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**Tuesday, October 17, 2006**

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**Chair**

**Mr. Brian Pallister**

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• (1530)

[English]

**The Chair (Mr. Brian Pallister (Portage—Lisgar, CPC)):** To the panel, welcome, ladies and gentlemen. This afternoon we are continuing our pre-budget consultations in preparation of a report for the finance minister for the next budget, and we thank you for being here.

You have been told that you will have five minutes to make an introductory presentation. I will give you an indication when you have one minute remaining, and I will indicate again when you have much less than one minute remaining, to the point where I will be forced to cut you off at five minutes, so that we can allow these fine committee members to question you and to enter into what we know will be an informative exchange.

So I welcome you. We do appreciate very much the time you've taken to be with us today.

We'll start with John Williamson, from the Canadian Taxpayers Federation.

**Mr. John Williamson (Federal Director, Canadian Taxpayers Federation):** Thank you. It's good to be back.

I'd like to thank members of this committee for the opportunity to bring the Canadian Taxpayers Federation's perspective to your pre-budget deliberations. Once again, the federal government is facing a growing surplus. Big surprise. High taxes have Ottawa swimming in excess tax revenues. It is worth remembering that the surplus is not the result of spending restraint. Rather, it is a result of structural overtaxation.

The Canadian Taxpayers Federation is urging this committee and all parliamentarians to make the following three priorities central in this year's federal budget: meaningful reduction and elimination of wasteful spending; broadly based and fair tax cuts; and a legislated and planned debt reduction.

The federal government's surplus for the last fiscal year was \$13.2 billion, up significantly from both the \$8 billion forecast by the finance minister in the May budget and the original \$4 billion projection that was reported in the 2005 budget. The surplus money will be used to reduce Canada's debt.

One reason for the larger surplus is that program spending was reduced last year by \$1.1 billion versus the previous fiscal year. Finance Minister Jim Flaherty and Treasury Board President John Baird also identified budget savings totaling \$2 billion over the next

two years. The CTF applauds the government for embarking on streamlining of program spending.

The spending cuts are welcome, but more reductions are necessary, particularly when Ottawa spends an eye-popping \$26 million a year on grants and contributions. A \$1 billion trim is approximately half of one percent of Ottawa's program spending. In future years, the federal government must ensure that program spending is kept down and does not gallop ahead. As such, the Prime Minister's commitment to limit expenditure growth to a maximum annual amount of inflation plus population growth must be observed.

That we need and can afford tax cuts is obvious given multi-year and multi-billion-dollar surpluses. Budget 2006 fulfilled the government's election promise to immediately lower the GST by one point—a positive step—and offer a variety of targeted tax cuts to benefit some, but certainly not all taxpayers. Where the budget was regressive was in raising the first income tax rate from 15%, which is the rate Canadians paid in 2005, to 15.25% this year. Unfortunately, this income tax will jump again in 2007, to 15.5%.

Last year, we called on this committee to recommend that both the basic personal and spousal exemptions be raised to \$15,000. In fact, the 2005 economic update outlined an accelerated timetable for increasing the BPE to \$10,000 and the spousal exemption to \$8,500. Regrettably, the 2006 budget revoked this schedule. As a result, Canadians are paying more income tax today than would otherwise be the case, although the introduction of the employment credit mostly offsets the increase.

This year we are pressing members to peg the two exemptions at \$15,000 in four years. This will save all taxpayers \$1,100 a year when fully implemented. In the context of growing surpluses, we are confident members will see this proposal's merit.

But it is not sufficient or even responsible for parliamentarians to only discuss cutting taxes for low- and modest-income Canadians. According to the OECD and even Canada's finance department, our personal income tax burden remains the highest of the G-7 nations. In fact, this standing has not changed in almost a decade. Broadly based tax relief is necessary to ensure all income earners benefit from lower taxes. The Canadian Taxpayers Federation is therefore advancing a "3 and 3" plan, whereby the top two personal income tax rates are reduced by 3%, phased in over three years from 29% to 26% and 26% to 23%.

Many said the previous government's 2000 to 2004 tax relief measures would dramatically reduce expected revenues, but they did not. I quote then Finance Minister Ralph Goodale: "The revenue growth we are now seeing is of a permanent and structural nature." This should come as no surprise. Tax cuts strengthen the economy and result in more Canadians working and paying taxes. Until the Department of Finance reforms its modeling to include the stimulative consequences of cutting taxes, Ottawa will continue to underestimate its annual surplus by \$5 billion to \$6 billion a year.

And I have one last word on taxes, specifically the employment insurance payroll tax. For years Canadians heard opposition Conservative MPs lampooning the previous government for keeping rates higher than necessary to fund the EI program, a practice that was criticized by no less an authority than Canada's Auditor General. This tax was rightly labelled the job killer. Will the EI tax be lowered? Taxpayers will be watching and comparing promises made in opposition with the actions of the new government.

• (1535)

Lastly, on debt relief, the new Conservative government and previous Liberal government should be commended for paying down \$81.4 billion of Canada's national debt over the last nine years. This progress has resulted in an annual savings of debt interest payments of over \$4 billion a year.

**The Chair:** Mr. Williamson, I'm sorry, but your time has elapsed. Thank you, and we'll look forward to questions.

We'll move now to Carol Hunter, who is here from the Canadian Co-operative Association. Welcome, Carol.

**Mr. John Williamson:** By the way, I didn't see your one-minute signal. I was looking for it, so if you could be a little more aggressive—

**The Chair:** Okay.

**Ms. Carol Hunter (Executive Director, Canadian Co-operative Association):** Thank you very much.

Good afternoon.

I'm very pleased to be here from the Canadian Co-operative Association. We're an umbrella organization representing 31 co-operative members, who in turn represent 3,000 co-operatives and over 7 million individual members.

Co-operatives are present in many sectors of our economy, from agriculture and banking, through to energy, health, and housing. Some 11 million Canadians are co-operative members. In fact, Canada has among the worlds highest proportion of co-operative membership.

You have in front of you our complete brief with our seven recommendations. I am only going to touch on three of our recommendations today. These are the three that are supported by six other national co-operative organizations, and which are found in appendix C of your brief.

The three recommendations I will speak to illustrate how the co-operative sector can partner with government to develop and sustain communities. Co-operatives as a form of collective entrepreneurship stimulate economic growth. They keep businesses in the community, and they allow ordinary Canadians in rural, remote, and urban communities to achieve what they could not achieve alone.

The first recommendation I will speak to is the need to establish a co-operative investment plan, or CIP. Agricultural and employee-owned co-operatives need access to capital that does not cede control to outside investors. Producers need access to capital instruments that benefit them, that allow them to maintain control of their enterprise, and that allow them to move up the value chain.

A co-op investment plan that provides investment tax credits would give producers and employees a chance to be part of growing and sustaining their businesses. Quebec, since 1985, has had a CIP that gives tax credits to those who invest in agricultural employee-owned co-operatives. Over \$200 million in new investment has been generated in Quebec through this measure, and we could expect similar results across Canada if the federal measure were to be created.

Our second recommendation is to reinstate the social economy initiative. The SEI continues in Quebec, where some \$28.5 million in federal moneys in a patient capital fund has leveraged an additional \$30 million from the Quebec government and other sources.

The program would provide technical assistance and repayable seed capital to get community-based enterprises, including new co-operatives, off the ground. It would assist businesses, which create jobs and services where they are most needed.

Our third recommendation is to build a new partnership with the co-operative sector to develop and strengthen co-operative enterprises. The existing co-operative development initiative, a five-year, \$15-million program, ends in March 2008.

We are recommending that the advisory services component of CDI be expanded from \$1 million per year to \$5 million per year for 2007-08 to respond to the ongoing yet unmet needs for technical assistance to help groups start, manage, and govern co-operatives. Beyond 2008, when the CDI ends, the co-operative movement would like to work in partnership with the government for a renewed co-operative development initiative.

In closing, I invite all committee members to help us celebrate national co-op week, which is this week. Our theme this year is "Own Your Future/Ensemble, bâtir l'avenir". Please join us any time after 5:30 this evening in the Commonwealth Room in the Centre Block for a parliamentary reception hosted by the co-operative movement.

Thank you.

• (1540)

**The Chair:** Thank you.

We'll continue now with a representative from the Co-operators Group. Martin-Eric Tremblay will speak on their behalf.

Please proceed.

[Translation]

**Mr. Martin-Éric Tremblay (Senior Vice-President, Co-operators Group):** Thank you, Mr. Chairman.

I would like to begin by thanking the members of the Standing Finance Committee for inviting me to appear today. My name is Martin-Éric Tremblay and I am the Senior Vice-President of Insurance Operations for the Co-operators Group. With me is my colleague Frank Bomben, the Manager of Government Relations for the Co-operators Group.

[English]

The Co-operators is a group of companies focusing on insurance. It is 100% Canadian-owned. We have over 4,200 staff, and assets of over \$6.5 billion. We protect approximately 850,000 homes, 1.1 million vehicles, and 560,000 lives. We provide coverage to 45,000 farms and 130,000 businesses.

For the past three years, the Co-operators has been listed among Canada's 50 best employers in the *Report on Business Magazine*, and it is listed among Canada's top hundred employers by *Maclean's* magazine.

The Co-operators Group is a federally regulated tier-three co-operative. Our members—that is, our co-operative owners—are 33 co-operatives, credit unions, and like-minded organizations, representing a combined membership of 4.5 million Canadians.

The Co-operators invests time and capital into developing co-operatives across Canada as well as into building social infrastructure that supports Canada's marginalized population.

[Translation]

My presentation today is timely because this is Cooperation Week in Canada. The theme of the current consultation process is Canada's place in a competitive world, so in the time I have been given I will tell you what we are doing to ensure that Canada becomes better positioned in an increasingly competitive world.

I would like to insist on the significant role the cooperative sector plays in Canada. This holds especially true for the economic competitiveness of the country and the welfare of its citizens. The cooperative sector plays a major role in the development of a long-term strategy aimed at strengthening the bonds which unite the various levels of government and the many cooperative businesses.

This year, our organization partnered with other Canadian cooperators to present three common recommendations to this committee. I will not go over all the issues raised in our document, since the representatives of the Canadian Co-operative Association have already presented the main elements a little earlier. However, I would like to draw your attention to the highlights of our presentation, as they constitute a response to the question of how Canada can maintain its competitive place in the world.

We would begin by recommending the creation of a new cooperative investment plan, followed by the establishment of a new partnership to strengthen cooperative businesses and, finally, the continuation of the implementation of the social economy initiative.

We are aware of the fact that the government has provisionally decided not to renew the social economy initiative. However, we respectfully ask Parliament to reconsider its intent, since we believe that this initiative is a productive way of investing public funds.

[English]

Our written submission also focused on another issue: sustainability. Cooperative principles naturally align with the concept of sustainability. Rather than existing for the purpose of amassing wealth for shareholders only, the cooperative understands the satisfaction of vital community needs as its *raison d'être*. The Co-operators believe that for Canada to maintain and cultivate its competitiveness in the global economy, the twin principles of financial strength and comprehensive sustainability must be enshrined as the keys to economic growth and social progress. In fact, the one hundred most sustainable public corporations outperformed their competitors on the Morgan Stanley Capital International index by 7% during the past five years.

In conclusion, failing to ensure sustainability is to fail our environment, our fellow citizens, this generation, and the next.

• (1545)

[Translation]

Again, I would like to thank you for inviting me to participate in this consultation process. I would be pleased to answer any questions you might have in the next few minutes.

**The Chair:** Thank you very much, Mr. Tremblay.

[English]

We continue with Katherine Carleton, from Orchestras Canada. Welcome, Katherine.

**Ms. Katherine Carleton (Executive Director, Orchestras Canada):** Thank you.

If you didn't hear, my name is Katherine Carleton, and I'm executive director of Orchestras Canada/Orchestres Canada, a national membership organization for Canada's professional orchestras.

I'm really grateful for the opportunity to speak to you today. I'm aware of the importance of your current deliberations and I'm very pleased to speak on behalf of our member orchestras right across the country—that's from Newfoundland to northern British Columbia.

First, a few quick facts about Canada's orchestras. We have approximately 80 member orchestras across the country. In 2004-05 their budgets totalled \$150 million. They performed in formal concerts for audiences totalling 2.2 million. They performed for over one million school children across the country. They engaged approximately 3,000 professional musicians, 1,000 administrators, and they benefited from the hard work and commitment of some 25,000 volunteers. Far from being elitist institutions, they are committed community organizations and they perform in communities large and small right across the country.

The Standing Committee on Finance issued a significant challenge when it framed its document, "Canada's Place in a Competitive World". The challenge is surely to express something authentic about the achievements and the potential of the organizations I represent, respond to the very considerable challenges you face, and do so in under five minutes.

I'm taking the arts approach: I'm going to tell you a story about one of our member orchestras. I could tell good stories about any one of 80—I have to choose one, and I've chosen to focus on Tafelmusik Baroque Orchestra, based in Toronto.

The group was formed on a shoestring in a leaky church basement in downtown Toronto in 1979 by a small group of people who dreamed of applying the dry, scholarly research on music written between 1600-1750 to real live contemporary performance, not on the face of it a sure-fire, get-rich-quick scheme. But 27 years later, Tafelmusik has an annual budget of \$3.5 million, over 70 recordings, a sky-high, worldwide reputation cemented through the recordings as well as regular international touring, an entrepreneurial spirit that incorporates performance and educational partnerships, cutting-edge use of new media, and award-winning electronic media projects.

Tafelmusik is an example of reverse brain drain. Performers come to Toronto from all over the world to study with members of the orchestra during its summer institute and through its partnership diploma program with the University of Toronto. Many of these musicians hope to join the orchestra one day—it's that good.

Lest you get the impression the orchestra only focuses on elite performance opportunities, I'll emphasize that it's equally committed to serving the community through a wide array of educational initiatives, including regularly partnering with schools in Toronto's challenged Regent Park neighbourhood. These are really intensive projects, working one-on-one with the kids on creative music development and performance projects.

As enthusiastic as I am about this group, I promise you that they're just an example of orchestras right across the country. What does the example underline, and what am I asking you to consider today?

First, our request is for increased federal funding for the arts through the Canada Council for the Arts. We're asking for a total increase in parliamentary appropriation to the Canada Council of \$100 million. As we've seen in the Tafelmusik example, funding from the Canada Council leverages investment from all other levels of government, is often the first money in, and encourages earned revenue and philanthropic support. In Tafelmusik's case, \$320,000 from the Canada Council helps generate \$3.2 million in other revenue. You're seeding cultural entrepreneurs, and it's a pretty good deal.

The second thing we'd like to see is a commitment to stabilizing and then increasing funding for international cultural touring through the Department of Foreign Affairs and International Trade. Tafelmusik is just one group with an international reputation; having a bit of an investment from DFAIT is a big help.

We'd also like to see that arts organizations are recognized, not just as nice people pleasing themselves with what they're doing, but also as economic drivers.

Finally, we'd like to support the work of the blue ribbon task force on grants and contributions, and say that the discussion around accountability is one that we very much welcome. We think we can demonstrate value for the investment and we're very willing to engage in that discussion.

Thank you very much for your time today.

• (1550)

**The Chair:** Well done. Thank you.

Paul Johnston is here on behalf of Precarn Incorporated. Welcome, and proceed.

**Mr. Paul Johnston (President and Chief Executive Officer, Precarn Incorporated):** Thank you for the invitation to appear before this committee.

I am Paul Johnston, as was mentioned, the president of Precarn. It's a private, not-for-profit company that has helped companies for more than 18 years to do research and development to create, develop, and use advanced technologies. I've been with Precarn since 1990 in various roles, managing both university and industrial research programs, before assuming the role of president last year.

Today I want to concentrate on one sentence in the federal 2006 budget: "Looking forward, the Government will develop a broad-based agenda to promote a more competitive, productive Canada." Even more specifically, I want to concentrate on the need to encourage industrial research and development as part of that agenda.

What do I mean by improving competitiveness and increasing productivity? Being competitive means doing things better than others. It means making better products or making your products in better ways. Being more productive as an economy means moving to a higher value-added economy. We must create and maintain an economy that creates, sells, and uses innovative, value-added goods, products, and services based on our traditional strengths.

This is where increased industry-led, market-driven research comes in. To create globally competitive, innovative products and services, we must develop both the technologies and the people to implement them. Just as important, companies and people must use and adopt these technologies to become more productive.

As an example, a famous Canadian company, Research In Motion, is based on research and development—a highly competitive, world-class company—and it makes the users of its product more productive. I think there are some users in this room.

What, then, might be some of the components of a broad-based agenda to get companies to do more research and development? In our view, the first principle is to continue to do those things that we do well and continue to invest in the models that increase research and development. Pick the ones that have the greatest impact on the ultimate commercial success of those technologies.

For example, Canada's SR&ED tax credit system is among the top three in the world. Similarly, our investments in university research are among the top three in the world. Let's continue to hold those places, if we can't improve them.

On the other hand, our industrial investment in R and D is not quite as strong. So we need to develop and continue organizations that we refer to as “fourth pillar” organizations, which help companies to do more research, commercialize more products, and become world-class participants in the global economy. Fourth-pillar organizations bring together universities, government laboratories, and these companies, to promote research, development, and the adoption of new technologies.

Here is where the concept called the “valley of death” in our paper comes in. A diagram is on page 3, if you have the paper. It relates to the gap between the generation of ideas and the development and adoption of those new products and services based on those ideas.

On the one side is research, which is to discover new technologies in our universities and government labs. This is generally publicly supported. On the other side of the valley is product development. Once the product is proven and the potential revenue stream is well known, internal funding, venture capital, and bank lending are available to support the commercial activity. Public funding is neither necessary nor desirable as a matter of policy at that stage.

It's the valley of death, the transition phase between public and private sector financing, the phase in which pre-commercial research and development takes place, where leveraged public support needs to be made available. Mechanisms such as fourth-pillar organizations, which I referred to previously, can help bridge that valley.

Fourth-pillar organizations also add value in other ways, not only in funding. They reduce the technological and market risks, they share the costs across the valley, and they reduce the time to market

for these new products, services, and technologies. Mostly the model is successful in providing links between the companies on one side of the valley and the universities and government laboratories on the other side of the valley.

• (1555)

We support the development of a broad-based agenda to improve the competitiveness and productivity of Canadian firms. To do this, the government must develop and maintain a range of policies and activities that encourage Canadian firms to invest in the research and development of advanced technologies.

Thank you.

**The Chair:** Thank you, sir.

We'll continue with Michael Shapcott, who is here on behalf of the National Housing and Homelessness Network. Welcome, sir, and proceed.

**Mr. Michael Shapcott (Co-Chair, National Housing and Homelessness Network, National Housing and Homelessness Network):** Thank you, Mr. Chair.

My name is Michael Shapcott. I work at the Wellesley Institute, a policy institute in downtown Toronto. I'm here today on behalf of the National Housing and Homelessness Network.

Mr. Chair, if I could, what I'd love to do with my five minutes is take the members of this committee outside. I think there's nothing like a very cold and wet autumn day to convince people that the issues of homelessness and the affordable housing crisis are not good. We know they're not good for people's health, they're not good for the economy, and they're not good for neighbourhoods and communities.

Mr. Chair, on a cold day like today, which I'm sad to say is only the start of what will be a very cold winter, I think this committee really needs to focus on what the United Nations in May called the national emergency of housing and homelessness in Canada.

We submitted a submission back in September, with several recommendations. Before I turn to that, I'd like to with respect make two very specific appeals to this committee on urgent items.

First of all, I'd like to invite members of this committee to make an urgent recommendation in terms of the renewal of federal homelessness and housing rehabilitation funding.

In just a few weeks, of course, the blizzards of winter are going to move across Canada, but literally thousands of agencies that provide critical health and social services to homeless people are going to be forced to shut their doors and lay off staff. It's because the federal homelessness program, which has funded thousands of transitional homes and thousands of health and social services and has provided capital dollars to improve shelter and food programs in 61 communities, is due to sunset, in the words of the bureaucrats, this fiscal year.

It's going to have a devastating impact on communities right across the country, not simply on poor urban neighbourhoods in Vancouver, north Winnipeg, north Halifax, or the east end of Vancouver, but even in the booming province of Alberta, where all indications show the economy is doing very well. I'm sure members of this committee can attest to the fact that there's a housing and homelessness crisis even in the province of Alberta.

The national homelessness program has been under a microscope for more than a year. The verdict is that it's been highly successful and that additional funding is urgently needed. We can't wait until February, when the next federal budget is expected, because by then the services will be lost and homeless people will have been abandoned by the federal government.

I want to appeal to this committee today to send a strong message about the federal homelessness program and, secondly, a strong message involving the federal housing rehabilitation program, which is also due to sunset in fiscal 2006.

Over the last number of decades, this program has helped many hundreds of thousands of low-income homeowners and owners of rental property to fix up substandard properties. I don't need to tell members of this committee that it's far less expensive to offer modest rehabilitation assistance than it is to allow properties to deteriorate so badly they have to be demolished and rebuilt.

In my final moments, I want to turn to the submission we made in September and urge this committee to make a healthy and competitive Canada a top priority. In doing that, we believe this committee needs to address and work towards the creation of a comprehensive, fully funded, and permanent national housing program.

We want to acknowledge that in 2005, through Bill C-48, \$1.6 billion was allocated to affordable housing, and that was a good step forward. We now know that \$1.4 billion of the \$1.6 billion has finally been allocated in trust funds, and that's a step forward as well. There's \$200 million missing somewhere, and someone might want to look for that. It is a down payment and a very important down payment, but it's only a fraction of what's required to address the urgent housing needs across the country.

Our recommendations for the 2006 pre-budget consultations urge this committee to top up money for affordable housing, to extend the federal homelessness program, and to extend the federal housing rehabilitation program.

I want to point out that since the last time I was at this committee, a remarkable consensus has been emerging across Canada. It's not merely the homeless and their friends and advocates who are calling for a national housing strategy. It's all across the community. It's

charitable organizations and faith groups. It's business organizations at the national level, such as the Canadian Chamber of Commerce, business organizations, such as the TD Bank, and local business organizations, such as the Toronto Board of Trade.

● (1600)

If I may, Mr. Chairman, I'd like to close with a quote from the Toronto Board of Trade wherein they say:

Ultimately the supply of affordable housing affects the success of all businesses. Along with other infrastructure components, it helps to determine whether or not companies and employees locate in the city. A lack of affordable housing can lead to a host of other, more serious social and economic problems.

I think we're seeing that happening in Alberta even as we speak.

I'd be pleased to answer any questions or offer more details of our recommendations on the housing priorities of Canadians. Thank you for the opportunity to make these submissions.

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

Thank you all for cramming as much information as we forced you to do into five minutes. We appreciate it.

Mr. McKay, begin with seven minutes, sir.

**Hon. John McKay (Scarborough—Guildwood, Lib.):** Thank you, Chair, and thank you all for your presentations.

I want to direct my first couple of questions to the folks from the co-op sector, both groups. You represent workers' co-ops, insurance co-ops, agricultural co-ops. You represent, if you will, the heartland of the country; people who see it as advantageous to organize themselves in a co-op fashion and embrace this, really, right across the country. And yet in the number three item in your summary recommendations you say, "Reconsider the cuts to the Social Economy Initiative announced by Ministers Flaherty and Baird...and implement the Social Economy Initiative in all parts of Canada."

For a government that purports to be interested in the regions, particularly the rural regions, this seems to be a perverse way of embracing them. Can you expand the comment you made under number three? I think both of you made it in a different sort of way.

**Ms. Carol Hunter:** There were three pillars to the social economy: a research pillar, which has rolled out, and two other pillars—one for patient capital, and a third pillar for capacity building. We know from experience internationally in growing the cooperative movement in many other countries that you need to marry the financial assistance and some patient capital with technical assistance as well. Those two pillars, we think, are very important.



Cooperatives are found all across the country and although we welcome the roll-out in Quebec, there is some irony, in that the social economy and the co-op movement is very strong in Quebec. One could argue that the monies, although needed in Quebec, and certainly they are, are also profoundly needed in the rest of the country, where the monies have not rolled out.

We are surprised that this government has not chosen to roll out the money across the rest of the country, given its strong rural and western base, and we really would urge reconsideration.

**Hon. John McKay:** Am I to understand that the moneys that were allocated for the social economy initiative in Quebec have been protected, but the ones for the rest of the country have not?

**Ms. Carol Hunter:** Yes, that is correct. The main reason for that is that the contract had been signed in Quebec and was just about ready to be signed in Ontario with FedNor, the regional development agency.

**Hon. John McKay:** And how much money does that account for?

**Ms. Carol Hunter:** The Quebec money was around \$30 million, I believe. The entire program was \$132 million.

**Hon. John McKay:** Your number six recommendation....

Well, let me just ask the insurance folks: do you have anything to add to what Ms. Hunter has said?

**Mr. Frank Bomben (Manager, Government Relations, Co-operators Group):** No.

**Hon. John McKay:** Your next recommendation has to do with child care spaces. As you know, we're supposed to be studying productivity. I'd be interested in your observations with respect to high-quality, affordable, universal child care and its impact on productivity for your members.

• (1605)

**Ms. Carol Hunter:** That's a good question. We certainly do support cooperative child care spaces, in particular a multi-stakeholder model, where both the parents and the people who work in the child care co-ops can take some ownership of the quality of the services for child care. If parents were involved in how their child care services are run, I would argue that would have a significant impact on productivity. You wouldn't have worried parents in the workplace concerned about the quality of care their children are getting. We would certainly urge that a number of those child care spaces be cooperative child care spaces, to give some parents a voice in the care of their children.

**Hon. John McKay:** Arguably, it might also give a competitive advantage, in the same fashion that universal medicare gives Canada a competitive advantage, particularly immediately, vis-à-vis the United States.

In the time remaining I want to ask Mr. Shapcott a couple of questions. I appreciate Mr. Shapcott's regular appearances before this committee and his passion and his advocacy.

In my particular riding, the SCPI monies have been greatly appreciated. At one point we had something on the order of 1,300 homeless people in the riding, housed in rather expensive and inadequate fashion. I'm pleased to say that has been diminished substantially.

Chair, how many...?

**The Chair:** Ten minutes, Mr. McKay.

**Hon. John McKay:** If you look at the budget you'll see an allocation of something in the order of \$800 million. It will be my colleagues' argument that they've taken care of affordable housing and homelessness, neglecting to mention that Bill C-48 obligates them to do that. That's the law of the land at the present time as long as there's a surplus. Then of course there's the announcement of \$1.4 billion, and I assume the \$800 million is part of that amount.

So the argument of the government is, "We've taken care of this problem; we've given you a huge amount of money." Yet your presentation says, "I'm worried about the sunset of SCPI. I'm worried about the sunset of RAP." You have specific recommendations on \$67 million in new money for homelessness, and \$114 million for rehabilitation, energy conservation, and things of that nature.

So really, Mr. Shapcott, what should you be worried about? Aren't you confident that this government will come through with its obligations to you?

**Mr. Michael Shapcott:** The best way to understand it is to get some handle on the scale of the national dimension of the problem. According to the government's own estimates, about 1.5 million Canadian households—that's not individuals but households—are in what's called "poor housing need". That is to say they're living in sub-standard, inadequate housing. They can't afford to pay their mortgage costs or their rents, so they're one step away from being homeless. Although the numbers are very difficult to verify, perhaps 250,000 to 300,000 Canadians will experience homelessness over the course of a year. So the numbers are quite staggering.

The housing dollars from Bill C-48 from 2005, much of which is now finally being allocated, will make an important difference because it's the single biggest chunk of money we've seen for new affordable housing in more than a decade. So we're grateful for that. But set against the scale of the need, it's simply a down payment on an urgent national problem.

Again I'd just say to the members of the committee, go anywhere in Canada, not just big cities but small towns, remote rural areas, and the boom province of Alberta, and you'll see how serious housing and homelessness really is.

[Translation]

**The Chair:** We will continue with Mr. Paquette. You have seven minutes.

**Mr. Pierre Paquette (Joliette, BQ):** Thank you, Mr. Chairman.

Ms. Hunter, following the answer on the social economy you gave to Mr. McKay, I would like to add a clarification. As you said at the end of your intervention, the money for the social economy had already been largely committed in Quebec. After all, \$5 million, which were to be spent on a project with native friendship centres, will not be available for the Chantier de l'économie sociale in Quebec anymore. Nevertheless, \$28.5 million had already been committed, and this amount was not included in the \$39 million which the Conservative government decided to cut. Quebec got the short end of the stick. Quite simply, Quebec was more advanced in this area, and the Chantier de l'économie sociale, which is celebrating its 10<sup>th</sup> anniversary this year, was able, as soon as the former government announced the funding, to use the funding.

I would like to stay on the subject of Conservative cuts, and my question is for you, Ms. Carleton. With regard to orchestras you recommended that the committee keep in mind the role played by cultural diplomacy when the right projects, which reach the right audiences, are exported abroad. I noted—and my friend and colleague Maka Kotto asked a question in the House on this very issue today—that the amount of \$11,878,000 was cut from funding to open public diplomacy, if I can put it that way.

First, I would like you to tell us what the effect of these cuts was on our open diplomacy, that is, cultural events, conferences, travelling theatre productions and our orchestras when they travel abroad.

Second, how can the committee convince the Conservative government to reinstate the funding and, perhaps, even increase it?

•(1610)

[English]

**Ms. Katherine Carleton:** What I understand about the cuts to public diplomacy funding that were announced ten days ago or thereabouts—the \$11.8 million in public diplomacy funding that is gone—is that a portion of that will indeed, as best we can tell, have an impact on tours that have already been planned, budgeted, and contracted for.

A number of our member groups that have been putting plans in place for many years, as they need to in order to incorporate touring into their schedule of activities and to build the depth of relationship necessary with international presenters to gain their confidence, are in a very difficult position right now. They have been told by Foreign Affairs and International Trade Canada that all the requests are currently on hold until the department knows the impact the cuts will have on cultural touring funding.

These are tours that are actually coming up as early as this spring. The potential impact on Canada's reputation, on relationships that have taken many years to develop... We have always seen these as an important pillar of Canada's international public diplomacy. This is in fact a very difficult situation. I can't say that it's not difficult, and there's an enormous amount of concern out there.

[Translation]

**Mr. Pierre Paquette:** You said that this could have an impact on Canada's image abroad. Who is being affected? Will some sectors be more affected than others? Perhaps some groups have less access than others to traditional commercial channels for promoting artists

and Canadian and Quebec cultural productions? Are there any specific sectors that will be in a particularly vulnerable position?

[English]

**Ms. Katherine Carleton:** First of all, the Province of Quebec is foresighted enough to have its own budget to help support international touring. However, they have long understood that there is investment by the province, which is keen to have a public standing internationally, and also investment by the federal government.

My understanding at this point is that there are two groups with which I'm very familiar whose touring plans are on hold. One is the Tafelmusik Baroque Orchestra. They have concerts coming up in the United States this spring that are presently on hold. They cannot afford not to have the funding; they will lose too much money. We also know that the Montreal Symphony Orchestra, under the leadership of their new music director, Kent Nagano, has made a number of approaches towards international touring to restore that orchestra to its proper place on the world scene, and my understanding is that they too are in a very difficult situation.

Finally, the Vancouver Symphony Orchestra has been invited to perform at the Olympics in 2008 in Beijing. We all want to be in China. We understand that there are ways of developing relationships in China that transcend merely having the cheapest goods and that the development of that kind of relationship is terrifically important. To see Canada as a sophisticated country with a strong arts community is a key part of that, in my view.

[Translation]

**Mr. Pierre Paquette:** If I have a few seconds remaining, I would like to get a clarification.

Mr. Shapcott, in your first recommendation, you refer to programs for increasing the funding available to fight homelessness. You did not make specific mention of the Supporting Communities' Partnership Initiative, also known as the SCPI. Were you in fact referring to this program, which is due to end in March 2007 and which everybody wants to see extended, given that it has proven its worth, or were you referring to something else?

•(1615)

[English]

**Mr. Michael Shapcott:** Yes, I am referring to the SCPI program. In our communications with officials in the minister's office and in the Prime Minister's office, we've been told that they don't like that name because it was inherited from a previous government. So we've said that they can change the name of the program if they like, but to put more money in. We don't care what the program is called; it's important to fund the services. So we've started to call it the federal homelessness program, but it is SCPI.

**The Chair:** Merci.

To continue, we'll go to Mr. Del Mastro.

**Mr. Dean Del Mastro (Peterborough, CPC):** Wonderful, thank you, Mr. Chair.

I wanted to start with John Williamson.

Mr. Williamson, I think you made a couple of very astute recommendations for the panel. I hope everybody was paying attention, because I think what you were speaking about comes back to exactly what the charge is of this panel, which is Canada's place in a competitive world and trying to make our overall economy more competitive.

I had a couple of specific questions. You mentioned tax reduction, spending restraint, EI premium reductions, and debt relief or debt payment by the federal government.

We announced a number of spending restraints a couple of weeks ago in areas where we felt taxpayers weren't getting value and where it wasn't efficient or effective spending. What was the Canadian Taxpayers Federation's feeling about that?

**Mr. John Williamson:** That it was a wise review, broadly. Two interesting things happened that day. One, for the first time in nine years, I believe, program spending was actually down one year over the other. That hadn't happened since the years when the federal government was fighting the deficit. It was a welcome change to see that by holding some year-end spending and focusing on priority areas, that was in fact possible. And lo and behold, the sky did not fall.

There were two areas. The finance minister and the Treasury Board president announced \$1 billion in reductions, cuts, over the two years, and as well another \$1 billion in efficiency savings. Again, broadly speaking, those reductions are in line with the priorities of most Canadians.

Services weren't cut. What we saw was funding that either hadn't been spent, was redundant, or went to special interest groups. And that, I think, is one area that the government has to tackle, the funding of special interest groups, the groups out there who are working either to oppose the government's agenda or, frankly, to support it. Taxpayers have no business funding those kinds of organizations, regardless of their political orientation.

**Mr. Dean Del Mastro:** Thank you—and I agree with you.

In addition, we talk a lot about corporate taxes and about how those are perhaps impeding investment into the Canadian economy. We've set out a timetable to reduce corporate taxes to 19% and put an end to corporate surtaxes.

Do you believe these measures are going to be viewed positively internationally? Are they going to help us build a stronger economy?

**Mr. John Williamson:** I think so, yes. I thought the 2006 budget largely accomplished what not only the current government but even the previous government wanted to do to bring down the corporate tax bite in this country. I think schedule 1 is responsible, and I think it received bipartisan support.

The challenge going ahead, though, is on the marginal tax rate that individuals face. That's really where our organization is focusing for the 2007 budget. It's those broad-based income tax cuts—again, not just on the low end but on the high end as well—to bring down the marginal rates that discourage people from coming to this country, or else they're contributing to the brain drain.

**Mr. Dean Del Mastro:** You were encouraged by the comments of the finance minister yesterday?

**Mr. John Williamson:** Oh, very much, yes. I think once he has gone out on that plank, it will be very difficult for him to come back off it.

**Mr. Dean Del Mastro:** He's not coming back off it, sir.

**Mr. John Williamson:** I think the more clarity on this issue, the better.

**Mr. Dean Del Mastro:** Okay, thank you.

To Mr. Johnston from Precarn, you spoke about a competitive advantage focus. You'd like to see Canada continue to work on where we found competitive advantages in research and so forth, and continued investment in university research, which I also support.

You say here, in point two, "Make sure the tax regime is working." I think that's really key. You talk about this valley of death that occurs, but really, I become very weary about looking at investing large amounts of government funds into what will ultimately become corporate profits. If you set the proper environment, I think private investors will build the bridge you're looking for.

Do you think that's a reasonable approach, to actually create the environment where investors, rather than taxpayers, will put the money there?

• (1620)

**Mr. Paul Johnston:** The answer we promote is that there needs to be a broad-based approach. As I mentioned, the SR and ED tax system to promote research and development in industry is among the best in the world. There could be arguments in terms of its evaluation of its effectiveness, in terms of leveraging more industrial research, but in our view, yes, that kind of environment—the regulatory environment, intellectual property environment—all should be kept world-class and world-competitive.

At the same time, in terms of the valley of death, especially for small Canadian companies who have a new technological idea, in order for them to grow into a large Canadian company, then at some stages, particularly in that valley of death, they may need leveraged support. We're not talking about subsidizing that company across the valley. What we're talking about is providing enough of a lever—and it is a financial lever—to allow them to make their own investment, to bring in their own investment, in research and development so that the return on investment they see on the one side of the valley is actually fulfilled when they get to the other side.

It's only by having a broad-based approach to these kinds of incentives that you actually then create the wealth, the commercial wealth, in the economy that generates revenues for the government.

**Mr. Dean Del Mastro:** All right. We'll see what we can do about being your staff and shield as you walk through the valley of the shadow of death.

**A voice:** That's a bit much.

**Mr. Dean Del Mastro:** Sorry, guys. I couldn't resist.

Mr. Shapcott, you've basically called for \$2.5 billion in increased spending into homelessness, I suppose. That's a huge amount of money. Certainly \$1.4 billion was committed from budget 2006. This would represent a significant increase. I'm not suggesting that the money couldn't be spent or that there isn't a need for it.

In the last more than a decade, for example, has that much money been spent? Has it even been contemplated?

**The Chair:** You have seven seconds, Mr. Shapcott. Go ahead.

**Mr. Michael Shapcott:** Not in the last decade, but if you go back 20 years, yes. In fact, we're asking to go back to the future, if you like, to go back to the 1970s and 1980s, when this represented about 1% of the federal budget, and it was in fact the amount of money the government was spending. And it was producing about 500,000 good-quality affordable homes across the country.

**The Chair:** Nice try, sir.

And we'll move on to Madam Wasylycia-Leis now, for seven minutes.

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

Let me ask this to Carol and Martin-Eric, and anyone else who wants to comment on John Williamson's statement that these \$1 billion cuts were necessary and that there wasn't a cut to programs, just to special interest groups and programs that either were redundant or for which money hadn't been spent. You've commented on the social economy initiative. What do you say to John Williamson?

**Ms. Carol Hunter:** I think I would just say that we need a broad-based approach to our economy. We need a mixed economy with investors and with taxpayers and with individual citizens also contributing to how they build their businesses. And I would argue that competitiveness also requires an inclusive approach that engages citizens, including marginalized citizens, from many different areas to really develop the skills through cooperatives. One example I like to give is that co-ops are really human resource training grounds.

The leaders of the Nunavik government right now got their first set of consensus-building skills, skills to make decisions, by working in their local co-ops. We need a range of approaches to building our economy, really a mixed economy. And I think cooperatives are that fourth leg of the stool.

**Mr. Martin-Éric Tremblay:** If I may add to Carol's comments, I strongly believe that a cooperative is there to make profits and to give a return to stakeholders or shareholders. The difference between a cooperative and a for-profit company is much more than.... The return goes back to the community, which is different from when you have a for-profit company. So if we can have a little advantage as a cooperative to do business in Canada, it's investing in our community, and it's investing in everybody in Canada, and making sure that the money is going to stay inside Canada, much more than anywhere else.

So yes, we might have needed some cuts in income tax, but it has to stay in the Canadian market.

•(1625)

**Ms. Judy Wasylycia-Leis:** Katherine, do you have any response to John Williamson?

**Ms. Katherine Carleton:** I studied the list of cuts that were announced ten days ago with a certain sense of interest combined with a growing sense of mystification. The list of things that were cut, in some senses, seemed to make sense. They were ideologically consistent. I could see where the government was coming from, and I could say okay, I understand.

I'm still trying to figure out a few of the cuts that were proposed, and I'm hoping that as time goes on the wisdom behind them will become clearer to me. One of them is certainly the proposed cut to the public diplomacy budget of \$11.8 million. The other of course was the cuts to the small museums assistance program through the museums assistance program. In that case, I was not really able to see where there had been money wasted. I had understood that the government's own committee had made recommendations to review and enhance that program, and yet the announcement came.

I suppose what I'm saying is that I'm watching and waiting to see what comes next. I'm deeply concerned and deeply interested.

**Ms. Judy Wasylycia-Leis:** Thank you.

Michael, but for the grace of God, I suppose, there went you and the housing money.

SCPI dollars were cut; housing and homelessness projects were on the list for a cutback, but the community protested, and they're back on. Would you consider funding for such projects to be wasteful and to be counterproductive to a competitive society?

**Mr. Michael Shapcott:** There's been a lot of review, both by government and by community organizations, and the verdict right across the board is that the programs have been extremely successful. They provide two purposes. One purpose is to try to assist homeless people in being a little bit more comfortable and to assist them to live from one day to the next. The second is to assist them in the transition from homelessness to housed. On both those scores, the federal homelessness program has been a success.

The criticisms I've heard of the federal homelessness program are twofold. The first is that it's due to expire, and agencies and services are very concerned about that; the second is that there's not enough money. Only 61 communities across the country have access to the money. In fact about 10 communities get most of the money, when in fact it's a national problem.

The verdict is very clear; the consensus is very clear that it's a good program and deserves support.

**Ms. Judy Wasylycia-Leis:** Thanks.

John, I really should give you a fair shake at answering this issue.

Do you not accept the fact that there should be...? I mean, we all agree there's probably some fat to be trimmed somewhere in government, but shouldn't we be selective in our approach? Wouldn't you agree that a program that might help someone gain the ability to read and write so that they can function in the workplace would be a useful investment that has dividends for society?

**Mr. John Williamson:** If it's actually going to help people read and write, sure, but there was a story, I believe out of Winnipeg, about one group that had its funding cut. It didn't actually train people or help them learn how to read and write, but it produced a newsletter—and I don't see how producing a newsletter actually helps people who can't read—and it lobbied for more money. It didn't actually deliver any programs.

**Ms. Judy Wasylycia-Leis:** Let me interject because we dealt with this matter this morning. That organization you're talking about is Literacy Partners. People would call that number and then that one person on the phone would link up the person with the appropriate program, whether it was in a school system, a workplace, or a community organization, so that the person would get the help they needed. Isn't that important?

**Mr. John Williamson:** How many calls did they receive? I saw at one point that it was one a day or one a week. It was something absurd—

**Ms. Judy Wasylycia-Leis:** No, I think that—

**Mr. John Williamson:** —for the value-for-money proposition here. I think that's what we're talking about here. We can pick and choose and, as you said, there is fat to be cut, and I thought the government made a reasonable attempt to begin to trim some of that fat.

**Ms. Judy Wasylycia-Leis:** Fair enough, but wouldn't you apply the same analysis, the same thought, to taxes for corporations? Even Don Drummond has said that the taxes going to corporations in the name of productivity have not actually produced the results that were intended and therefore ought to be assessed on the basis of effectiveness. Shouldn't we do the same thing, instead of the broad-blanket corporate tax cut?

• (1630)

**The Chair:** Thank you, madam. Unfortunately, the time has—

**Mr. John Williamson:** I can answer that quickly.

**The Chair:** No, no, you can't. The time is up, although you might want to work your answer to Madam Wasylycia-Leis into a response to my question, if you like. I just have one.

We spend a lot of hours on this process, as you know, and we appreciate your involvement in it, obviously. We spend an inordinately large amount of time on discussions about expenditure, whether it's reduction of expenses or increases in them—it's mostly proposals for increased expenditure, as you can appreciate—but we spend precious little on the revenue side.

Mr. Williamson, we have—according to the Auditor General, and backed up by Statistics Canada—an epidemic in this country of money moving offshore. It is millions and billions of dollars. One of the recent estimates from StatsCan is \$400 billion in foreign direct investment by Canadian firms, with 25% of that in Barbados alone. We are losing billions of dollars in tax revenue every year. According to the Mintz report on business taxation of almost a

decade ago, if Mr. Mintz's numbers are remotely correct, we could fund every one of the proposals that we've heard out of a small levy on the money that moves offshore to foreign jurisdictions and is not taxed here. In fact, we allow tax deductibility on money borrowed here to be invested in other jurisdictions. I want to know if your organization is concerned about that, because I haven't heard a word on it in the last month. I am concerned about it.

**Mr. John Williamson:** What's interesting is that it's not just Barbados, it's also the United States and it's Ireland as well. Some rather advanced western democracies are the recipients of this capital flight from Canada.

When you talk about a tax on the capital, I'm not sure if you're suggesting a Tobin tax or something like that. Certainly if it's on foreign exchange, then I certainly hope not. But if you're talking about putting in competitive rates of taxation so that investors decide to keep their money in this country, that is something that should be supported.

And to answer the question on where we should not be helping corporations, if you want to look at one budget to cut, it's the corporate welfare budget. In the past, the NDP in particular has also applauded getting rid of funding for large corporations. Why are we funding large profit corporations like Bombardier—well, it's not so profitable these days—or Research in Motion or General Electric? It's far better to bring down taxes on all companies in order to give them an equal chance to compete here for investor dollars, as opposed to trying to pick winners and losers. If you keep tax rates high, money is still going to continue to flow overseas, and we find those that we end up subsidizing in the end are not really achieving very good results economically.

**The Chair:** Thank you, sir.

Madam Hunter, you wanted to respond.

**Ms. Carol Hunter:** I would like to make the point that with cooperatives, that's precisely the value. Money cannot move out of the country. An enormous amount of money gets returned to the economy, so the money recirculates in the local economies. In Manitoba alone, through the federated co-op system, \$200 million is returned to those local communities. To me, that is a very strong investment by recirculating the money in our economies.

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

We'll move to Mr. Savage now.

**Mr. Michael Savage (Dartmouth—Cole Harbour, Lib.):** Thank you, Chair, and my thanks to all the panellists.

First of all, I'd like to go to Ms. Hunter and Monsieur Tremblay.

I want to go back to the social economy. I don't think the social economy is something that's widely understood in the country. When these cuts came down, they caused a lot of questions. I've asked questions about the cuts for the social economy in Atlantic Canada. They were going to be delivered through ACOA, the regional development agency. In fact, we were told by the government that these aren't cuts. This is money that never actually really existed, because it never actually flowed in Atlantic Canada. But this was money that was allocated in previous budgets, correct?

**Ms. Carol Hunter:** That's correct. In the last budget, \$132 million was committed. In some provinces, like Ontario, it was just the waiting for the ink to dry on the contract with FedNor.

**Mr. Michael Savage:** I think it's very important.

Just on the off chance that somebody in Atlantic Canada, for example, has nothing better to do than to tune into the finance committee of the House of Commons, could you talk about how you would have used that money in places like Atlantic Canada, but assuming in the other parts of the country as well?

**Ms. Carol Hunter:** First of all, I would agree on the concept of social economy. We've spent a lot of time on it. The phrase that we prefer to use is "community enterprises". I think that is something that resonates and is better understood.

One example could be a home care worker co-op in a community where there are disabled people or seniors in a community who need access to some home care services. People come into their homes and look after them.

It could be a program for street kids, to get kids off the street and working in a restaurant. We have one in Toronto, with the River Restaurant.

It could be a health care co-op in a community where there are no services. It would allow people to access health care services.

So if we think about community-based enterprises, that helps people to better understand the many different ways that these small organizations, both for-profit and non-profit, can help to meet community needs.

•(1635)

**Mr. Michael Savage:** I have heard from not-for-profit organizations as well about how this is going to affect them.

Mr. Bomben, did you want to say anything?

**Mr. Frank Bomben:** I was just going to say that in addition to just providing the funding, this program also would have provided technical assistance and supported research in those various communities right across the country. It's not just for funding specific programs.

**Mr. Michael Savage:** The concept of a social economy or investing in communities—I forget the exact term—is not an alien concept around the world. Some of the most progressive economies in the world have gone through investments in the social economy in the last 25 years, correct?

**Ms. Carol Hunter:** Yes.

**Mr. Michael Savage:** Thank you very much.

Mr. Johnston, we've heard from a lot of people about investing in research, and I congratulate you on your brief. I think it's well put together.

We've heard from a lot of different organizations—universities, researchers, and granting councils themselves—about the work we've been able to do in Canada in the last number of years, in fact reversing the brain drain and bringing researchers back. That's largely through, as you indicate, investing in university research. I guess what you're talking about is making sure we take advantage of that and take the next step in terms of going into commercialization and actually really giving a further boost to the economy through the investments and research.

In one of your recommendations, you state:

Clarify the mandates of government research institutions to ensure their relevance...re-invest in those that are essential to meet the government's regulatory responsibilities, that provide the government with the capacity to respond to global or national emergencies....

Can you be specific at all? Are we talking about granting councils, like NSERC, SSHRC, CFI, CIHR? Who do you think is significantly worthy of this?

**The Chair:** Unfortunately, Mr. Johnston, you have only seconds.

**Mr. Paul Johnston:** In that particular recommendation, we were discussing the role of government laboratories. They are not universities or industries, but they have specific roles to play in the national interest. The government needs to make sure that the roles defined for its labs across the country, operated by the National Research Council or Natural Resources Canada, are within the mandate of those departments and serve the interests of the government as a whole.

**The Chair:** Thank you, sir.

[*Translation*]

The floor is yours, Mr. St-Cyr.

**Mr. Thierry St-Cyr (Jeanne-Le Ber, BQ):** Thank you, Mr. Chairman. I am sorry that I was late, I had another committee meeting.

My question is for Ms. Carleton. I am told that you spoke about the two orchestras whose plans to tour New York, or elsewhere in the United States, were put on hold following the recent funding cuts. Yet, this afternoon, in the House of Commons, when the Bloc Québécois asked Minister Oda whether the funding cuts would affect such touring plans, her answer was a categorical no.

I realize that I was a little late, but I would like you to address this point to give me an idea of what is actually happening.

[*English*]

**Ms. Katherine Carleton:** I apologize for not being able to respond in French. I actually understood very well what you said, but I do not yet have the courage to speak back to you.

We have been advised by a couple of our members who had planned to pursue international touring this spring that they've been told that their applications are on hold. They have not yet been forced to cancel. They are, however, hitting the panic button. They are extremely concerned, because at a certain point a late cancellation is really fatal to future touring prospects.

I'd be pleased to provide you with more details as they become available, but at this point we simply know that the applications are on hold.

[Translation]

**Mr. Thierry St-Cyr:** If the minister was correct in what she said in the House, you have nothing to worry about. As to whether she was correct, that is a whole different matter.

My next question is for Mr. Shapcott and concerns housing. Housing is a matter of great concern in my riding, Jeanne-Le Ber, which lies south-west of Montreal. You recommended a \$2 billion investment in social housing. The Bloc Québécois fully supports this recommendation.

Another issue that worries me gravely is the availability of land to build social housing. Land for building social housing is becoming increasingly rare and increasingly expensive. Would you be in favour of a process whereby the federal government or a Crown corporation could divest themselves of land they no longer require and make it available for housing in areas where there is a real need, rather than simply selling it to the highest bidder? Do you think that would be a good idea?

● (1640)

[English]

**Mr. Michael Shapcott:** The cost of housing is significant in Montreal and almost everywhere in Canada, and the cost of land is a significant component of the cost of housing. The federal government, back 1999, announced a program to make available surplus federal lands for housing. But it's been used only sparingly, in a just a few parts of the country.

I don't know your particular riding, and I don't know what federal or other government properties might be available there. In urban areas, though, the most important way to develop housing is by intensification, that is to say, by adding more homes in existing neighbourhoods. There are lots of examples of successful intensification projects across the country, including some in Montreal that you may be familiar with.

**The Chair:** Merci, Monsieur.

We'll continue now with Madam Ablonczy.

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

I appreciate your presentations.

I want to start with Mr. Williamson, since we hardly ever get somebody in front of us not wanting to spend money.

The Taxpayers Federation—and I assume you speak for at least some taxpayers—must know that in this country there's a wide range of people with needs, requests, and activities, all clamouring for federal dollars. What do you have to say to the committee about this? I ask because some of these people are engaged in good and useful

activities. You seem to be saying not to take the money to spend on these activities. What's your message, when you see what we're dealing with and what the options are?

**Mr. John Williamson:** My message is straightforward. The government made certain promises in the election campaign. They heard from Canadians far and wide, voters at election time, and some of those promises include spending in priority areas to stop the practice of having budgets rise across the board just because they rose last year across the board. It was to pick and choose your priority areas in the coming years, rather than just agreeing to all funding requests because the money is there.

There was another promise made to hold spending growth at inflation plus population, something we have not seen since the early and mid-1990s, when the Chrétien government was attempting to balance the budget, and they were ultimately successful at doing that.

The bottom line is to go back to what Jean Chrétien used to talk about, a balanced approach, whereby you spend in priority areas, you reduce some debt, and you cut some taxes. That's all taxpayers are looking for.

What we're not looking for is to have surpluses rung up throughout the course of the year and budgets to be blown. For example, in Paul Martin's first budget, program expenditures were supposed to increase by 2% or 3%. It sounded very, very responsible. At the end of the year, program spending was in the double digits. Why? Because those surplus dollars just came tumbling in.

In fairness, that's a challenge all governments face. The current government is also facing these pressures.

One thing I thought was very interesting was when the government made its \$1 billion spending cut, members were saying this wasn't necessary because we were running a surplus. The Government of Canada should be using tax dollars efficiently, whether we're in a deficit situation or a surplus situation. Because we're in a surplus situation today doesn't mean we ought to be spending on priorities that don't achieve value for money or don't achieve measurable public policy outcomes.

**Ms. Diane Ablonczy:** I wanted to let you have your say on that. We have so many other areas we want to look at, housing being one.

Mr. Shapcott, I toured the Calgary homeless shelter fairly recently—tremendous work being done there. The question I have I had for people at the shelter, but I'll ask you as well. So many people are homeless who are not really capable of owning or operating within a separate home environment, people with serious substance abuse problems, people with serious mental illnesses. What is your strategy for dealing with that portion of the population, who, if you gave them a home or an apartment or a condo, would still find it very difficult to operate in society even with that assistance?

● (1645)

**The Chair:** I do regret, Mr. Shapcott, that the preamble has consumed the time available, and I hope you get another question.

Mr. Pacetti.

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

Thank you to all the presenters, always interesting. The problem is we lack time, so I'm going to try to get straight to it.

Mr. Williamson, just quickly, in your brief you said the tax rate went from 15% to 15.25%, and 15.5% to 16%, but all I know is that my tax form said 16%—and it went from 15% to 16%. I know there was an averaging, so perhaps this year it was at 15.5%.

**Mr. John Williamson:** You're right, but the effective rate for this year is 15.25%, and next year the effective rate will be 15.5%, up from—

**Mr. Massimo Pacetti:** But the rate will be 16% for 2006.

**Mr. John Williamson:** No. The Conservatives initially said they would put it to 16%, but in the budget they split the difference and went for 15.5%.

**Mr. Massimo Pacetti:** You didn't address the GST; it's a question we've been asking most people who come forward asking for lower taxes or lower GST. What is your preference, if you had to choose?

**Mr. John Williamson:** I would choose income tax measures, but I thought the GST reduction was important because it was a promise made to Canadians, and promises made on the campaign trail should be respected.

**Mr. Massimo Pacetti:** Okay, fine.

You were talking about showing preferential treatment. We had somebody in here this morning talking about the R and D credit, that a lot of small business corporations take advantage of the research and development credit. It's not refundable for large corporations. How do you feel about that? Is that a way we'll keep investment here?

**Mr. John Williamson:** Every year the Government of Canada, through those tax credits, provides support in the range of \$1.5 billion. I prefer that kind of support to a direct subsidy or cash handout.

**Mr. Massimo Pacetti:** Would you prefer that being spread out among everybody, or do you like that program?

**Mr. John Williamson:** I think if a tax credit is offered to business it should be offered across the board. I recognize the government might want to focus, for example, on the aerospace industry. Again, my preference would be to do it through the tax code, as opposed to writing a cheque.

**Mr. Massimo Pacetti:** That clears up things. Thank you.

Mr. Johnston, you talked about commercialization. I think it's a challenge and I still don't really understand what the solution is going to be. I'm not sure if you're aware, but I happened to be reading up on the expert panel on commercialization, and they had a few recommendations. It's also creating another bureaucracy or another group. Is that going to solve anything? Is that going to help commercialization?

**Mr. Paul Johnston:** My answer to that would be no. I think the call for yet another bureaucracy to commercialize something doesn't work.

We think the way to commercialize new technologies that are emerging either out of government labs or universities is to ensure it's done in a competitive market-driven way, not through any kind of a "pick winners" but in a market-driven competitive way whereby companies, universities, and government labs actually work together. You'd perhaps need some money for that, and we think yes, but more than that you need the mechanisms that come from completely different cultures. You have to have the mechanisms to help those people.

**Mr. Massimo Pacetti:** That's the question: what are those mechanisms?

If you're going to get into research and you're able to raise money for research, why wouldn't you be able to raise money to commercialize? That's the end point. That would be the easiest part, I would think, to go out and get money, the commercialization part.

**Mr. Paul Johnston:** Again, we're back to the valley of death concept. The difficulty is that you need the fourth pillar organization in the middle to help the company take the technology across the valley before the venture capitalists, before the banks, before even angel investors, who then see the revenue stream, and are in a position where they can actually put their money on the table.

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

We conclude with Mr. Turner.

**Hon. Garth Turner (Halton, CPC):** Thank you.

Mr. Williamson, what constitutes a special interest group?

• (1650)

**Mr. John Williamson:** Any organization that is doing advocacy organization pushing a political agenda—and by that I don't mean partisan, but a political agenda. We're an advocacy organization at the Canadian Taxpayers Federation. We don't accept nor do we seek government funding, and for good reason. At the end of the day, governments aren't our source of money, so we can keep operating whether it's a Conservative, Liberal, or NDP government.

You've got groups across this country, for example, that are provided handouts or funding from Human Resources Canada to go out and lobby for a national day care program. If these groups want to do that, that's fine, but they should do so with the support of their members, if they have any. The court challenges program is a perfect example. I believe everyone has the right to go before the court and challenge federal legislation. I don't believe people should go before the courts backed by the federal government with tax dollars to argue their special interest case.

**Hon. Garth Turner:** This committee is now in the process of hearing from 260 or 270 different organizations over the course of this exercise. I guess you'd have to define a lot of those groups, by your definition, as special interest groups. Do you have any particular advice for us?

**The Chair:** For your information, actually we'll hear from over 450 groups.

**Hon. Garth Turner:** That's even more depressing.



**Mr. John Williamson:** I suppose my advice is to establish a blue ribbon panel to have members go through the public accounts and separate those groups that actually deliver social programs from those that actually just deliver a political message. Those that deliver a political message should be de-funded.

**Hon. Garth Turner:** Finally, Mr. Williamson, do you think the Canadian taxpayer should be footing the bill to send an orchestra to Beijing?

**Mr. John Williamson:** Generally, no, I don't. I'm not familiar with that story, but generally, no.

**Hon. Garth Turner:** That brings me to Katherine Carleton.

You held out the example of Tafelmusik as being an example of an enterprise that got government seed funding and then grew into a commercial success. Obviously, everyone knows Tafelmusik and they are a great success, but by the same token you are now using Tafelmusik as an example of an organization that has ground to a halt. They can't travel because their government funding has been cut. That's hardly a good example of an organization that grew out of seed to be successful commercially, is it?

**Ms. Katherine Carleton:** As I was listening to my colleague Mr. Johnston speak about the valley of death, it occurred to me that we are very different kinds of organizations speaking about very different kinds of activities and different potential for so-called commercial success among us. Some require seed money in order to find their appropriate commercial home. Sad to say, the economy of symphony orchestras is such that 50% of the revenue generally comes from ticket sales; another 20% to 30% comes from philanthropy, either corporate or individual; and the remainder comes from government. That has been the Canadian funding model for many years.

**Hon. Garth Turner:** Right. I understand that. But I didn't understand how on one hand you could say this is an example of an organization that grows commercially from seed and then five minutes later you're telling Judy that these guys are in terrible straits because their government funding has been withdrawn. Which way is it?

**Ms. Katherine Carleton:** I can answer that one, and happily. In terms of their core functions here in Canada, they're able to do very well with the government investment that they have consistently had over the years. However, for activities such as international touring—

**Hon. Garth Turner:** Then it's not seed money. It's program funding. That's what I'm getting at. You said it was seed money, and it grew commercially.

**Ms. Katherine Carleton:** No, I didn't say it was seed money.

**Hon. Garth Turner:** Then you misspoke.

**Ms. Katherine Carleton:** I don't believe that I said it was seed money. I said that they've had money from the Canada Council all along.

**Hon. Garth Turner:** Okay. This is an organization that is commercially successful that is going to depend on government funding every year, year in and year out.

**Ms. Katherine Carleton:** That is correct.

**Hon. Garth Turner:** I rest my case.

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

Thank you all. We appreciate the time you've taken to be with us. We do sincerely appreciate your participation in this process. We wish you well, and we wish the next panel would come up and replace this panel now. Thank you very much.

For the committee, we have a little housekeeping. We have a resolution to deal with, committee members, so the next panel will end about ten minutes earlier to allow for Mr. Paquette to bring his resolution forward.

We'll suspend for a moment now.

• (1650)

\_\_\_\_\_ (Pause) \_\_\_\_\_

• (1700)

**The Chair:** We will recommence.

Panel members, thank you for being here. We appreciate you taking the time to be with us. We appreciate also your submissions, which will be distributed and perused by our committee members.

You've been told to confine your remarks to five minutes, understandably, to allow time for questions. I'll indicate to you when you have one minute left, and then we'll unfortunately have to cut you off at five minutes.

I will also prepare you in advance that, because we have some committee business to attend to, we're going to have to cut off a few minutes earlier than was planned. We will be ceasing operation, from your perspective, at about 6:20.

Thank you for being here.

We'll commence with the Canadian Cancer Society representative, Kenneth Kyle, director. Welcome, and proceed.

**Mr. Kenneth Kyle (Director, Public Issues, Canadian Cancer Society):** Good evening.

In our submission to this committee last year, we pointed out that with the aging population a tsunami of cancer will hit us. Cancer will become the greatest single cause of premature death by the year 2010. Cancer in the workforce will more than double over the next 30 years, resulting in staggering losses of tax revenues and wage-based productivity. We therefore thank the members of this committee for support for the Canadian strategy for cancer control.

The federal government is committed to addressing the cancer challenge and has pledged to implement the Canadian strategy for cancer control as set out in the May 2006 federal budget with the full funding of \$260 million over five years, so thank you.

There is more that Parliament can do to ensure the good health of Canadians and promote productivity and competitiveness in our economy. A case in point is tobacco control. Higher tobacco taxes are an important means of not only reducing smoking, especially among price-sensitive teenagers, but also raising revenue for government. The dramatic onset of price discounting by tobacco manufacturers in the last three years has resulted in a price decrease of about \$10 to \$20 per carton for more than 40% of the market.

A tobacco tax increase now would respond to these legally sold discount cigarettes to mitigate potential adverse impacts on smoking rates. There has not been a net increase in federal tobacco taxes since June 2002.

So the Canadian Cancer Society recommends that federal tobacco taxes be increased by \$10 per carton of 200 cigarettes; that the government close the loophole allowing roll-your-own tobacco and tobacco sticks to be taxed at a lower rate than cigarettes; that any future decreases in GST be accompanied by the small upwards adjustment in tobacco taxes necessary to ensure there's no price decrease to consumers; that stronger contraband prevention measures be implemented; and that the Canadian government urge the U.S. government to shut down the illegal manufacturing operations on the U.S. side of the Akwesasne reserve, which the RCMP has estimated is the source of 90% of the contraband entering Canada.

We strongly oppose the cuts that have been made to Health Canada's tobacco control program. Health Canada's tobacco control budget is only about \$48 million in the current fiscal year, down from what was to have been a \$110-million-a-year program. Why on earth would cuts be made to a Health Canada program that is working? Why have there been cuts to the successive anti-smoking TV ads? This makes no sense.

We recommend that a mass media campaign resume on a priority basis. The CCS—that's us, the cancer society—is concerned about the recent elimination of the first nations and Inuit tobacco control strategy. The government says it intends to implement a replacement program, which we look forward to seeing.

Finally, I want to draw your attention to a research issue. A continued public investment in health research is important for a competitive advantage in today's global economy. Health charities contribute \$150 million a year to health research. The federal indirect costs of research program, ICP, unfairly penalizes national health charities and the millions of Canadians who donate to them every year. Currently, the federal government provides approximately 24¢ towards the indirect costs of research for every dollar that is allocated by a federal granting council to a university or research hospital for the direct costs of research. In contrast, research funded by national health charities does not benefit from the ICP. We recommend that health charities be included in the federal indirect costs of research program.

Thank you.

• (1705)

**The Chair:** Thank you, sir. We appreciate your presentation.

We continue now with the representative from the Prospectors and Developers Association of Canada, Patricia Dillon. Welcome.

**Mrs. Patricia Dillon (President, Prospectors and Developers Association of Canada):** Thank you very much.

The Prospectors and Developers Association of Canada represents 6,000 members, including 5,300 individual and 700 corporate members. The majority of our corporate members are small and medium-sized enterprises—in our lingo, called junior exploration companies. Our members are engaged in the exploration and development of mineral resources here in Canada and abroad.

It is important for you to know that mining accounts for 4% of Canada's GDP, more than agriculture, forestry, fishing, and hunting combined. Since 1980, known copper reserves have declined by 65%, and zinc reserves have decreased by 80%. Most exploration is carried out by juniors that are dependent on our capital markets for funding. Sustaining the mineral exploration industry in Canada offers great potential for the creation of wealth and prosperity for all Canadians, especially for those living in Canada's north and in other rural and remote regions of the country.

The mineral industry is the largest private sector employer, offering excellent employment and business development opportunities for our aboriginals and first nation peoples.

To replenish reserves is vital. It is vital that we invest in geoscience and continue to support exploration activities. Investment in geoscience is critical to successful exploration and the discovery of new mines. The north, which has the highest potential for new discoveries, has large tracts of land that have never been adequately mapped. Such activities would reaffirm Canada's sovereignty of the north. We are specifically asking for support for the cooperative geological mapping strategies program, which will trigger significant provincial and territorial investment.

In regard to support for exploration, we want to recognize the reinstatement of the super flow-through program to March 31, 2007, and ask that the program known as the mineral exploration tax credit be renewed for a three-year period. This will help the junior exploration sector compete for investor interest, keep exploration investment in Canada, and raise the potential for new mine discoveries in this country.

Finally, we ask for the recognition of community consultation and environmental baseline costs as eligible Canadian exploration expenses, so that these essential activities can be financed through flow-through funds.

Challenges or barriers to exploration investment in Canada include the lack of infrastructure, complex regulatory regimes, and the uncertainty of mineral title due to unresolved land claims.

A vibrant exploration industry will enhance the opportunity for discovery of new mineral resources that when developed will create new jobs, provide training and skill development opportunities for youth, generate revenues, and increase the local tax base to support communities.

Thank you for your attention.

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

We continue now with the Canadian Association of Student Financial Aid Administrators. I believe Suzanne Brunette will be doing the presentation. Welcome, Suzanne.

**Ms. Suzanne Brunette (President, Student Awards Office, Canadian Association of Student Financial Aid Administrators):** CASFAA is the national professional association representing financial aid administrators at Canada's colleges and universities. We are responsible for the delivery of student financial aid programs, including the Canada student loans program. Because of our roles within our educational institutions, we are uniquely positioned to directly witness not only the success of the Canada student loans program, but also the gaps that seriously compromise the academic potential of our students.

The changes to the Canada student loans program in 2005 in the form of increased loan limits, a relaxation of parental contribution expectations, and a new grant program for low-income dependent students have enhanced the program and provided encouragement for many students and their families. We believe, however, that more needs to be done to improve access to post-secondary education and to encourage and support the successful completion of programs, particularly for low-income students and students who have traditionally been under-represented in post-secondary studies.

The recently implemented grant for low-income families is a building block for the academic success of many students who might not otherwise have undertaken post-secondary studies. This grant currently covers up to 50% of tuition for first-year students only. Many research studies have emphasized that grants targeted to low-income students are more effective in promoting access and success than are loans and that they greatly support retention and encourage the timely completion of studies. We therefore recommend that the Canada access grant be extended to students in subsequent years of their programs, up to a maximum of four years.

Government has spent increasingly on student assistance through fiscal measures introduced to the tax system, such as exemptions on awards, credits for tuition fees and books, an allowance for each month of enrolment, contributions through RESPs, and Canada education savings grants. These credits are distributed almost entirely without regard to financial need, disproportionately benefiting families with higher incomes. They do little to assist high-need students and under-represented groups, such as students from low-income families, students with disabilities, aboriginal students, adult learners, and students from rural areas, in entering our post-secondary system.

We believe that means-tested aid that is accessible through a simplified application process and that delivers funds at the time expenses are to be incurred represents the most effective use of taxpayer dollars. We would recommend that the government review its education-related tax credits and give serious consideration to redirecting a portion of the funding towards means-tested programs that support high-need and under-represented groups.

Since 2000, the Canada Millennium Scholarship Foundation has delivered more than \$1.5 billion to students across Canada. The foundation provides \$350 million per year in grants to high-need and low-income students. Many students from all jurisdictions have seen significant reductions in their debt load through grants delivered either as upfront funding that decreases the amount they are required to borrow or as direct paydowns on their student loan debts.

The foundation is scheduled to cease operation in 2010. The removal of the funds administered by the foundation from the aid system at large will be devastating to the many students who have benefited from this assistance. Further, the foundation has produced and continues to provide a wealth of vital research on student financial assistance in Canada.

We strongly encourage the government to continue the foundation's mandate beyond 2010. If the foundation's mandate is not renewed, we recommend that the federal government provide additional non-repayable assistance at the level currently being disbursed by the foundation, and that such funds reflect the needs of the various jurisdictions.

Under Canada student loan needs assessment calculations, parents and students are expected to contribute to the students' educational costs based on their respective incomes. The reality is that many parents are unable or unwilling to assist the students. We would recommend that students be permitted to seek alternative sources of income, such as work. So we would recommend an increase in the Canada student loan in-study work exemption to \$100 per week from the current \$50, that all institutional awards be exempted from the needs assessment, and that a federal work-study program for students be created.

We would also like to recommend that the weekly limit of \$210 be increased and reviewed on a regular basis, at a minimum of every three years, and also that there be an increase in the weekly lifetime limits so that students in graduate and doctoral programs receive funding to complete their programs.

• (1710)

**The Chair:** We'll continue now with the Queen's University representative, Karen Hitchcock. Welcome, madam, and proceed.

**Dr. Karen Hitchcock (Principal and Vice-Chancellor, Queen's University):** Thank you, Mr. Chairman, and good afternoon, everyone. I'm delighted to have this opportunity to participate in these pre-budget consultations.

In a recent speech at Queen's University, the Minister of Finance pointed to post-secondary education as being "one of the cornerstones of our success as a nation" and noted that there are real pressures to do more.

The need cited by the minister for predictable, long-term funding for post-secondary education flows directly from the central role universities play in developing the human resources and producing the new knowledge that are essential to Canada's competitiveness. Public universities have an obligation to ensure that their programs of education and research do indeed serve the public good. It's in this context that I'd like to focus my remarks today on two particular points from the brief I prepared for the committee: first, the need for new approaches to the commercialization of research; and second, ways universities can assist in addressing another national priority—research and training in public health.

Turning first to the commercialization of research, it is, as you know, about developing discoveries into potential new products and then helping support the companies that will bring these new products to market. This is a labour- and resource-intensive process, requiring support from universities, government, and the private sector.

Indeed, increased public investment is essential to ensure the creation of new knowledge, which is the basis for innovation. I therefore join my university colleagues in urging that enhanced support of the federal funding councils and the CFI be a priority for the 2007 budget.

More is required for effective commercialization. Last month the Council of Canadian Academies reported that while Canada is strong in academic research, there's an ongoing concern that these strengths are not translating into innovations that succeed in the marketplace.

Based on experience in a number of jurisdictions in the U.S., I feel that if we are to effectively manage the transition from research and discovery to successful innovation and commercial development, a new paradigm will be required. New government funding mechanisms need to be developed to help create the university-industry partnerships that undergird successful commercialization. Universities, with their industry partners, need to be involved in all stages of the innovation cycle from the creation of new knowledge through to the development and refinement of new products and to the support of the companies that will bring these new products to market.

This process will require multi-sector support and multi-sector collaboration. We therefore recommend that the federal government's 2007 budget commit to fund new mechanisms and incentives for university-industry partnerships, designed to increase the rate of commercialization by shortening the innovation cycle and more rapidly deploying new technologies.

In addition to their direct impact on our nation's economic growth through enhanced commercialization, universities also play a significant role in addressing major societal issues, contributing not only to the prosperity of the nation, but also to the quality of life of all Canadians.

My second point relates to the role universities can play in addressing one such national issue, that of public health. According to the report of the National Advisory Committee on SARS and Public Health, Canada's public health human resources are deficient. The committee, like other bodies, recommended the development of a national public health strategy to address this issue.

Queen's recognizes the need to act as a strategic resource to government in the area of public health. Resources of both colleges and universities need to be enhanced to educate professionals in the front line of response to major public health issues, and also to support research that will allow us to address such critical public health issues as pandemics and bioterrorism.

Toward this end, Queen's has convened a number of sister institutions to recommend a national, academic, public health strategy to ensure that universities, in partnership with the Public Health Agency of Canada, are prepared to address the nation's public health research and educational needs. To support Canada's public health infrastructure, we therefore recommend that the federal government's 2007 budget commit to providing the resources necessary to develop and implement a national academic public health strategy to address the needs of the public health system of Canada.

Mr. Chairman, that concludes my remarks. Thank you for your attention. I welcome any questions you may have.

• (1715)

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

We continue now with the Conference of Defence Associations, and Richard Evraire. Welcome, sir.

**Lieutenant-General Richard Evraire (Chairman, Conference of Defence Associations):** Thank you, Mr. Chairman.

The Conference of Defence Associations is grateful for this opportunity to participate in these consultations.

[*Translation*]

Firstly, allow me to say that the Conference of Defence Associations is pleased with the manner in which the Government of Canada has responded to two of the priorities for funding which we identified in our April submission to Minister Flaherty. The provision of an additional \$1.3 billion to improve the funding of ongoing operations in 2006-2007 is in line with our recommendations.

Similarly, the approval in principle for projects to deal with our immediate capital requirements and well-known deficiencies in strategic and tactical lift, is also in line with our recommendations.

[*English*]

Now that the most immediate requirements have been dealt with, the Conference of Defence Associations wishes to turn to the planning and funding of the future force, in the context of the continuing rust-out of critical capabilities due to aging of equipment.

As the tables in the formal statement put before you today indicate, only one of the five most important naval platforms is under half of its life expectancy, as measured by Treasury Board mandated service lives. Two are already beyond their Treasury Board service lives.

• (1720)

[*Translation*]

The army has only 4 of its 11 major platforms with over half their life expectancy left, and 3 are beyond the end of their service lives, though one of these will be replaced in the projects cited above.

The air force is in even worse shape—with all but one of their eight major platforms beyond the end of their service lives, though the projects cited above will replace three fleets.

[*English*]

Mr. Chairman, the Conference of Defence Associations believes that the publication of a comprehensive defence capability plan, which looks beyond the current five-year, 2006-11 budget window, and which is supported by a meaningful defence capability financial plan that includes financial allocations and growth, is absolutely critical to the rehabilitation and preservation of Canada's defence and security requirements.

To conclude, Mr. Chairman, the CDA estimates that the government needs to assign at least 1.3% of GDP to defence needs from 2011 to 2020 if it is to ensure that Canada is able to replace its major capabilities and has a viable future force with a three-ocean navy, a robust army, and a revitalized air force.

Again, Chairman, the CDA is grateful for this opportunity to appear before your committee.

[*Translation*]

Mr. Chairman, with your permission, I am now going to hand over to Colonel Brian MacDonald, an analyst with the Conference of Defence Associations, who will be able to answer your questions. Thank you.

[*English*]

Thank you very much.

[*Translation*]

**The Chair:** I thank you, sir, for your presentation.

[*English*]

We continue, and we will conclude our presentations with the Alliance of Sector Councils, Wendy Swedlove, vice-chair. Welcome, and proceed.

**Ms. Wendy Swedlove (Vice-Chair, Alliance of Sector Councils):** Thank you, Mr. Chairman, and thank all for having us represent the Alliance of Sector Councils at this meeting.

I am speaking on behalf of 30 sector councils that come together in the alliance. I myself am actually president of the one sector council that looks after the tourism industry.

Sector councils were established in the late 1980s, and they were established to address labour market issues. They brought together the labour market partners from each sector: business, labour, education, and government. They were an innovative approach to addressing labour market issues at the time, and probably still are. They are partly supported by the federal government, but also partly supported by industry and by the other labour market partners.

The biggest labour market issue for sectors is the skills and labour shortage. This will affect Canada's competitiveness—no doubt. You've all heard the stories coming out of Alberta and British Columbia about the issues people are facing in the construction industry.

Just as a small anecdote, the Tim Hortons in the oil patch in northern Alberta is now paying \$35 an hour. They're only working from ten until four, and that is because they cannot find enough staff. This is going to happen to all sectors very shortly, and over the next ten years it will get progressively worse.

Sector councils are in a unique position to be able to address that and other issues related to skills and competitiveness. They work with the under-represented groups to try to increase the labour pool in Canada. They work to more efficiently move people into the right sector and the right job, saving time and effort. They work to increase productivity, which will become a major issue for all of us very shortly. They do this by developing occupational standards and skill standards, by introducing credentials in areas where there are none, in developing workplace training materials, and helping employers to retain the workers they have.

This is one of the best tools we have at the national level to address competitiveness and productivity. We as sector councils would urge you to continue to have the federal government support us, in partnership with the other labour market partners.

Thank you.

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

We'll move to the first round of questioning with Mr. Savage. Six minutes, Mr. Savage.

**Mr. Michael Savage:** Thank you, Mr. Chair.

Thanks to everybody for showing up today and for giving us some really good stuff. I wish I had a little bit longer, but I want to get into a couple of areas, just the small topics of health and education, and we have six minutes to do it.

Mr. Kyle, the Canadian Cancer Society does a lot of good stuff. I enjoyed your presentation. You spoke about tobacco. We have made some progress on tobacco. I spent a good chunk of my life with the Heart and Stroke Foundation as a volunteer, and health charities got it right when they came together and formed the health charities coalitions and round tables. But obesity is the new tobacco. That's what we hear, and there's a lot of truth to that.

You spoke about healthy choices and physical activity. One of the things we have to do in this process is make recommendations about how the government should go about improving the lives of Canadians. In the area of getting Canadians more active, certainly getting kids more active, but all Canadians more active, one of the big questions is, do you do it through the tax system or do you do it through direct investment in infrastructure?

We heard from the Chronic Disease Prevention Alliance yesterday along the lines of infrastructure. I think that's what you're saying here. Is that accurate?

• (1725)

**Mr. Kenneth Kyle:** Yes, we certainly support the CDPAC brief that was presented yesterday. We're part of CDPAC. We work closely with them. I think we have to look at all avenues, not only infrastructure, and we shouldn't disregard the tax system. Look how well it's worked in the area of tobacco. Some lessons have been learned there. Some things that have been done in tobacco control that have helped have been mass media campaigns. That's an area of federal jurisdiction. Can you imagine if we had mass media campaigns directed to some of these nutrition issues and the issues you've raised, like physical activity?

**Mr. Michael Savage:** Yes, the government is going down a road of tax benefit for people who join the gym, for example. I think that's a good thing, but I'm not convinced it gets to the heart of the problem. If you believe the biggest social determinant of ill health is poverty and lack of resources, then we need to invest in infrastructure as a priority over taxes. Is that true of you, or am I just giving my own again?

**Mr. Kenneth Kyle:** I don't think there's one magic bullet. I think we have to look at all these sorts of things. In the coming years we'll see the infrastructure dealt with. We'll see more user-friendly neighbourhoods and so forth, bicycle paths and walking and we'll look at that. This is a huge issue that's going to take a number of years to resolve. We've got a lot of people working on it. A big conference is coming up next month to look at some of these issues. But we have to look at every single policy lever we can to address this issue. It's a huge problem among young people.

**Mr. Michael Savage:** In the interest of moving on, the last thing I'll say is that I remember that ten years ago or so, when the Medical Research Council wasn't providing much money in terms of health research, the Heart and Stroke Foundation and I suspect cancer organizations were inundated with requests for research we couldn't fund. It's turned around a bit now with our massive investment in publicly funded research. In fact, the Heart and Stroke Foundation

came to me last year and said, "Mike, you know what? With this indirect cost program...." And now we're looking to go to possibly 40%, as Madam President indicated, and I think that's right.

Health charities should be included. My question is, do you have any sense of what the cost would be to go to 24¢ on the dollar for health charities?

**Mr. Kenneth Kyle:** I don't have that with me, but I can get back to you, or I'll send it to the committee.

**Mr. Michael Savage:** Thank you very much.

Ms. Brunette, everything you've written here is right, so we should adopt it unqualified.

Last year the caucus of the governing party, the Liberal Party, had recommended that Canada access grants go to four years. We put it in the economic update in the fall. It didn't pass. We put it in our program again, and I think it's the way to go. We have to make sure, because although university enrolments have not necessarily been declining, they have from low-income families, from aboriginal Canadians, from Canadians with disabilities, and we really have to get at that.

We've heard from the Millennium Scholarship Foundation and from CFS. They don't necessarily see eye to eye on these things, and it's been a source of some paper that's flown back and forth among the committee members. You recommend the millennium scholarship, but you see it directed more at low-income Canadians?

**Ms. Suzanne Brunette:** Yes, we do support the work the Millennium Scholarship Foundation has done.

**Mr. Michael Savage:** How much time do I have?

**The Chair:** You have a minute and a half.

**Mr. Michael Savage:** Since we have the principal of Queen's here, I would like to get her view on the millennium scholarship.

**Dr. Karen Hitchcock:** Actually, to give a little plug, Queen's has more millennium scholarships than I think any other university, so I certainly support the program. It's one that allows us also—for highly qualified students, I grant you—to continue to provide access, which is extremely important to us.

• (1730)

**The Chair:** You're surrounded by self-promoters. Feel at home.

You have a minute.

**Mr. Michael Savage:** I have a minute, great.

**The Chair:** I took some of your time.

**Mr. Michael Savage:** I'd like to talk to you about the dedicated transfer that you didn't refer to, but that you did put in your document. I don't think anywhere in your document you talk specifically about access. Is access an issue in your view as well as...?

**Dr. Karen Hitchcock:** It is very much so. The issue of skills development, of workforce training—all of this—in the post-secondary environment is absolutely critical as we go forward. Access becomes, therefore, the underpinning of that, so that we have a diverse, wonderfully vibrant student body. So yes, indeed, access is at the heart of our issues.

**Mr. Michael Savage:** Is it part of the quid pro quo between the federal government and the provincial government and the dedicated transfer that access would be an issue that would be—

**The Chair:** I'll close off here.

[*Translation*]

The next question is for Mr. St-Cyr.

**Mr. Thierry St-Cyr:** Thank you all for coming this afternoon.

Once again, groups have made a number of requests, and we will have to choose which ones we recommend to the government.

Mr. MacDonald, of the Conference of Defence Associations, has suggested we invest sizable amounts to upgrade our military equipment. I would like him to explain where the committee will find the money, given that Mr. Kyle has also asked us to invest in the Canadian Cancer Society. Prospectors are also asking for their share, as are the people responsible for student financial assistance, the universities, etc.

Who of your colleagues here today should do their part to allow for increased military investment?

[*English*]

**Colonel Brian MacDonald (Senior Defence Analyst, Conference of Defence Associations):** Mr. Chairman and Mr. St-Cyr, the Conference of Defence Associations identifies the requirement based upon our analysis of the age, particularly, of equipment, and simply points out that if that equipment is not replaced as it comes to the end of its service life or indeed beyond, then the capabilities associated with that equipment disappear as well.

So the challenge goes to government to make the decisions that are going to permit the foreign and defence policy of the country to be implemented, or, alternatively, to say to the military community, "We have changed our mind. These are the directions of our policy, and we will now give you enough money to do that." This is a decision that is the role of government.

[*Translation*]

**Mr. Thierry St-Cyr:** You are saying that the financial resources needed to accomplish your mission are currently insufficient.

[*English*]

**Col Brian MacDonald:** That is correct, and it has been for quite some time, as you will see from the various coloured charts that indicate the stage of obsolescence of the major platforms that are involved. So that has to be addressed over the period of time in the

future in order to restore those capabilities, or else the foreign and security policies themselves will not be capable of being executed.

[*Translation*]

**Mr. Thierry St-Cyr:** Very well.

I would like to continue with the representatives of Queen's University. Your first recommendation calls us to negotiate with the provinces about a cash transfer for higher education. A number of groups have made similar requests to our committee. They were asking that funding be brought back up to the 1995 level, prior to the cuts that were made in this area. When you factor in the increase in the number of students and inflation, the amount comes out to \$4.9 billion a year.

Are you reiterating that demand? And are those the numbers that you're putting forward?

[*English*]

**Dr. Karen Hitchcock:** Yes, those figures would get us to a point of importance for that country.

[*Translation*]

**Mr. Thierry St-Cyr:** I would like you expound on your fifth recommendation. You talked about developing a national academic public health strategy to meet the regional needs of the Canadian public health system.

First of all, such a recommendation should not be submitted to a federal government finance committee, because universities, public health and regional needs are areas of provincial jurisdiction. I fail to see how a national strategy can solve regional problems. It seems to me that it would be better to establish regional strategies to solve regional problems, and that those who are in the best position to do so should be the governments of Quebec and of the other provinces.

• (1735)

[*English*]

**Dr. Karen Hitchcock:** The reason we're calling for a national strategy is that when you begin to look at issues of public health, be it pandemics or bioterrorism, they are really national issues. They cross provincial lines, but they certainly also cross borders and become international issues as well.

The national strategy is in response to many reports calling for that at the national level, given the fact that human resources, the human capital in this area, are tremendously deficient across the whole country.

Public health is an issue where the national government becomes pivotal in policy-making that ultimately has an impact on all areas of Canada. We think of obesity not as an Ontario problem but as a national problem. We think about behavioural choices as a national issue, not a provincial one.

When you ask about resources for public health, certainly in the long run the prevention of behavioural issues and issues of public health will ultimately save resources for the nation. It truly is a national issue, I believe.

[Translation]

**Mr. Thierry St-Cyr:** I maintain that the regional and provincial governments are in the best position to make those choices. They have the skills and are best able to identify the needs.

Nevertheless, I will move on to another question, because I also want some time to address the issue of financial assistance with Ms. Brunette.

Given that I have also been the Bloc Québécois critic on youth issues, I've done a lot of work with students. They have spoken to me about Quebec's loans and bursaries system. I suppose that they would not recognize themselves very well in your report. It seems to me that it raises issues that do not really apply to Quebec. Our province has a good loans and bursaries system, but we also do agree that it needs more funding.

[English]

**The Chair:** Thank you, Monsieur

We'll continue with Mr. Dykstra.

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

Welcome to all of our presenters.

I found that it actually varied from one end of the youth spectrum to the other, with a whole bunch of things in between. I appreciate it.

Mr. MacDonald, I have a couple of questions for you, hopefully, before moving on to a couple of other folks.

In terms of procurement, you've laid out fairly well the purchases, what's been necessary, and the direction in terms of the future. When was the last time the forces saw any type of procurement activity like this?

**Col Brian MacDonald:** This has certainly been the largest chunk of procurement activity for many years. I would not be able to give you a specific date, but we have been most encouraged by the announcement of the commitment to procure a number of major platform renewals. Those address critical deficiencies and will then enable the forces to carry out their duties in a more effective and efficient fashion.

**Mr. Rick Dykstra:** What do you think would have happened within the next five years had the government not gone forward and done what it has done?

**Col Brian MacDonald:** Well, to take the medium airlift fleet as an example, we would have seen about two-thirds of the fleet die within the next couple of years and the rest would have followed after that. Without that critical logistical airlift capability, the rest of the forces' ability to function comes very much into question.

**Mr. Rick Dykstra:** One other point that I had some questions on is on function and capability. From that respect, how does this allow the armed forces to function differently from how it would have functioned?

**Col Brian MacDonald:** In the case of these particular purchases, we are seeing the restoration of a strategic and logistical lift capability for both the air force and the army and, from the naval standpoint, the provision of the joint support ships, which are the operational refuelers of naval squadrons. These are all enablers in terms of the mobility of the forces.

• (1740)

**Mr. Rick Dykstra:** Thanks a lot for the response.

One of the things we've been told about across the country, Ms. Hitchcock, is the whole concept of your first recommendation with respect to a dedicated cash transfer for post-secondary education. It's one that all of us are hearing, whichever side of the country we happen to be in or visited by.

One of the questions I have asked and really want to get an understanding of is that this isn't going to be an easy thing to do with the provinces. All provincial and territorial governments would like to get their federal money and then be able to expend it and allocate it accordingly. The difficult part of this—and the question I have—is how the universities, how the stakeholders, and how the municipalities are going to assist the federal government in ensuring that the provinces are a willing partner in the negotiations and in how we move forward with this. They're going to come back to you and say that the federal government is going to do all of these terrible things with the money and that their hands are going to be tied.

**Dr. Karen Hitchcock:** I think communication is at the heart of it, as are common expectations and a recognition of the needs that would be fulfilled by such a direct transfer.

The issue is that we're going to be needing many more people educated to the level of post-secondary. That's pivotal with regard to the post-secondary sector in all of the provinces. It's something that is a national issue if we are going to be competitive with other jurisdictions. We think of the numbers of dollars per student in Canada right now, compared to other jurisdictions. We have a common issue.

Expectations have to be clearly outlined. There has to be good dialogue on the part of the universities with the provinces about the reasons for such a federal transfer. That would be pivotal.

**Mr. Rick Dykstra:** I take it by that comment that you understand the importance and the critical role that universities and stakeholders across the country are going to play in being able to achieve this end in terms of a dedicated transfer.

**Dr. Karen Hitchcock:** Very much so.

**Mr. Rick Dykstra:** Thank you.

I just want to ask Ms. Brunette a question regarding the Millennium Scholarship Foundation. We're getting conflicting presentations with respect to the foundation. There are those who say it has been a remarkable success, and there are those who say it has been a remarkable failure. How do we address these issues?

One of the things you've asked for is an extension of the program, and we've heard from specific organizations—I believe two—that have indicated that it's not something the federal government should pursue post-2010.



This is coming from a member of Parliament who has a university in his riding, so I would very much like to hear how we deal with the issues that have come forward.

**Ms. Suzanne Brunette:** I am going to pass this one on to my colleague.

**Ms. Judy Dyck (Past President, Director, Awards and Financial Aid, Canadian Association of Student Financial Aid Administrators):** I'm Judy Dyck, past president of CASFAA, and I can give you the specific example of Manitoba, which is where I'm from.

We had Canada student loans and Manitoba student loans before the advent of the foundation. Students who were low-income and high-need received all their assistance in the form of loans. With the coming of the foundation, we were able to reduce the debt of students in second through third year of university to a maximum of \$6,000 because of the millennium bursary. Manitoba was then able to reinvest its savings from the interest subsidy and create a loan remission program for first-year students and for graduate students, so that the maximum debt that the highest-need students could receive was drastically reduced.

With the new grants that were introduced last year, Manitoba then had the flexibility of negotiating with the foundation how best to use that. They complemented the existing Canada access grants with what is called the Manitoba millennium grant, so that first-year low-income students do not have to pay any tuition. They also created something called the Manitoba millennium grant for low-income aboriginal students, who have a huge need in our province.

Without the Millennium Scholarship Foundation, we would have none of this. We would just have \$14,000 of debt for high-need students. So as administrators who deal with the students on the ground, the advent of the program has just absolutely transformed the kind of support that we're able to offer to students.

**The Chair:** Thank you.

**Ms. Judy Dyck:** And that's our perspective.

**The Chair:** We'll mark that down as a for, and we'll move on to Madam Wasylycia-Leis.

**Ms. Judy Wasylycia-Leis:** Thank you very much. Let me just carry on with this discussion.

I'm not disputing the facts, obviously, about the Millennium Scholarship Foundation. Dealing with the concern raised by so many different organizations in the field of education, though, whether they're student associations, professors, or faculties, the concern has been that we have a patchwork of programs that aren't really meeting the needs of students today in an overall, broad sense. We have the millennium scholarships. We have RESPs. We have learning bonds. We have text-book credits. But together, we don't have the right model yet, so we need to revamp the entire student grant and loan system.

Do you see any merit in looking at some of these suggestions?

• (1745)

**Ms. Suzanne Brunette:** I think you make a very good point, and I think this is one of the things we were hoping to bring across in this presentation, that rather than do things through the tax system I think

we need to have a very comprehensive need-based program so that we are targeting rare resources to the students who most need them.

**Ms. Judy Wasylycia-Leis:** Are the days gone when we could actually put in place a program that would combine grants and loans based on need and grades so that every student in this country who wanted to go to university could access a grant and loan program? I hark back to the days when I went to university, so you're looking at more than 30 years ago, I know, but it was relatively easy to get a grant based on grades and income and relatively easy to get a low-cost loan so that we could pay it back right away. And these days you hear of students who are in dept for another 30 years. Is that beyond the reach of today's society, or could we actually achieve it?

**Ms. Suzanne Brunette:** I'd like to think we can achieve that, and I would like to think that some of the things we've talked about would help in that area.

**Ms. Judy Wasylycia-Leis:** Ken, I just wanted to ask you a question. We've had a bit of a debate about the usefulness of one of the cuts among the billion-dollar targeted cuts, about the first nations and Inuit tobacco control strategy, which has been eliminated. What's your view of it?

**Mr. Kenneth Kyle:** We're very concerned about it. We've been meeting with some of the aboriginal groups, who tell us that Health Canada has said they're going to come up with a better program, a more comprehensive program. We haven't seen it, so if that's true, if there is a better program, a more comprehensive program, we would want to look at it and that would be great. If not, I think the problem in the short term, particularly for next year, is if something isn't done quickly, the networks that are in place, the people who are working in this terribly important area, will dissipate into other areas and we'll lose the infrastructure that has been built up with the people skills, the networks, and this sort of thing. So I think if there is to be a replacement program, it has to be implemented very quickly.

One would have thought that before axing a program like this there would be something to replace it, but I think it needs to be speeded up.

**Ms. Judy Wasylycia-Leis:** Thank you. I'd like to ask some more, but I'm going to have to go on to Wendy.

I found your presentation a very important one for our discussions. I thought in fact, and I still think, that we've made very little progress in this country in applying a sectoral approach to some of our grave problems that we're facing on the manufacturing and industrial scene. What can we do to advance a sectoral approach to our economy?

**Ms. Wendy Swedlove:** I think it's a very well-kept secret in this country and that a little more awareness of the fact that there are organizations that can help would be one way to do it. Obviously, financial support is key. We've made an investment in sector councils. I think they have, over the last ten years, proved their worth, but they don't have the kinds of resources that can make a real difference yet. The older councils, and that's some of us who've been around for ten years, have made a real dent in terms of getting a platform or a foundation of resources that industry can use. But in a sector like ours, where there are 1.6 million workers, it's very hard to get to those folk with an office of six people or ten people, or whatever. I think we've done a tremendous job with the resources we have, but if we were to do a better job it would require more resources.

• (1750)

**Ms. Judy Wasylycia-Leis:** I have a last quick question to Patricia. Why should government invest in the exploration of further mine sites so that private companies can then reap the benefit?

**The Chair:** Ten seconds.

**Ms. Judy Wasylycia-Leis:** No, give her twenty.

**Mrs. Patricia Dillon:** The support for the cooperative geological mapping strategies program that I asked for, first of all, was approved by the mines ministers six years ago and hasn't received the funding. And it will garner matching funds from the provinces and territories and will mostly be directed in the north.

Once you've increased the geological database there, you will in fact generate more exploration activity, which would lead to discoveries and respond to our declining reserve space, which will generate tremendous revenues for the country in royalties. You just look at our Canadian diamond industry now, and that of course has been a great boost to the Canadian economy. So I think it's an investment that is going to pay back to the government.

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

**The Chair:** Thank you.

Kenneth, I very much appreciate the work your organization does and I thank you for your presentation.

You expressed concern about the elimination of funding on a program that you well know doesn't work and hasn't worked. I accept your point that there needs to be another program put in place, but I would make the point, and I hope you would agree, that as long as first nations communities rely on deep discount smoke sales and contraband cigarette sales to generate revenue, it's going to be pretty darn hard to convince first nations people not to smoke.

One the problems we faced in Manitoba recently was a piece of legislation that the provincial government passed that exempted first nations communities from its smoking ban. A court challenge ensued and the court ruled that it did not meet charter challenges.

I just want you to go on record, and I sincerely hope you will, as supporting a smoking ban across the jurisdictions of this country that applies equally on first nations communities as it does elsewhere. Would your organization support that?

**Mr. Kenneth Kyle:** Yes, absolutely. This would solve huge health problems among our aboriginal peoples.

**The Chair:** I really appreciate you putting that on the record, Kenneth, because I do think there are a lot of, certainly in my jurisdiction, first nations residents who've called my constituency office and said they would really appreciate leadership that stops putting their health behind the dollars they might get that will cause them cancer and emphysema, and so on. So I appreciate you being on record.

I'll move quickly to the sector councils. Wendy, you talked about the situation in Fort McMurray. Our committee just had the opportunity to travel to Fort McMurray. I can tell you the Tim Hortons that you speak of has 25 cars, minimum, line up around the clock. What's wrong with a person with very few skills being able to make \$35 an hour, and if they stay in the position for a year, getting a paid vacation for two to Hawaii from Tim Hortons?

**Ms. Wendy Swedlove:** No, it's fabulous, and that's a perfect example of how the crisis is generating a different approach to human resources for those businesses that are in serious trouble. It is going to make a difference in this country. There's nothing like a good crisis to change behaviour. So for those who have minimum-wage employees, I think we're going to see a different approach to human resource management on the part of those businesses, and that is a good thing in this country.

We need to get to the folk who are perhaps not in crisis mode yet but will be shortly, so that they can manage their crisis better than those folk who were caught off guard in Fort McMurray.

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

We'll go to Mr. McKay now.

**Hon. John McKay:** Thank you, Mr. Chair. It was a bit embarrassing, though, when you submitted your application for the job there.

**The Chair:** It's a step up.

I was hoping for discount product from Tim Hortons myself, but that's another story.

**Hon. John McKay:** Mr. Kyle, I understand the argument of putting up excise taxes on cigarettes and things of that nature. What do you say to the folks who say all that does is increase smuggling and illegal behaviour?

• (1755)

**Mr. Kenneth Kyle:** Well, let me make the point that you've been inundated for weeks on all kinds of good things that you want to fund, and we're one of the few groups that have a solution.

**Hon. John McKay:** You want increased taxes.

**Mr. Kenneth Kyle:** You stop the illegal manufacturing of cigarettes on Indian reserves and raise federal taxes, and that will bring in tens of millions of dollars that can fund all these good things. The technology exists to fight contraband. There have been meetings with the Canada Revenue Agency for years to work out how this can be done. The answers are there. All it will take is some political direction to stop the contraband.

Part of the problem is in the U.S., as I mentioned. We've had meetings with Senator Clinton's office, and so forth, on this, and we think increased pressure by Canada on the U.S. government can help. But a lot of the contraband is coming from reserves in Canada. They are being illegally manufactured, and as you probably know, they aren't following Canadian laws in the manufacture of these cigarettes. They're not fire-safe cigarettes, for example—

**Hon. John McKay:** Which is terrible, as a sponsor of that bill.

It's kind of ironic that the GST cut is a perverse incentive to smoke, and I don't disagree with you at all.

You do make a point in your paper that there have been some cuts to the advertising. We've had a social revolution in this country. Smoking has gone from being a cool thing to being a socially disreputable thing. Yet you can slip back the other way quite easily.

I agree with your point. What could possibly be the rationale to cut back on advertising?

**Mr. Kenneth Kyle:** There is no rationale. I think a part of it was the sponsorship issue. The funds for advertising for Health Canada were sent to the Privy Council Office, and there's a whole history and story there. It's all tied up with that issue.

But it's a program that's working, the mass media program. Do you remember the Heather Crowe ads? They had a huge impact. Canada in the seventies had the highest per capita smoking rate of any country in the world. We were number one. We're now the lowest per capita tobacco consumers in the OECD, but why stop at 20% of the country smoking? We can get it down to 10% and 5% and save huge medical costs 20 to 30 years from now.

**Hon. John McKay:** I just returned from Moscow. Our delegation all noted how oppressive it was to have so much smoking going on. In fact, I believe the differential between the death rate of men and women is something in the order of 17 years, largely attributable first to alcoholism and second to consumption of tobacco. It's a huge social problem.

Anyway, I have very little time and I want to change horses to Dr. Hitchcock. I'm a Queen's alumnus, 1973, law, and I'm sure that while you're here you'll speak to Speaker Milliken, who's a shameless promoter of Queen's University.

One of your foremost recommendations has to do with the post-secondary transfer. On the face of it that sounds like a plausible, good idea, but our experience in the previous government with the health transfer was of trying to get the provinces to give some level—even a minimal level—of accountability with respect to how those funds were distributed. Any politician who takes responsibility for raising funds has to have some accountability on the other side. My

friends here would just scream bloody murder that they have no area of accountability. How are you going to get accountability?

**The Chair:** You have fifteen seconds to answer that one.

**Some hon. members:** Oh, oh!

**Dr. Karen Hitchcock:** It's communication, again. Of course, I can't speak for how the province would respond, but certainly universities can be very strong advocates for accountability for the expansion of the post-secondary sector, increased access—all of those things that could come from a direct transfer. Needs in Canada for workforce development are huge.

I can't answer your question directly, except that universities would be there to try to help.

● (1800)

**The Chair:** Thank you, Mr. McKay. And with no direct effort to promote Queen's, I should also mention that both our researchers are graduates of Queen's as well.

We'll move on now.

[*Translation*]

Mr. Paquette, you have four minutes.

**Mr. Pierre Paquette:** Unfortunately for you, I am a graduate of the University of Montreal.

I will come back to the question put by my colleague, Thierry St-Cyr.

Looking at the summary of recommendations, what can be applied to Quebec more particularly, given that it has its own loans and bursaries system? We did not all agree on the fact that more money has recently gone into loans than into bursaries; nevertheless, the situation in Quebec is different from that in the other provinces.

Among your 11 recommendations, could you point out those that are of greatest interest to Quebec students?

**Ms. Suzanne Brunette:** Of course, the smaller the amount of debt that students have to reimburse and the end of their studies—

The recommendation concerning the Canadian Millennium Scholarship Foundation is also important to people in Quebec.

**Mr. Pierre Paquette:** Yes, but that is still very marginal.

**Ms. Suzanne Brunette:** Okay.

**Mr. Pierre Paquette:** In my riding, for example, only three or four students a year receive millennium bursaries. We are very proud of them, but that does not reduce the level of indebtedness of all students.

**Ms. Suzanne Brunette:** I am not very familiar with the Quebec system. I know the Ontario system, and my colleague here is familiar with Manitoba's. Our last recommendation is to have a place where people can go to get information, regardless of where they live. When students from Quebec come to see us, we often have a hard time answering their questions with regard to their student debts and financial assistance that they received from various organizations.

**Mr. Pierre Paquette:** Thank you very much.

I would like to come back to the Conference of Defence Associations. You are asking for—and my colleague has also raised this—a major investment, which we are not calling into question. Everyone is well aware of the state of Canada's military equipment. I think that this is obvious when we see our helicopters having a hard time taking off and our submarines, which are barely submersible.

That being said, your demand leaves us feeling uneasy, because a lot of money is at stake and we don't feel that the federal government has a very clear vision of the role of Canada's armed forces. During the last Parliament, Liberals published an international policy statement that included a national defence component. The policy was questionable and we did not really have time to debate it, because of the general election.

The Conservatives are sending out signals, but there is not a very clear strategic vision. Let me give you an example. Whereas people believe that Canada is playing an important role in United Nations' missions, Canada currently ranks fifth out of the 95 countries that contribute to UN missions. A lot is being invested today in our forces in Afghanistan, which might explain our ranking, but does not show us where we are headed.

Does your proposal to draw up a detailed plan on our defence capacity also include, because we are talking about details, a debate on the role Canada should consider for its armed forces and National Defence?

[English]

**The Chair:** We will go now with Mr. Del Mastro. Over to you, sir.

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

To begin with, Mr. Kyle, I just want to point something out to you for clarification. In conjunction with the GST rate reduction, budget 2006 did in fact increase the excise duties so that cigarettes did not in fact get cheaper, which is very important to me.

You've raised a point that I know would be exceptionally contentious in society, which is to combat the contraband cigarette problem that we're all seeing. In fact, I've heard numbers of it being as much as 25% of the market right now. I've been to reserves where the signs are large and digital, and where there are 24/7 drive-throughs offering 200 cigarettes in a bag for \$10. This is a huge problem.

It seems to me that an alternative to trying to shut down the operation would be to shut down people going and getting them, or

basically to police the exit of vehicles that are holding contraband cigarettes. What do you think of that type of a proposal? Because I do think that what you're suggesting would be difficult.

• (1805)

**Mr. Kenneth Kyle:** I don't think we'd have to go that far. You can stop going onto the reserve the things that are being used in the illegal manufacture of cigarettes, like packaging and filters and tobacco. There are a lot of things that could be done before we have to do something that extreme.

**Mr. Dean Del Mastro:** I don't know if it's extreme to suggest that people who aren't entitled to buy cigarettes without taxes on them are stopped from being able to buy them. I don't know if that's extreme. I think going into Akwesasne and shutting down the production of cigarettes would be extreme.

**Mr. Kenneth Kyle:** But there are ways to do it without confrontation. I can send some suggestions—

**Mr. Dean Del Mastro:** I just wanted your opinion on that and I just want to say that I applaud the work you do. I've lost my father, two uncles, and an aunt to cancer, and I hold hope that organizations like yours will lead to days when people don't have to suffer from what I consider to be a non-discriminatory disease.

**Mr. Kenneth Kyle:** Parliament approved in the last budget the funding for the Canadian strategy for cancer control, which is an absolutely breathtaking, innovative strategy that could be a model for many other diseases. So we'll keep our fingers crossed.

**Mr. Dean Del Mastro:** Yes, I hold out hope for that as well.

Mr. MacDonald, the Government of Canada this summer actually rolled out quite a number of what I consider to be very important procurement announcements for the armed forces. There's certainly some misconception that some of these things that we're buying are, for lack of a better term, fancy and glitzy. These are meat and potatoes investments in the military, aren't they?

**Col Brian MacDonald:** Absolutely. When you're talking about strategic and tactical lift, you're talking about the method of getting supplies to where they are needed.

One might make the point as well that we're not simply looking at it in terms of overseas deployments, but also in terms of the requirement of the Department of National Defence to provide aid and assistance to other government departments in such things as the problem of disasters. The acquisition, for example, of the strategic airlifters gives us an airplane that is able to deploy large quantities of materiel in the Canadian space.

We've talked about the possibility, for example, of a disaster in the Arctic area, which is an area that we are studying at the moment. Having the capacity to lift large quantities of commodities and to lift equipment such as medium transport helicopters in the belly of one of those airplanes to where there is a requirement in terms of some sort of a disaster is a great enabler for the Canadian Forces and its role.

**Mr. Dean Del Mastro:** Perhaps it could be lifting the DART team to areas where there's been a tragedy, or even Leopard tanks to Afghanistan. I mean, we just don't have these capabilities.

**The Chair:** Thank you very much, Mr. Del Mastro.

We'll continue with Mr. Pacetti.

**Mr. Massimo Pacetti:** Thank you, Mr. Chair.

Thank you again to all the presenters. It's always interesting. It's good to have different points of view. It makes it a little bit more interesting for us. Our time is limited, so I have a couple of questions.

Mr. Kyle, I'm going to ask the same question, but with a different focus. You addressed the issue of contraband when it comes to taxes. At what point as we keep increasing taxes will we just stop people from smoking? Is that going to happen? Do we want to reduce smokers, or do we want to increase taxes?

**Mr. Kenneth Kyle:** The World Bank has pointed out worldwide that the most effective way to reduce smoking is to make tobacco products less affordable, especially to kids and to poor people. People of higher socio-economic status respond to health information and health campaigns; the way you get poorer people and kids to stop smoking is to make the products less affordable. What's stopping the provinces of Quebec and Ontario and the federal government from raising taxes further is the contraband problem from the illegal manufacturing on reserves.

As I've said, I can—

**Mr. Massimo Pacetti:** I don't mean to interrupt you, but as I said, time is limited.

If we were able to solve the contraband issue, would you believe that we'd still have a way to go to increase the taxes on tobacco?

• (1810)

**Mr. Kenneth Kyle:** Absolutely. Yes. We could raise it \$10 a carton.

**Mr. Massimo Pacetti:** Okay, thank you. Ms. Hitchcock, on your brief, I address the issue with commercialization. Somebody brought up a different method. I read the report from the expert task force, but I still don't see a particular solution to commercialization. In your brief you have partnerships, but is this something that the university wants to get into and promote—commercialization? Is this something universities should be doing?

**Dr. Karen Hitchcock:** One of the strongest points I'd like to leave with you is my concern that universities have been too much left out of the process. If we speak about a gap between fundamental research—the council funding and so forth—and then we speak about industry being the ones doing commercialization, we're losing out with tremendous resources at universities and engineering schools and so forth.

**Mr. Massimo Pacetti:** I don't disagree, because I think it's lacking, and it could probably be a revenue generator. What seems to be happening is that when it's time to make some money, the universities seem to step away. I might be wrong.

If you're going to go that direction or suggest that type of direction for universities to be involved, will they have the expertise?

**Dr. Karen Hitchcock:** Again, I talk partnerships and coalitions. If you think of this as a continuum from fundamental long-term research through mid-term research—which would be D, the development side—and then you speak about very short-term

research, what I would be recommending as a new paradigm is to have funding mechanisms that require the partners to work together.

In the U.S. they have grants that must be applied to by both industry and universities. It's an iterative process. We always think of—

**Mr. Massimo Pacetti:** I don't mean to interrupt, but again, as I said, the time is limited.

You would suggest that we set up a program through which universities and companies can apply for this money. Does the government get the money back, or who is the beneficiary of all this—the companies?

**Dr. Karen Hitchcock:** The beneficiary is an enhanced economy. The beneficiary is job creation. If you're looking at an end point, I think we'd all say it was job creation, not licensing income. We want the companies to stay in Canada.

Universities have tremendous resources to bring to the table, and faculties in engineering are applied; by definition, they're in development. I could go on.

I'm sorry, I see—

**Mr. Massimo Pacetti:** No, you can keep talking. I can't, that's all.

**The Chair:** That was an indication that there's no sense his talking; you can proceed.

**Dr. Karen Hitchcock:** I think right now the gap is reflected by the way we fund and the role we ascribe to universities, as fundamental research only. It's just really not accurate with regard to the wonderfully applied disciplines we have in our professions.

**Mr. Massimo Pacetti:** Can the university ever benefit from it?

**The Chair:** No, no. Cut off his mike. It's Mr. Turner to conclude.

Mr. Turner, it's over to you.

**Hon. Garth Turner:** Thank you.

I have a couple of quick questions, Mr. Kyle. I'm interested in demographics. We have this unique generation; we are part of the baby boom generation that I think accounts for 32% of the Canadian population right now, around nine million people. You've alluded to the demographic time bomb in your presentation. Have we as a country ever faced this social phenomenon before—this many people so clustered in age and so at risk from disease?

**Mr. Kenneth Kyle:** I'm not aware of it, and it's not only the aging population, but because of immigration we have a growing population. The two combined are a time bomb in terms of diseases such as cancer.

**Hon. Garth Turner:** To this particular generation, this 32% of Canadians, what is the greatest cancer-causing concern we have? Is it diet and obesity?

**Mr. Kenneth Kyle:** By far it's still tobacco. We're going to have 47,000 people die from the use of tobacco industry products this year. If we could solve the tobacco problem, we'd have the resources to tackle the other areas. Take colorectal cancer. We have to do more in colorectal cancer screening. We have to do more in "sun sense", as we call it—making people sensitive to the idea that they can get skin cancer. There are a number of issues in terms of screening.

• (1815)

**Hon. Garth Turner:** Coming back to the smoking threat, I know we've talked about it a fair amount today, but would you support banning smoking?

**Mr. Kenneth Kyle:** No.

**Hon. Garth Turner:** Why?

**Mr. Kenneth Kyle:** When you have 20% of the population addicted, they're going to get their cigarettes somewhere, and it would just fuel contraband smuggling. It just wouldn't work, unless maybe we get smoking rates down to 2%. We're at 20%.

**Hon. Garth Turner:** Would you support dealing with tobacco as a controlled substance, as we do alcohol?

**Mr. Kenneth Kyle:** It is in many senses a controlled substance: you can't advertise it; there's controlled access. So in many respects it is controlled, but we can do more.

**Hon. Garth Turner:** All we can really do, then, is use price point.

**Mr. Kenneth Kyle:** No, price point is the most effective, but we can do more public education, and the federal government has jurisdiction. We have world-class warnings on cigarette packs. They can be renewed and will be renewed so that they're refreshed. They're a bit stale now; they've been on the packs for several years. We can increase those kinds of public education programs.

**Hon. Garth Turner:** The Government of Canada owns this building, and when I walk out the back to my car I have to go through twelve people blowing smoke in my face.

**Mr. Kenneth Kyle:** Yes.

**Hon. Garth Turner:** What's your message to the Government of Canada?

**Mr. Kenneth Kyle:** Well, in many municipal jurisdictions you can't smoke within 20, 30, or whatever feet from an entrance.

We strongly recommend it's time to look at the Non-smokers' Health Act. It was great legislation back in 1987. You're familiar with it. It is time to update the Non-smokers' Health Act. It was the lead in the country at the time; the provinces were behind. All but two provinces and one territory have better legislation now than the federal government.

**The Chair:** Thank you.

[*Translation*]

I thank you all for your presentations.

[*English*]

We appreciate you being here and the time you've taken to participate in this process.

You are dismissed.

The committee has some housekeeping to do right now.

If I can find my notes, I will begin by quickly reviewing the process we'll be following in the preparation of our report over the next several weeks. Then I have a notice of motion from Monsieur Paquette.

First of all, you will all be getting a request from me—keep this in mind over the next few days as we finish our consultations—to prioritize five to seven key issues of importance to you that you would like to see us perhaps utilize the resources of the finance department in providing more information or research or background.

By November 1—I would ask you to note this—I would like your feedback on that, because it will assist us greatly in the preparation of our report thereafter. That would be November 1.

On November 2, I will then forward a request from our committee to the Department of Finance with a prioritized list of subjects you would like them to research.

The following week, we will meet with finance officials. They will be able to give us background information on some of the issues you have raised, probably not all of them.

We will prepare a draft report for your consideration on November 9. Following the break week, we'll ask finance officials to return, so that if there are other issues.... Perhaps I could say, Mr. Paquette, the issue that you would like researched I expect would take a little more time.

On November 21 we will have finance officials back again to present further information on the issues you have not yet decided you want them to look at but will by November 1.

Our absolute deadline for filing our committee's report is December 4. This is the timeline I've developed for our use. I hope it meets with your approval.

Mr. Paquette, you've given me a notice of motion. Would you like to proceed?

[*Translation*]

**Mr. Pierre Paquette:** Mr. Chairman, you said that this kind of motion is not needed, but I would prefer we adopt it, so that when Department of Finance officials come before the committee, given the very tight deadlines, they will have all the information. I do not want to prolong the debate, but it seems that \$4 billion have already been spent in Afghanistan.

I do not know how those funds were allocated. I would like us to know. And what is being planned over the next few years? I believe that the mission in Afghanistan can be seen as an unavoidable constraint on the federal government's room to manoeuvre. It is my view that the committee be informed of the projections of both the Department of Finance and Department of National Defence.

My motion reads as follows:

That as part of the prebudget consultations of the Standing Committee on Finance, the committee requests that the Department of Finance provide within the next 30 days to the members of the committee the overall budgetary allocation both in percentage terms and in dollar amounts of funds previously allocated as well as future allocations for the next two years, to both the military mission relating to Canada's presence in Afghanistan as well as the humanitarian aid and reconstruction projects associated with this intervention.

• (1820)

[*English*]

**The Chair:** Okay.

Just before we begin discussion, I would like to make the point to Mr. Paquette that in this motion we are referencing the overall budgetary allocations. We're not going to get bogged down in incredible, specific detail here. I want to put that on the record at this juncture, because I think that would not really be in our purview for the purposes of the project we've been asked to perform by the House of Commons—to get into individual, specific allocation decisions.

Is that agreed and understood?

[*Translation*]

**Mr. Pierre Paquette:** I'd like a ballpark figure for projected expenditures on the military mission, and for reconstruction in Afghanistan in the area of international cooperation. I don't want to go into details, but there is some room to manoeuvre.

**The Chair:** Thank you. Mr. Paquette.

Mr. Pacetti.

**Mr. Massimo Pacetti:** Thank you, Mr. Chairman.

[*English*]

My only concern, on the items that I think you both brought up, is that I'm not sure this will provide us with any information. I'm not convinced that the finance department will give us detailed information on what we're asking for.

So I just want to put it on the record that if we're going to request the information, we'd like to get the information. Having the finance department come here and tell us that they can't give us the information I don't think is acceptable. If we need to make it even harsher, I think we should.

I just get the feeling that—

**The Chair:** Mr. Pacetti, do you propose an amendment to the motion, or are you speaking for or against the motion?

**Mr. Massimo Pacetti:** I'm fine with the motion. I just want to make sure it's clear to the Department of Finance that we are in fact going to get this information.

**The Chair:** Mr. McKay.

**Hon. John McKay:** Just as a point of clarification, is it the Department of Finance or the Department of Defence that would be able to tell you the information you want to know?

[*Translation*]

**Mr. Pierre Paquette:** I have worked with the Clerk. I have been assured that it covered both; that the Department of Finance—even though it is the Department of Defence that spends the money—should know how much is allocated to the Afghanistan mission. What's been done in the past is not the problem; the problem lies in what may be done in the future. In any case, when the departmental representatives appear before us, we will take whatever steps are required to obtain further clarification if needed.

**The Chair:** I suggest that you wait for your colleagues to be here before making your comment, and share your answer with us afterwards.

Mr. Dykstra.

[*English*]

**Mr. Rick Dykstra:** I have a couple of things here. One, a question from the member for New Westminster—Coquitlam is already on the order paper. It's question number 902, and it's specific, with lots of points to it, almost identical, except with more detail, to the motion we have here.

I just wonder if it's actually necessary for this motion to be put, in the sense that it's already on the order paper.

**The Chair:** What's on the order paper is not relevant to the running of this committee. Mr. Paquette is quite within his rights to present this motion, and he has done so.

• (1825)

**Mr. Rick Dykstra:** I appreciate the clarification.

**The Chair:** Do you have any further comments?

**Mr. Rick Dykstra:** Yes, I do.

We know that the Minister of Defence is actually going to committee to respond to questions in terms of what's happening, obviously, but also in terms of overall cost. I'm wondering if that isn't a better avenue to pursue this than to have to wait and wonder if it's actually going to come here.

**The Chair:** To conclude debate—I hope—I will go to Mr. Paquette.

[*Translation*]

**Mr. Pierre Paquette:** Mr. Chairman, as part of the pre-budget process, the Finance Committee is responsible for making recommendations to the government. I believe we have a right to know what kind of manoeuvre margin we have. That said, I know my colleague Claude Bachand is doing the same sort of thing at the Defence Committee, but here we are addressing Department of National Defence. He might have more details that would not necessarily be useful to us here. What we would like to know is what margin of manoeuvre we will have once we know the total, and what percentage it amounts to.

[*English*]

**The Chair:** I think we've had a good discussion, and we've heard some good points of view. I would now call for the vote on Mr. Paquette's motion.

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

**The Chair:** I'll just mention, members, before we adjourn, that because there are votes tomorrow, there will be rapid-fire rounds. So come prepared for shorter periods of questioning.

**Hon. John McKay:** And shorter interventions by the chair.

**The Chair:** Again, do what you can to avoid eating up all your time with preamble.

We are adjourned.

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