the government needs to intervene to provide this assistance. We're asking for government policies that will allow some of the funds flowing through the provinces for housing to be used to create more new cooperative housing.

What's more, we can provide an opportunity for more affording housing in our own existing cooperative housing stock. These co-ops could have the ability to subsidize more households, but unfortunately they do not have access to the federal subsidy intended in the program. Because of a flaw in the administration of the program, the subsidy co-ops receive is lower than it should be. Restoring this lost subsidy to these federally funded housing cooperatives would be a simple, effective, and quick way to create more affordable housing across Canada, as would making additional rent supplements available.

In closing, we strongly recommend that the following initiatives be included in the 2007 federal budget: one, federal funds to support the development of new housing cooperatives, or the addition of new units in existing co-ops delivered through the provinces and territories through capital grants or forgivable loans; two, allocation of funds to the provinces and territories that can be used to provide rent supplements to existing housing co-ops and allow existing housing co-ops to accommodate more low-income households; three, new capital funding that will fix leaky co-ops in British Columbia and housing co-ops in Quebec that were developed under the stringent modesty criteria; four, continued funding for other initiatives that address homelessness, such as the Supporting Communities Partnership Initiative, SCPI.

Affordable housing should be considered part of the infrastructure needed for healthy, safe neighbourhoods and cities. Housing cooperatives are ready to work with you to make this happen.

Thank you.

The Chair: Thank you very much, Mr. Elliott. We appreciate your presentation.

We'll move to Margaret Eaton now, who is here on behalf of ABC CANADA Literacy Foundation.

Welcome. It's over to you.

Ms. Margaret Eaton (President, ABC CANADA Literacy Foundation): Thank you.

It's a pleasure to address this committee on the subject of adult literacy and its impact on our country. The briefing document for this committee, "Canada's Place in a Competitive World", asks us to consider whether our citizens have "the proper skills...to work and to save." At ABC Canada Literacy Foundation, we are very concerned that millions of Canadians do not have the proper skills to work and contribute to our nation in a changing world.

One of the foundations of any nation's competitiveness is the literacy of its citizens. Stats Canada tells us that adult literacy is increasingly understood to be fundamental to an industrialized nation's economic performance, and also to the individual's social and economic well-being, especially in the context of rapid social and economic change.

Here is the heart of the problem: adults with low literacy levels make up 42% of our population. That represents nine million adult Canadians. It's an astonishing number that represents everyone from those who can read and write very little to those who dropped out of high school before earning their diploma, and even to those people who have a diploma but still can't read and write at a proficient level.

Many of these adults are employed but in jobs with a very low literacy requirement, and these jobs are becoming harder to find and keep as the technology and the literacy demands placed upon employees increase. The majority of new jobs in the future are expected to go to people with at least some post-secondary qualifications.

Stats Canada and the Organization for Economic Co-operation and Development state that Canada's low literacy levels have not improved in a decade. We pay a collective economic price for this persistent dilemma of low literacy. Differences in average literacy skills explain over half of the differences in long-term economic growth in the world's richest countries, including Canada.

An investment in adult literacy is a direct investment in Canada's productivity. StatsCan research indicates that a rise of 1% in literacy is associated with a 2.5% rise in productivity and a 1.5% rise in gross domestic product per person. This means that if Canada found a way to increase literacy levels by 10% over a decade, GDP per capita would rise a staggering 15%, equal to roughly \$118 billion, in today's terms.

A recent report from the Canadian Council on Learning comes to the conclusion—and we agree—that government has an important role to play in encouraging and facilitating investment in learning by firms and workers. We believe that the federal government, in partnership with the provinces, territories, and business, could play a unique and powerful role in increasing the literacy levels of Canadians.

We have two recommendations to make to the committee as it considers the budget. The first is to adopt a national plan to address Canada's literacy gaps. Last year the seven national literacy organizations worked to create a national literacy action plan. In essence, the plan calls for the development of a quality adult literacy basic education system, so that learners of any age can increase their skill levels.

The United Kingdom is a leader in its creation of the national skills for life program, a broad government initiative that is well on its way to meeting a target of 1.5 million citizens trained by 2007. A Canadian strategy would set national goals and targets, standardize results, and ensure that all provinces and territories reach national goals.

Our second recommendation is a call to restore the funding to the national literacy secretariat, funded through the Department of Human Resources and Social Development. This program has just undergone a significant reduction in its budget, due to the federal spending cuts announced on September 25. The program budget was cut by \$17.7 million. These are funds that previously supported the provincial and territorial literacy coalitions—organizations that are fundamental to the development and implementation of adult literacy services across the country.

The cuts have been severe, and I'll tell you about a few of them. The Yukon Literacy Coalition programs are jeopardized, and unless additional funds are found, the coalition will close its doors. The Northwest Territories Literacy Council has seen one-third of its budget cut. Literacy BC will lose support of a number of its activities, including the development of literacy practitioners in the field. Half of Literacy Alberta's funding is cut, and the Saskatchewan Literacy Network reports that it's in immediate jeopardy of closing its doors. Literacy Partners of Manitoba will lose 80% of its funding. I could go on and on. Every single coalition is hurting because of these cuts.

We would ask that the \$17.7 million be restored in the next budget. We would also ask that provincial and territorial groups be reinstated as eligible recipients of funding through this program. These groups are really the backbone of our nation's adult literacy programs.

● (1150)

Literacy and essential skills upgrading is fundamental to Canada's economic prosperity and competitiveness, as I have pointed out. Other western nations are waking up to the challenges of adult literacy and the implications for their nations in the longer term.

If Canada is to maintain and increase its competitiveness, it must address the millions of Canadians who struggle with basic literacy. We live in a world where those who read and write with proficiency will be highly sought and those who do not will be left behind.

Thank you.

● (1155)

The Vice-Chair (Mr. Massimo Pacetti): Thank you, Ms. Eaton.

As our next group, we have the Investment Funds Institute of Canada, Mr. Jamie Golombek. You have five minutes, please.

Mr. Jamie Golombek (Chair, Taxation Working Group, Investment Funds Institute of Canada): Thank you very much.

I have a day job as the vice-president of tax and estate planning with AIM Trimark Investments. AIM Trimark is also a member of the Investment Funds Institute of Canada, so I also volunteer with that organization and head up their taxation working group. It's in that capacity that I come here today to make some comments specifically on what the Investment Funds Institute of Canada is looking for as recommendations on tax policy.

Specifically, we really believe that as a country we need to address the issue of secure retirement for all Canadians. We have an increasing number of Canadians who are reaching retirement age, the baby boomers—you've been reading about that in all the local media—and we have a number of recommendations, which I'll take you through. They're fully in our brief, which we've circulated earlier. We want to encourage Canadians themselves to sit in the driver's seat when it comes to saving for their own retirement, as opposed to relying solely on government programs or even partially on government subsidies.

We have a number of recommendations that specifically focus on incentives that will encourage and enable all Canadians to save for their own retirement. In fact, we have divided our five recommendations into two sections. We have a number of recommendations on non-registered investing—this would be investing outside of a pension plan or an RRSP or RRIF—and we have a number of recommendations for registered investing.

Firstly, on the non-registered side our first recommendation is to maybe do some further research and perhaps implement the tax pre-paid savings program or TPSP. This was talked about a couple of years ago and is very similar to a Roth IRA that exists in the United States. This type of savings vehicle would allow every Canadian to contribute to a tax-deferred vehicle. They wouldn't get a tax deduction for those contributions, but while the money is inside the plan it would grow on a tax-deferred basis. The added benefit is that when the money comes out, it is also non-taxed. The real benefit here is that if it's non-taxable on the way out, it will probably encourage lower-income Canadians to start saving for retirement.

The current problem you're all familiar with is the very convoluted clawback system we have for the guaranteed income supplement. There have been numerous studies that show that for lower-income Canadians it doesn't make sense to save inside a registered plan, because every dollar they take out of that plan directly impacts their government support. If they were able to save in a different type of vehicle, such as a tax pre-paid savings plan, having the withdrawals come out on a tax-free basis might encourage them to save for their own retirement.

Furthermore, we would recommend introducing some type of grant program—similar, let's say, to the RESP education savings grant of 20%. Let's say a low-income Canadian, defined as someone getting under \$35,000 or so a year, could contribute \$1,000 to this type of vehicle. Perhaps there'd be a 20% matching grant by the government of \$200, to encourage all Canadians to save for their own retirement.

Our second recommendation would follow up on the suggestion that was made in the run-up to the recent election by the Conservatives, which was the elimination or at least deferral of the capital gains tax. We certainly know, in looking at behavioural

finance studies, that one of the biggest impetus for people reallocating assets is the inherent capital gains. As the Conservatives suggested in their election brief, the ability to defer capital gains tax if you reinvest the proceeds within six months is a very attractive idea.

The question is implementation. There have been a number of ideas suggested on how this might work. One was by the C.D. Howe Institute, suggesting that there might be a capital gains deferral account. While this idea is certainly intriguing, the implementation administratively might be complex. Perhaps the government wants to go back to re-examine something like an exemption for capital gains entirely. That would really simplify the system.

Turning to the registered plans side, we have three recommendations. The first one is simply to increase the age at which you are required to take money out of an RRSP. With Canadians living longer, and also with Canadians working longer, it might make sense to increase that age, which is now at 69, and bring it up to maybe 73.

Second of all, for low-income Canadians we would like to exclude any RRSP and RRIF withdrawals, when they're taken out, from income—in other words, from income in terms of the GIS clawback. We would like to see, if lower-income Canadians withdraw money they've managed to save for their own retirement inside an RRSP or RRIF, that those withdrawals are excluded from the calculation of the guaranteed income supplement, so that they would actually be encouraged to save for their own retirement.

Finally, here is our last recommendation. Although we found that the RRSP contribution limits have been increasing over the last number of years, what we would recommend is that we continue to allow further increases to the RRSP limits, so that Canadians who need to save on average about 70% of their earnings to be able to have retirement income would be able to also maximize their opportunities.

• (1200)

Thank you very much.

The Vice-Chair (Mr. Massimo Pacetti): Thank you, Mr. Golombek.

From the Canadian Courier and Logistics Association, we have Mr. Cormier. You have five minutes, please.

Mr. Al Cormier (Executive Director, Electric Mobility Canada, Canadian Courier and Logistics Association): Thank you, Mr. Chair.

I am Al Cormier, representing Electric Mobility Canada, which is an organization of industry members that are devoted exclusively to the promotion of electric mobility as a readily available made-in-Canada solution to our country's increasingly complex energy and environmental problems. Accompanying me today is Phil Cahley, president and CEO of the Canadian Courier & Logistics Association, as well as the chair of my government relations committee, Mike Elwood.

We are here to talk about the possibility of accelerating the use of hybrid electric technology in Canada's commercial fleets. The current situation is that we don't pay enough attention to commercial fleets in terms of their contribution to the environment. They operate mainly in urban areas and in constant stop-and-go traffic. They frequently stop for deliveries and pickups, and there is a lot of idling involved. They consume large quantities of fuel and produce significant amounts of smog-related emissions. Our research shows that even though they only drive about 12% of the mileage, they contribute about 25% of the ground-level emissions.

Hybrid electric vehicles in commercial fleets can be an important contributor to a reduction of smog and an improvement in air quality. They can reduce overall fuel consumption by 40% to 50%. An important point to remember is that when it is idling, the engine in the hybrid electric vehicle shuts down. There is no fuel consumed, and therefore zero emissions while idling. We estimate that running about 10,000 commercial electric hybrid vehicles would have the same environmental impact as removing all cars from the streets of Toronto for 30 days. To put it another way, one commercial hybrid electric van equals 17 Toyota Priuses in terms of emission.

Our member companies produced the technology used in these vehicles. The technology is used in several types, including the delivery vans used mainly by our members of the Canadian Courier & Logistics Association. Canada has a vibrant but nascent industry in this field, involving names like Orion Bus in Mississauga; Nova Bus of Saint-Eustache; New Flyer Industries Canada, of Winnipeg; Overland Custom Coach of Thorndale, Ontario; Unicell Ltd. of Toronto; Azure Dynamics of Vancouver; and others who provide products for commercial hybrid electric vehicles. They have invented these leading technologies, but are not yet at a commercial mass production stage.

As with all new technologies, their initial premium costs are high, due to low sales volume. Currently extra costs for these vehicles range between \$25,000 and \$200,000, depending on their size. We're talking from delivery vans right up to urban city buses. The payback period is therefore up to 8 years, which is not really acceptable for most commercial decisions.

That's why we are here today. We're proposing to you a three-year program of financial incentives for commercial vehicles, to reduce the premium cost of the hybrid electric technology to acceptable levels so that the payback period could be three years, which is acceptable for most commercial decisions.

[Translation]

We're proposing a three-year financial incentives program for commercial vehicles to offset the high cost associated with the use of electric hybrid vehicle technology.

[English]

By introducing 10,000 electric vehicles into the marketplace for commercial vehicles, our members believe we would reach a tipping point that would bring us to mass production levels and reduce the cost and the payback period. Our proposal calls for a program of \$200 million over three years, which would lead to an average of about \$20,000 per hybrid vehicle purchased by commercial fleets. That could be in the form of tax credits, direct funding programs, or

other vehicles. Such a program would reduce GHG emissions by about 110,000 tonnes and NOx by 1,700 tonnes.

Investments we propose can be used now to acquire technology that will bring the desired result now in a measurable and quantifiable way. Other countries have many similar programs. We'd be glad to provide you with details, which were submitted in our detailed proposal.

In summary, we're advising that commercial hybrid vehicles are a practical solution to environmental problems. They are available now; the technology is proven, it's Canadian made, and it can make a major and quantifiable impact on air quality. Canadian companies are leaders in this area, but need government support to fully commercialize their technology and create jobs in industrial development in our country.

•(1205)

Establishing the financial incentive we propose would be a win-win situation for our environment and the economy. The Canadian courier industry is a major client of this kind of technology. For example, Purolator has purchased 20 of these already, and are planning to get another 110. They are already realizing a fuel saving of 40%. The technology is available. The interest is there. The benefits are quantifiable and supportable.

Thank you for your time.

The Vice-Chair (Mr. Massimo Pacetti): Thank you, Mr. Cormier.

From the Credit Union Central of Canada, Mr. Tarr. I understand you have two and a half minutes, but if you want to take an extra 30 seconds or a minute that's fine, because one of the witnesses didn't show up.

Mr. Mike Tarr (Chair, Board of Directors, Credit Union Central of Canada): Thank you.

My name is Mike Tarr, and I want to thank you for allowing us to appear before you. I am the chairman of the board of Credit Union Central of Canada, or Canadian Central, as it's usually known. I too have a day job, and it's CEO of Northern Savings Credit Union, located on the north coast of British Columbia.

Canadian Central is a federally regulated financial institution that operates as a national trade association for the 504 affiliate credit unions we represent through nine provincial centrals. Our credit unions employ more than 24,000 Canadians who serve almost five million members across the country. At the end of the second quarter of this year our affiliated credit unions held close to \$91 billion in assets. Between the second quarter of 2005 and 2006 our growth was approximately 10.5%

I'd like to spend a few moments talking about some concerns and focus that we have in terms of specific budget recommendations.

First is agriculture policy. Credit unions have a very strong presence in rural Canada. In Saskatchewan, for example, they represent probably 40% of the total financial services marketplace, and they have a growing book of agriculture business. So we are concerned with the agricultural economy. In particular, the credit union system supports the federal government's efforts to promote the biofuels sector, and more specifically the government's commitment to implementing a 5% average renewable-content requirement in transportation fuel by the year 2010.

We believe this is a very important step. We applaud the government for the direction it's taking, but we believe the framework that is put together for this has to include more than simply loan guarantees and the traditional roles government sees the private sector play.

We think tax policy, trade policy, environmental policy, research and development backed by the government, and financial incentives to lenders have to work in a coherent fashion so they make sense and then they can result in the leverage that's necessary for this initiative to move forward.

We have also been active and participating in consultations aimed at reforming the Farm Improvement and Marketing Cooperatives Loans Act. We look forward to proposed reforms being tabled in the near future. We agree in principle that a revised program could usefully target new farmers and intergenerational farm transfers while also seeking to expand the relevance of agricultural cooperatives.

In terms of tax policy, the credit union system is also engaged in lending to small and medium-sized enterprises across the country, or what is often called small business. On a consolidated basis, credit union participation in the SME market equals about \$18 billion, which is only \$2 billion less than the leading lender to small business in Canada, the Royal Bank.

Credit unions would like to strengthen that engagement with the sector, but lenders are concerned that federal tax legislation and Canada Revenue Agency practices act as impediments. Specifically in reference to the CRA, we are concerned with their policy that is eroding the quality of security that borrowers pledge to lenders. This is particularly true in the case of crown super-priorities. For example, in situations where lenders must sell assets of a small-business debtor, it is common for the CRA to come forward after the sale of assets and claim an interest in the proceeds of the sale because the SME was in arrears to the crown.

• (1210)

Compounding this problem is the fact that it is difficult to obtain accurate information from the CRA regarding the status of a business borrower's obligation. Clearly we get hit both in the front end and the back end of this policy and practice. If the government is concerned with the growth of the SME sector, as I think it ought to be, it should address these issues. These are, in our view, unnecessary impediments.

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

We'll move on now to questions from the members. Thank you all for your presentations.

We'll begin with Mr. McCallum, for six minutes. It's over to you, sir.

Hon. John McCallum: Thank you, Mr. Chair, and thank you all for your presentations.

To begin with the subject of literacy, having spent six years in politics and 18 years teaching in a university I obviously appreciate the importance of education. When you add to that the China-India global competition and that we can't compete on low wages, we have no alternative but to compete with our brain power. When you put in, as well, your figure of 42% illiteracy, which I didn't know was so high—putting all of that together, it's obvious to me that it's not only socially mean-spirited but economically super-foolish to cut literacy at this time.

So I guess I have a double-barrelled question to you, and you could answer one or both, as you see fit. It seems so obvious. Do you have any explanation as to why the government would do this? Second, can you tell us in human terms what the implications of these cuts are in any of these provinces you've described?

Ms. Margaret Eaton: I'm afraid I can't speak for the government, although I appreciate their desire to reduce the debt. But we do feel it's "penny-wise and pound-foolish" to cut literacy programs at this time.

We know that jobs are in danger—the jobs of literacy tutors and the jobs of the staff of the coalitions. As I was running through all of the different provincial and territorial coalitions, you could hear all of the different programs that will actually be cut. We are still trying to calculate what the costs of all of this will be and figure it out, but we do know that some "on the ground" programs will not be delivered.

For ABC CANADA, we have real concerns about our Family Literacy Day. The provincial coalitions and territorial coalitions were responsible for sending out about 80% of our materials to groups in the field to use to promote Family Literacy Day, which encourages adults and children to come together to increase their literacy skills. We feel that the effects will just be devastating.

Hon. John McCallum: You mentioned \$17.7 million. How important is that, in the total scheme of things, to what the government spends in total on literacy?

Ms. Margaret Eaton: The federal government in this fiscal year will spend about \$40 million on literacy. The \$17 million represents an amount that was cut, so \$40 million is what is left over in this fiscal year.

But what's especially difficult is that the government has changed its priority so that it will only fund national organizations and will not fund provincial or local groups any further. Groups such as the Newfoundland coalition, which relies 100% on funding from the federal government, will probably disappear.

Hon. John McCallum: By my calculation, that's about a 30% cut; from \$58 million, you're cutting off \$18 million.

Ms. Margaret Eaton: Yes, thank you. Your numeracy is better than mine.

Hon. John McCallum: Oh, thank you. Hopefully I'm literate, too.

Ms. Margaret Eaton: Yes, I think you are.

Hon. John McCallum: Thank you very much.

For Mr. Golombek, I liked the thrust of what you're saying, in terms of finding ways to help low-income people save. My question would be this. It's my understanding that the participation rate of low-income people in schemes such as the registered education savings plan has not been high, and maybe it's because by definition low-income people have less money. How do you address that issue in your proposal to favour higher saving by lower-income Canadians?

•(1215)

Mr. Jamie Golombek: We think currently, if you read the literature that's out there—there was a certain study done a few years ago, even, by the C.D. Howe Institute on this exact issue of low-income Canadians trying to save for retirement—there really is no incentive right now for someone making, if I can generalize, under \$25,000 or \$30,000 a year to save at all, because the government will take care of them. Now, it won't do so at a very high level, but certainly they'll get things like a guaranteed income supplement or provincial Medicaid programs that we have across the provinces.

What we're recommending is that if we had some kind of incentive program—and we're not talking about a lot, but just an initiative—whereby, let's say, you could save \$1,000 a year.... If someone—a family, let's say, making \$30,000 to \$35,000 a year—could save \$1,000 and not risk, when they take the money out upon retirement, losing their government benefits, they'd still be able to get the government benefits they've been entitled to, which are currently acting as a disincentive to save.

We would say, on the one hand, that changing the policy to introduce either a new vehicle such as a tax prepaid savings plan from which withdrawals would not affect clawbacks, or exempting from the definition of “clawbacks” RRSP or RRIF withdrawals later on as retirement income, might act as an additional incentive—not to mention establishing a grant program similar to the RESPs, whereby the government might contribute 20% on a deferred basis into the plan.

Hon. John McCallum: What about the learning bond? Is that of any value to lower-income people?

Mr. Jamie Golombek: Again, the learning bond that was introduced in conjunction with the RESP has been administratively complex for us to set up. We finally just set it up this year in terms of our own administration at AIM Trimark, and it's too soon to tell whether there's been a large take-up on that. But it is administratively complex.

Hon. John McCallum: Thank you.

How much time do I have, Mr. Chair?

The Chair: You have about a minute.

Hon. John McCallum: Okay, just time for housing.

Mr. Elliott, I certainly agree with the thrust of what you said. But it's also true that in one of the supplementary papers to the budget the government wanted to have a clearer definition of the roles of the federal government versus the provincial governments. Out of the three examples they gave, one specifically singled out was housing

and homelessness as something purely provincial. So it looks as though the government is unlikely to support social housing, because it said pretty clearly that it is provincial and not federal.

What's your view of that position, and what would be the implications of following through with it?

The Chair: You have a brief time to answer, sir, 20 seconds or so.

Mr. Ken Elliott: I think social housing is a national responsibility. We understand that housing is going to be delivered through the provinces, and that's fine. We have no problem with that. But we still feel that there is a very real role for the federal government to play in ensuring the moneys that go toward providing that housing are available and that guidelines are attached to those moneys to ensure that the people in need in this country are being served by these moneys.

The Chair: Thank you very much, sir.

We must move on now to Monsieur Paquette.

[*Translation*]

Mr. Paquette.

Mr. Pierre Paquette (Joliette, BQ): Thank you, Mr. Chairman. I'd like to thank you all for your presentations.

Mr. Cormier, I listened very closely to what you had to say, particularly when you mentioned that according to one study, light and medium-duty commercial vehicles represent 12% of miles driven but generate up to 25% of all ground-level emissions in urban environments.

This situation is not about to get any better. You propose a solution that I find most interesting, namely a tax incentive for courier companies that purchase hybrid vehicles.

You maintain that one hybrid electric delivery van has as great an impact on emission reductions as 17 Toyota Prius automobiles.

Could you elaborate further on that statement? Are there any studies corroborating your claim that committee members could see?

Mr. Al Cormier: Mr. Chairman, I was referring to studies conducted in part in Canada, but more particularly in the United States and in England. There isn't much data available in Canada on transportation and emissions. This problem has been around for a number of years. Similar studies done in England and in the U.S. corroborate this claim and have produced measurable results.

•(1220)

Mr. Pierre Paquette: I am not opposed to your suggestion of a tax credit. On the contrary, I see it as a step in the right direction. However, as far as delivery vehicles are concerned, we could be facing another kind of problem. According to a study conducted in 2001 by the federal Office of Energy Efficiency, delivery trucks operating in urban areas in Canada often carry 20.5% of their maximum load, which means that some trucks are far too large for the volume of goods delivered.

For starters, can you explain to me why companies use vehicles that are four times larger than they require, given the volume of goods delivered? Secondly, couldn't certain conditions be attached to this tax credit to ensure that the truck is a hybrid vehicle and that it also meets the industry's requirements?

Mr. Al Cormier: The industry recognizes that this has been a problem for a number of years. Vehicles are designed to operate during peak hours and have maximum load and engine capacity. Electric and hybrid technology allows us to have less engine power and to save on fuel. Several studies have shown that companies use different-size vehicles for different jobs. They are beginning to adjust their fleet of vehicles to suit their needs.

Mr. Pierre Paquette: I assume these studies can be accessed on line. Could you forward the title of these studies to our clerk? This is an extremely interesting topic, in light of present-day concerns about smog and the effects of greenhouse gases on global warming.

I'm not sure if you'll be able to answer the following question, Mr. Tarr. Appendix B of your brief suggests that the government continue to move ahead with the social economy initiative. My colleague alluded to cuts to literacy programs. Over \$39 million has also been cut from social economy programs. Contrary to what is written, Quebec lost \$5 million. Clearly it had more funds committed to this initiative.

Can you describe a social economy enterprise to me?

[English]

Mr. Mike Tarr: The social economy initiative, basically, was to provide infrastructure funding for infrastructure and for seeding for a number of programs at the local community level, particularly focused on assisting people who are currently somewhat disadvantaged in the marketplace. It was for investments in small business and a variety of other things that people wish to do.

In my own province, for example, in my own riding, in my own area, we had joined with a local community futures organization and were ready to announce a micro-lending program that was aimed specifically at beginning entrepreneurs. At the last minute, of course, with the funding cuts, our partner was not able to contribute and we're now having to go back and rethink and remobilize. I think the initiative cuts have really caught a large number of people unaware. They were something of a surprise, and as a result there is some disorder right now in the whole social economy area.

My view, personally, is that moneys that were earmarked for things that actually had a practical application in terms of allowing people to become more independent financially was a good news story, not just for those people, but for the communities and for both levels, the provincial and federal governments. So we're hopeful, at this point, that after some review these funds will be brought back.

The Chair: We must continue now with Madam Ablonczy, six minutes.

Ms. Diane Ablonczy (Calgary—Nose Hill, CPC): Thank you.

We do very much appreciate you coming and sharing your thoughts, advice, and concerns with us. We can see there's a wide range of issues to balance and deal with and you've done a very good job of helping us.

I'm going to start with literacy, because as a former teacher that's something I care about very much. I was surprised too at the numbers, with nearly half of Canadians being able to read only simple material. And as a former teacher I'm embarrassed by that. How can it be that children get out of 12 years of compulsory education, or at least until the age of 16, 10 years, without either

being able to read or write or doing so in only a minimal way? Have your studies or your discussions disclosed what can be done at that end? Because that's really where it all begins; it's much harder to learn later than earlier.

• (1225)

Ms. Margaret Eaton: The provinces have done a fantastic job of actually improving test scores in literacy and numeracy across the board, and we are seeing increases in those students who are graduating from high school in terms of their literacy and numeracy.

In a lot of cases, people actually end up having to leave school sooner than they would have liked because of economic reasons, family reasons, health reasons. There was a person whose story was told on the cover of the *Globe and Mail* two weeks ago, who at the age of seven had to work on the family farm and couldn't actually finish his education. That's more common than you would think.

Ms. Diane Ablonczy: That's illegal in this country.

Ms. Margaret Eaton: Yes, now it is.

We are encouraged by the fact that the education system is actually improving across the country, but the bigger block of Canadians, demographically, are the adult group. And if we are really going to see encouragement in literacy levels we have to address the issue with adults who unfortunately did not get those skills through the system or had to leave early.

Ms. Diane Ablonczy: That's not really an answer—because things are improving; 42% is hardly an improvement, one would think, so it's really an appalling figure.

How do you actually interface with adults who may need assistance with literacy? Do they come forward and say please send me back to school, or do you seek them out? What happens there?

Ms. Margaret Eaton: We have a wonderful program called Look Under LEARN, where ABC actually holds the rights to the word “learn” in the yellow pages. Adults who are interested in upgrading their skills can look in the yellow pages under “learn” and access a provincial or territorial coalition, which will then direct them to a literacy organization. One of the reasons we're concerned about these cuts is that there may not be someone at the other end of the phone to direct them to a literacy organization.

The second and very important area where people get training is in the workplace. There are some outstanding workplace literacy programs across the country, but they are few and far between. One of our rules at ABC is to try to encourage the development of workplace programs.

Ms. Diane Ablonczy: I would point out that this government will continue to spend over \$80 million a year on literacy. Any reductions were not to direct literacy programs or services to people, they were for things like round tables and other activities that weren't delivering services directly to Canadians. We want to make sure Canadians find out about these programs and can access them. I'm not sure the yellow pages is a very good way, but maybe you and I can discuss that later.

I wanted to move on to Mr. Golombek, because I think you've hit on a key point. Not too many have raised this. That is, the incredible importance of helping people save for their retirement and for other things, because when you have savings, you have so much more freedom and so much more ability to make your own choices and not depend on the generosity of future taxpayers, which may or may not be there. I wonder if you could recommend just one measure for the government to take in the next budget that you would think would be the most important. Could you tell the committee what that would be?

Mr. Jamie Golombek: Yes, of the five recommendations, I would say our first one, which was to further explore or perhaps introduce some kind of tax-prepaid savings program, with modest amounts that would allow all Canadians to be able to save on a tax-deferred basis.

Ms. Diane Ablonczy: You mentioned that. Have other jurisdictions done this, and can you tell me how this has worked elsewhere?

Mr. Jamie Golombek: An ample amount of research has been done in the United States; they have a program called the IRA, individual retirement account. It's been well studied and statistics are available in terms of take-up rights and stuff like that. It's certainly a program that's been well tested in the United States.

• (1230)

Ms. Diane Ablonczy: I think that is something the committee would want to look at. I'm very interested in it.

On co-op housing, because housing is a real concern—it keeps coming up over and over again—co-op housing, as I understand, is like joint ownership of a particular building or complex. Am I correct in that?

The Chair: Mr. Elliott, about 20 seconds.

Mr. Ken Elliott: Yes and no. It's jointly administered. We all have purchased a share in the co-op while we're a member there and we jointly administer the activities of the co-op.

Ms. Diane Ablonczy: But you don't own it?

Mr. Ken Elliott: No. Each co-op is a corporation in its own right, and the units are owned by the corporation.

The Chair: We'll continue with Ms. Wasylycia-Leis, for six minutes.

Ms. Judy Wasylycia-Leis: Thank you, Mr. Chairperson.

I'd like to come back to literacy. I wouldn't want the impression left on the record that the \$17 million the government is cutting out of literacy is simply administrative or there to create round tables. Just for you to clarify, Margaret, you indicated that a number of important groups lost all their funding, making it impossible to provide the direct service that helps people get the skills they need. Just as one example, I will put on the record the following:

As Learner Outreach Coordinator for Literacy Partners of Manitoba (one of the coalitions that recently lost all of their federal funding), I answer all incoming calls on the LEARN line from adult learners seeking help with reading and writing. My job is to assess their needs and refer them to a literacy program or adult learning centre that best suit their needs. I am often the first person that they reach out to for help. Here is a sampling of a few of the calls I received....

A 40 year old male who needs to upgrade his math skills in order to pass a test for a new job.

A 45 year old male who wants to improve his reading and writing skills because he is embarrassed by his inability to read....

I could go on and on. I think you need to put on the record, Margaret, what is being lost by these cuts and say that it is not simply extra administrative, round tables, loosey-goosey stuff. This is real, hard programming that helps people better themselves.

Ms. Margaret Eaton: Thank you so much.

You're absolutely right, and it would be remiss of me not to explain that these coalitions really are the backbone of literacy programs in the country. As you mentioned, they are generally the first point of referral for someone seeking help, often through our own LEARN Lines. The coalitions also run their own 1-800 numbers for people seeking help.

In Nunavut, all of the training programs for adult educators are going to be gone, and the training programs are provided by the coalition. Literacy programming in the Nunavut Arctic College is at risk because of this.

These are hard programs, either for literacy instructors or for learners, that are managed, run, and supported by these coalitions across the country.

Thank you.

Ms. Judy Wasylycia-Leis: One other thing, and maybe this is for everybody on the panel. Ken Georgetti, the head of the Canadian Labour Congress, has said the following: "Raising the basic numeracy and literacy of these workers"—who lack basic skills and cannot access training—"which means investing in adult learning and literacy programs, would do more to raise overall productivity and address the shortage of skilled workers than any tax cut in the next budget."

Would anyone disagree with that?

I think it's important, because we are told that there's this high illiteracy rate, that the education system must have done something wrong. Therefore we're going to cut our investment in adult learning and basically at the same time not increase transfers to the provinces for education, creating an enormous problem.

I represent a constituency that is one of the most hard-pressed in this country, where people are working hard to help themselves by accessing literacy programs, or groups using the volunteer support program, or the social economy initiative, or they're developing co-op housing. They're finding their lifeblood cut out from under them. I look to all of you to help us reverse this agenda.

To Mr. Elliott, on social housing, you know that we've had this problem for a long time. I found it interesting that John McCallum raised the issue of social housing, when in fact we lost all social housing and any kind of a national housing program with the cuts back in the 1995 Liberal budget. I think it's important for us to get back on track with some new social housing program and cooperative housing program. How do we do that now, after ten years of inaction and a Conservative government that might be reluctant to invest in the public sector or in the cooperative sector?

•(1235)

Mr. Ken Elliott: Housing is going to be delivered through the provinces. We know that. I think the federal government has an obligation to ensure that money is available for building the infrastructure that housing is part of. We all know that housing plays a very large part in the health and education of Canadians. Without a safe and affordable place to live, it affects their whole lives. We need to invest in housing, so that we have the infrastructure there to help all of us.

As to how the federal government can participate, again there are two major issues sitting on the table right now. There are 60 co-ops in British Columbia experiencing envelope failure, and this affects 4,000 people. It's probably going to cost about \$50 million to resolve. That's \$50 million now, and in a month's time it will be \$51 million, because the cost of construction in B.C. goes up about 2% a month.

The Chair: We have to continue now with Mr. McKay. I shouldn't say we have to; we have the honour of continuing now with Mr. McKay, and that will be for four minutes.

Hon. John McKay: Thank you.

We're not going to continue with Mr. McKay for very long then.

The Chair: It's a matter of perspective, I suppose.

Hon. John McKay: Yes, but longer is better than shorter.

Your tax prepaid savings plan is an interesting idea that we've been kicking around here for a while. I understand the basic concepts. Would something such as a mutual fund qualify as a tax prepaid savings plan?

Mr. Jamie Golombek: The idea of a tax-free savings plan is that it would allow anyone to contribute to the plan. Of course, the investments in that plan could be far-reaching. For simplicity sake, we would say all the normal investments we would allow in an RRSP, which are detailed extensively in the current Income Tax Act. They avoid things like putting paintings, valuable cars, and vintage coins in there. Marketable securities, mutual funds—

Hon. John McKay: So it would look a lot like an RRSP.

Mr. Jamie Golombek: It would be almost identical, yes.

•(1240)

Hon. John McKay: No deduction going in, and no income on the way out.

Mr. Jamie Golombek: No income on the way out, that's right.

Hon. John McKay: Mr. McCallum asked you a question about the take-up of RESPs for low-income folks, and I guess I'm not as optimistic as you are with respect to low-income people picking up on a plan like this.

I'm glad to see on item number two that you noticed the Conservative proposal in the campaign of this cycling around the capital gain is just administratively impossible. I think it's a better idea, and I don't know whether it's a good idea, but it's a better idea to just create a lifetime exemption. I think that's probably administratively a lot simpler.

I agree with you on increasing the limit on the RRIF age. I think 73 is a little aggressive; restoring it to 71 would make some more sense.

I have a question with respect to your fourth proposal, which is the GIS clawback. I understand it from the GIS recipient, but on the other hand it's difficult for me to understand how you would take a chunk of cash that a person has saved over a lifetime in an RRSP, which is essentially tax-postponed money, and then when it comes to being withdrawn it effectively becomes tax-exempt money.

Mr. Jeffrey Dale: Right now under the SR&ED program if you are a Canadian-controlled private corporation and you make your claim for your SR&ED credit, the amount of your credit is refundable. So you're correct, a cheque is written back to you for that.

Our proposal was to try to take a look at all the other thirteen proposals that have been made to you, and one of the common issues is refundability. So how do you make it refundable for all SR&ED claimants and research performers? So if they would make a claim, and it would have to be on a go-forward basis that you would do this, they would make their claim as they all do now for the SR&ED amount and instead of it just being accumulated into a credit pool, from now on that would be available to be a refundable credit from CRA, as it is today for CCPCs.

[Translation]

The Chair: You have four minutes, Mr. St-Cyr.

Mr. Thierry St-Cyr: Thank you very much, Mr. Chairman.

Thank you for joining us and for participating in these consultations.

I have a question for Mr. Elliott regarding cooperative and affordable social housing. I tend to agree that investment is needed to improve the quality and quantity of affordable housing units in our communities.

Are there other options that we should be considering? Has your organization thought about other initiatives that the government could pursue to assist people in need of housing?

What happens when the government, a Crown corporation or a state-owned company disposes of public lands? In my riding, for example, the Canada Post Corporation is selling off a large tract of surplus land.

The land will be sold to the highest bidder. Generally speaking, the party that can afford to pay top dollar will have the resources to build luxury condos on the site. There is no incentive for people to build housing cooperatives. Could the government promote the construction of social housing by making this land available or by selling it off at a lower price to housing cooperatives?

[English]

Mr. Ken Elliott: Certainly cooperative housing is always looking for land we can build housing on. We would welcome that.

[Translation]

Mr. Thierry St-Cyr: I'd like to know if this happens often.

Another problem encountered by groups and individuals wanting to build a housing cooperative is soil contamination. This is a common problem in low-income working-class neighbourhoods. Even if the funds can be found to purchase the land and build the cooperative, there simply isn't any money for soil decontamination. To all intents and purposes, these projects cannot get off the ground.

Is this a common problem? If it is, the federal government could help cover the cost of decontaminating the soil or, at the very least, clean up the soil before a project gets under way.

• (1245)

[English]

Mr. Ken Elliott: I think any time a housing co-op is built, we pay very close attention to the condition of the environment where we're planning on building. I don't think contamination is restricted to your riding. I think it's a fact of life across Canada, and we have to be very careful about what we do and how we do it. I don't think this body would be responsible for doing the environmental cleanup of a particular area unless it was on federal land, but certainly it's always a concern. When we build housing co-ops or any type of social housing, we're very careful about the environment where we build.

The Chair: Thank you, Mr. Elliott.

We'll continue with Mr. Dykstra now, for four minutes.

Mr. Rick Dykstra: Thank you, Mr. Chair.

I have three folks I would like to speak to, so I would ask that you be quick. I would much appreciate it.

Mr. Elliott, one of the comments we heard from Mr. McCallum asked you a very unfair and leading question, I think, in the sense of what this government hasn't committed to social housing. In fact it has, whether it is aboriginal reserve housing or off-reserve housing. Also the government has invested \$800 million into social housing on a per-capita basis to the provinces. In fact, I think you mentioned you're from Newfoundland, which will receive over \$20 million of that funding.

I just wanted to hear from you that the commitment this government has made to social housing in this country is a pretty good one.

Mr. Ken Elliott: There's no question we appreciate the fact that this government fulfilled the obligations that were made of \$1.4 billion. There is no question we're pleased with that. However, most of that money is still sitting in trust funds, and we would like to ensure that the government continues to—

Mr. Rick Dykstra: Let me just point out that the reason it's in a third-party trust fund is to ensure it's actually spent.

Mr. Ken Elliott: True.

Mr. Rick Dykstra: Thanks.

I also wanted to follow up.... And it's too bad Ms. Wasylycia-Leis isn't here, because she was talking about the person in Manitoba who was working the phone on the educational issue. The organization she worked for had a help line, a LEARN line. Last year it received 333 calls, which is less than one a day, and one-third of those who called were people with a grade 12 education or more who called the

wrong place. So I don't know if that's a great example of success. It's a bit, but it's a bigger story than was indicated.

Ms. Eaton, I wish I could ask you a couple of questions, but I'm hoping to get a little bit more detail about your foundation and how your funding is received, how it's allocated, and the benefits derived. I'd really appreciate getting that.

Mr. Cormier, one of the questions I had for you related directly to the examples you highlighted. Could you expand briefly on the success of one of them—I think you mentioned Purolator.

Mr. Al Cormier: Yes, Purolator already has about 15 hybrid electric vehicles in its fleet, realizing fuel savings in the order of 40% to 50%. They have placed an order for a larger quantity.

That's typical of fuel savings in hybrid electric vehicles in commercial and personal use.

Mr. Rick Dykstra: The previous government spent hundreds of millions of dollars on hydrogen power with really no tangible results. One of the things you talk about is a different technology. Could you explain how we could make sure that didn't happen again, and get some immediate positive results from the three-year program?

• (1250)

Mr. Al Cormier: The hybrid electric technology is available now and is already in use in private vehicles. We were looking for greater use in commercial vehicles.

The hydrogen technology, when it comes about, which may be years away, will need the hybrid electric drive we're putting into our vehicles, so it will go hand-in-hand with hydrogen fuel cells or other fuel cells, when they come about.

But we're ready to go now. The industry is there. It's been tested and it's proven and the results are quantifiable right now.

Mr. Rick Dykstra: Thank you.

The Chair: Thank you, Mr. Cormier and Mr. Dykstra.

We'll continue with Mr. Savage now.

Mr. Michael Savage: Thank you.

First of all, Mr. Cormier, you mentioned that the subsidy or the credit you're looking for would amount to \$20,000 per vehicle.

Mr. Al Cormier: On average.

Mr. Michael Savage: What is the average cost of the vehicle?

Mr. Al Cormier: They start at \$50,000 and go up. Buses go up to \$700,000 or \$800,000. The more expensive the vehicle, the higher the premium for the hybrid electric.

Mr. Michael Savage: I found your brief very interesting and I think it's good work.

How many vehicles have to be in the marketplace before the incremental cost of the vehicle will be outweighed by the savings?

Mr. Al Cormier: We've consulted our industry members, and their collective estimate is about 10,000. Then you'll reach the tipping point where they're into mass production and lower premium prices.

Mr. Michael Savage: Thank you very much.

Ms. Eaton, like many people in Canada, I got involved in literacy at the local level. In Nova Scotia, we have Literacy Nova Scotia. Anne Marie Downey is a really passionate advocate. In my own hometown of Dartmouth we have Roderick Fraser. These people work on literacy with nothing, and it's an unbelievable slight to them that they would have a cut forced on them.

One can only shudder to think what Peter Gzowski might be thinking in his grave, as well as other champions of literacy. One of the great things about the Peter Gzowski golf tournaments, which support literacy, was that the golfers always heard from an adult learner after the golf tournament. I can think of so many times when people were amazed by the change in somebody who had access to literacy delivered through programs that are now facing cuts.

You've outlined your concerns here. This is more of a general question. Do you think it would be helpful for the federal cabinet to have a learner come and visit them at the next cabinet meeting, so they understand the difference literacy can make in somebody's life?

Ms. Margaret Eaton: I think that's a great idea. There's nothing like hearing someone who's gone through an adult learning program speak about their personal story to really move people and have them understand the issue. How do I make that offer to the federal cabinet?

Mr. Michael Savage: We'll ask the chair to bring that to the House, I think.

Ms. Margaret Eaton: All right.

Mr. Michael Savage: Perhaps we'll look for unanimous consent.

That's all I have. Thank you.

The Chair: We'll conclude with Mr. Del Mastro now.

Mr. Dean Del Mastro: Thank you, Mr. Chair.

Mr. Cormier, the proposal you're making is interesting. Would the types of vehicles you're proposing need to be recharged, as in plugged in, at the end of the day?

Mr. Al Cormier: Yes, the battery's got to be charged at night, but they also recharge during their operation, through regenerative braking.

Mr. Dean Del Mastro: Okay, but it's not a 100% efficient system. They do need to be plugged in.

Mr. Al Cormier: It's not a totally battery-electric vehicle; it's hybrid electric.

Mr. Dean Del Mastro: The other thing we need to ponder while we're doing this—and certainly Ontario's a very good example—is that one of our chief polluters is the generation of hydro; we may in fact be moving pollution from the tailpipe to the stacks of our coal-fired generating stations. We may not have a net gain.

Mr. Al Cormier: In the hybrid technology the motor will charge the batteries; it doesn't necessarily need to plug in. In the pure electric it has to be plugged in, and that's done in the off-peak hours.

Mr. Dean Del Mastro: Okay. Thank you.

It seems we need to do a little bit of hand in hand. The point I was making is that we need to bring around our generation technology to really take advantage of that type of proposal.

Ms. Eaton, I'm going to come back to you for a moment. I know you've been very popular today, and I apologize if it seems as if you're being asked an excessive number of questions.

You indicated nine million Canadians suffer from low literacy. Can you define low literacy? Are these people who can't read their bills or read the newspaper?

Ms. Margaret Eaton: Yes. It's a standard set out by an international organization that ranks literacy levels around the world. They've determined that level three is what is required for people to get along in the western world. It's on a scale of one to five. The people at levels one and two in Canada, who are the 42%, are adults who have anywhere from very little literacy—they cannot read and write—up to, say, grade 10 or 11.

• (1255)

Mr. Dean Del Mastro: How do they determine the number? I don't think I've ever been tested, or if I was, I wasn't literate enough to pick up on the fact that they were testing me.

I'm just wondering how they determine that nine million Canadians don't have the skills.

Ms. Margaret Eaton: Oh, I see. Statistics Canada, in partnership with the Organization for Economic Co-operation and Development, did this study in 2003. They tested 5,000 Canadians and 5,000 people in western nations. I think another six or seven nations participated in the survey.

Mr. Dean Del Mastro: Okay. Would you consider the source to be unbiased?

Ms. Margaret Eaton: Yes, absolutely.

Mr. Dean Del Mastro: Okay. Was the test sample sufficiently large to determine that nine million Canadians are of low...?

Ms. Margaret Eaton: Yes.

Mr. Dean Del Mastro: Here's the other question I wanted to ask you: can you define literacy? One of the things I found a couple of weeks ago is that basically as we're sitting here and new technologies are becoming developed, not understanding how to operate that technology means we're becoming less literate.

Is that a definition of literacy you would operate by, or are you speaking strictly of reading and writing?

Ms. Margaret Eaton: We're speaking strictly about reading and writing, but what we found about literacy is that in fact you can lose literacy skills; someone who actually has a grade 12 diploma but is involved in a job like long-distance trucking and isn't using his literacy skills could actually lose those skills over time. If they lose that job, then they find that they have to upgrade to get another job that has a higher level of literacy. Literacy is a flexible and mobile thing; it's something you have to keep up and keep using.

Mr. Dean Del Mastro: Okay, thank you.

Mr. Golombek, one of the things you talked about was the capital gains exemption and the fact that it would be somewhat difficult to police. I didn't have time to read the entire brief. Are you advocating just an extension of a capital gains exemption up to a certain level, or are you calling for the complete termination of the entire capital gains tax?

Mr. Jamie Golombek: An end to capital gains tax would be an ideal scenario; given it would probably be too costly for the current federal government, maybe a limit could be put on it, as was the case a number of years ago. Maybe it's \$100,000 or \$200,000. You can do the math on whatever the right number is.

I think the concept you originally suggested in the election document—to just eliminate the tax on everyone's gains, or at least to defer it until they reinvested it within six months—is administratively very difficult to track.

Mr. Dean Del Mastro: I think the intent under the deferment was basically to recognize that people's risk tolerance changes over time, and to allow them to move money around by actually taking away the barriers that are currently leaving the funds stagnating.

Mr. Jamie Golombek: Yes, we find that. It's often referred to in behavioural finance as the capital gains lock-in effect. People are reluctant to sell an asset that may no longer be performing because of tax reasons, and from an asset allocation position it makes sense to maybe diversify into bonds and fixed income as someone gets a little older.

Mr. Dean Del Mastro: It's a big barrier to investment.

Mr. Jamie Golombek: Absolutely.

The Chair: Thank you, Mr. Del Mastro.

Margaret, before I let you go I'll just tell you that as a former high school teacher one of my greatest and most satisfying memories was working with young people who were challenged in their reading ability, seeing the progress they were making, and following their progress years after. Of course, as all teachers do, I've taken some satisfaction in that. So I appreciate your commitment to what you're doing.

On behalf of our committee, thank you all very much for being here today.

We are adjourned.

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