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## Standing Committee on Finance

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EVIDENCE

**Thursday, September 17, 2009**

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**Chair**

**Mr. James Rajotte**



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• (0905)

[English]

**The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)):** I call to order the 42nd meeting of the Standing Committee on Finance. Continuing our pre-budget consultations, we have two meetings this morning and six groups for each meeting.

In the first session, we have the building and construction trades department, AFL-CIO, Canadian office; the Canadian Federation of Agriculture; Quality Urban Energy Systems of Tomorrow; Citizens for Public Justice; the Vanier Institute of the Family; and Imperial Tobacco Canada Limited. Welcome to all of you.

You will have up to a maximum of five minutes for an opening statement, in the order in which I introduced you, and then we will go to questions from members from all sides.

We'll start with the building and construction trades department.

**Mr. Robert Blakely (Director, Canadian Affairs, Building and Construction Trades Department, AFL-CIO, Canadian Office):** Thank you for the opportunity to be here.

Appearing with me today are Mr. Chris Smillie, from the Canadian office of the building trades; and Mr. Steve Schumann, from the operating engineers.

Why are we here? Well, the unionized construction industry in this country has over 500,000 people working in it. We produce 12% of Canada's GDP and 8% of all direct employment. The building trades are the home of the skilled trades in Canada. Nearly 80% of Canada's apprentices are produced by our industry. Construction is a threshold industry on which everything else is based.

We have three major points that we would like to bring to you. One deals with the environment, one deals with tax measures that deal with investment in infrastructure, and one speaks about economic stimulus.

Let me speak about infrastructure first. We would urge in this budget that the Government of Canada think big. Effective stimulus means that putting people to work and allowing industry of all sorts to produce goods and services needs to be considered. Every construction job directly multiplies itself into seven jobs doing supplies and three jobs doing the engineering and all the support, so it's a ten to one multiplier. Major crown projects that have been talked about, such as the northern port facilities at Nanisivik and the rebuilding of Canada's fleets of ships, both for the coast guard and for the navy, need to be undertaken.

Somewhere in the budget, as you did last year, there needs to be support for Canada's nuclear industry. If we are going to have a clean environment, we are going to have to find a way to make that environment work, not being dependent on fossil fuels, and that means nuclear and that means some thought in respect of that.

That's infrastructure to the good. As for infrastructure to the bad, we haven't seen in our industry a lot of money being spent and a lot of contracts being let in all but a few isolated areas. The industry is going to rebound, and if it rebounds before the stimulus spending really has a chance to cushion the blow for construction, you're going to be competing in a hot marketplace and nothing that you have seen will avail.

What doesn't work effectively for infrastructure spending? The EI rate freeze as stimulus doesn't make a single job. The home renovation tax credit, while immensely popular with a number of people, does not create jobs. If you want to create a tax credit for homeowners, make it a little bigger, in the \$10,000 range, where people have to go out and hire a contractor who hires people to go to work.

On the environment, if you look at what is happening to our neighbours to the south with the passage of the Waxman-Markey bill, sooner or later we have to have an economic policy that moves in step with that of the United States. If we become the victims of green protectionism, many of the commodity-producing jobs in this country are going to go away. We need to get on the environmental bandwagon now and we need to protect those commodity-producing industries across this country. That means money spent on carbon capture and sequestration; that means money spent on improving the environment through allowing capital cost allowance deductions for businesses that are going to help bring greenhouse gases down.

An acceleration of capital cost allowances, particularly classes 10, 16, and 38, is something we would urge. In budget 2009 there was an extension of those particular provisions. We urge that they be made permanent.

Investment in Canada's largest industry and the multiplier effect is something that will have a positive effect on the economy.

The last major item that we urge is mobility measures to help our workforce move across this country. Today, when the industry isn't quite as busy as it was, we still have 600 jobs for pipefitters in Alberta going begging. We still have jobs for 300 ironworkers and 600 electricians.

**The Chair:** Thank you.

**Mr. Robert Blakely:** It's because we can't move people from one place in the country to another. The only tax group that can't deduct travel from its income is construction workers, and we're asking for some tax fairness there.

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

**Mr. Robert Blakely:** And we're asking for it on the basis that—  
● (0910)

**The Chair:** Okay. We're about one minute over here.

**Mr. Robert Blakely:** I'll be one second.

**The Chair:** There are five more groups, a lot of members, and a lot of questions.

**Mr. Robert Blakely:** Let me wrap up. We're asking for some tax fairness here, and that tax fairness comes from being treated the same as everybody else; and it's revenue positive, not revenue negative. We've given you those numbers.

**The Chair:** Thank you.

We'll go to the Canadian Federation of Agriculture, please.

**Mr. Laurent Pellerin (President, Canadian Federation of Agriculture):** Good morning.

We have already circulated a paper for this meeting. I will go directly to the three major points we put in the paper, and then I will make a couple of comments.

CFA represents more than 200,000 farmers across the country through our 10 general farm organizations, one in each province. We also have 16 national community federations that are members with us. So CFA is the one voice representing Canadian farmers.

In our paper, we present three things. First is the cooperative investment plan. The co-op doesn't have access to public money, so some provinces have already put in place a cooperative investment plan. We ask that the federal government make a similar change in their programs and budget to allow farmers and workers in those co-ops to invest in their own co-ops. It will give them access to capital, which is highly necessary to improve infrastructure everywhere in the country.

Second, the Canadian government put in place the ecological gifts program. It was a success. We ask that in the next budget the government look at the possibility of including an agricultural gifts program to make sure that the less than 11% of Canadian land where we can carry out agriculture is protected, where it's possible to invest. So help those farmers and owners protect agricultural land with this small program.

Third, we ask that the government, in the next budget, include a measure for young farmers who have invested in their retirement plan, studies, or are buying their first house, so that there is some provision there. We ask that they be able to use this money for a one-shot purchase, their first purchase of a farm, and use that money that they set aside as an investment.

I have two comments.

Regarding the budget and spending, it's one thing to have a budget and a program in place, but the money has to flow out of those programs. I'll give you the example of the five-year agricultural plan

we have in place, Growing Forward. This program started last April 1. In one year, they have had plenty of time everywhere to make the transition, but we are now in September and no money is flowing out of this program. You have to use the money in the same year. If you don't use the money before March 31, that money will be gone. We are already in September and not one dollar has been paid out of that program. So it's a big problem.

In a similar sense, there's the announcement that the government made at the beginning of August for the pork sector. You know that some of our agricultural sectors are in major difficulty. For livestock in general, pork and beef, it's a very, very tough situation. There has been a drop of 20% in hog production in this country. In fact, we are afraid that we are at risk of completely losing both of those areas of production in some parts of the country, if not everywhere. So we have to look at that very seriously. There was an announcement at the beginning of August, but we still don't have Treasury Board approval and no money is flowing out. The banks, which are supposed to be partners in this announcement, are not very inclined to use the program, and not a dollar has flowed out of this program up to now.

The budget is one thing, but delivery after the budget is very important. Make sure that farmers have access to those dollars and that we change the tough situation we're in.

Thank you very much.

● (0915)

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

We'll now go to QUEST, the Quality Urban Energy Systems of Tomorrow.

**Mr. Kenneth Ogilvie (Former Executive Director, Pollution Probe, Quality Urban Energy Systems of Tomorrow):** Thank you.

My name is Ken Ogilvie, and I'm with Shahrzad Rahbar from the Canadian Gas Association. I'm here to speak on behalf of QUEST, Quality Urban Energy Systems of Tomorrow, which is really about integrating our energy, land use, transportation, waste, and water planning at the community level, where 80% of Canadians now live—and that's growing—60% of energy is consumed, and about 50% of our greenhouse gases are emitted.

Our core message is to try to elevate the importance of energy efficiency and demand reduction policies to the supply side of the equation in Canada. We know, of course, that we do have a problem with climate change and do have targets and commitments; we all know that. We also know from the National Energy Board's reference scenarios that we're not going to achieve those targets with our current approach. There are some gaps in our plan that have to be filled, and the particular gap we're addressing is the 50% of greenhouse gas emissions that come from the community level in Canada. QUEST has brought together in a collaboration, or almost a movement across Canada, industry and the private and public sectors in a joint desire to look really closely at how we plan for and use energy in our communities. We believe that by 2050, we can help close the gap in current policy with achieving the targets Canada has set, through working together on integrated urban energy systems.

I think you've had presentations on the QUEST principles. I think Mike Cleland had mentioned those in a previous presentation. I don't want to cover old ground. What I do want to say is that the three asks we have for the federal government are really to help build the capacity that is partly there now but needs to be much more robust across Canada as a nation, to plan for and gather the data, do the analysis and planning for community energy systems, and to get on with the job of building these things.

We would also like to see new program support for demo projects in leading communities to help learn and prove out new technologies and new ways of integrating energy planning. We would like support for the groups across the country that are helping to move this agenda. So we have an ask of about a half billion dollars that we'd like to see over five years to help initiatives across the country—which are very much from the ground up, I should mention. This is not a top-down command and control process. This process is to help empower and catalyze the movement toward this new agenda across Canada, but it very much makes demands of local desire and provincial leadership.

So QUEST is really knitting all of this together. It has had a great deal of support from federal house committees and the energy ministers, with their energy solutions road map, and from provinces that are leading the way. We think this is a doable agenda and that it fits very nicely with an economic and social agenda that Canadians want.

I'll leave it at that, unless the chair has anything additional to say.

Thank you.

**The Chair:** Okay, thank you very much for your presentation.

We will now go to Citizens for Public Justice.

**Ms. Chandra Pasma (Policy Analyst, Citizens for Public Justice):** Thank you.

Citizens for Public Justice is a national faith-based organization with more than 1,500 members and supporters across Canada.

CPJ recognizes the important work that this committee does in advising the federal government on fiscal priorities. Budget decisions are unquestionably moral decisions. They reveal our values, affect how resources are allocated, and shape our common

future as Canadians. For this reason, it is important to reflect on core values when thinking about how to shape the budget.

As a Christian organization, CPJ's work is rooted in the call to do justice and to love our neighbours. We believe that a faithful response to God's call requires respect for the dignity of all human life and the well-being of the earth. These values should be reflected in our collective decisions and in our public policies and practices.

Fundamentally, we believe that our economy should be an economy of care. An economy of care would recognize that the goal of all economic activity is meeting the needs of people and caring for the earth. Because of this, people must be at the heart of economic planning. Social and environmental concerns shouldn't just be add-ons; they should determine our economic goals as well as our method of achieving them.

I would like to highlight what an economy of care would look like in practice. All Canadians should be able to live in dignity. Currently, one in ten Canadians lives in poverty, unable to meet all of their basic needs or to provide for their families. Public justice and an economy of care require that we create public practices and policies to ensure that all Canadians have the means to exercise a sustainable livelihood that provides a livable income. This includes social security for all Canadians, even when we cannot secure all we need through paid work.

Canadians long to see this vision of dignity for all become a reality. Within its first few months, over 100 organizations and 1,200 individuals have signed on to the Dignity for All campaign for a poverty-free Canada, created by CPJ and Canada Without Poverty.

We recommend that budget 2010 adopt a federal poverty elimination strategy to provide a pan-Canadian blueprint for reducing and eventually eliminating poverty.

Another fundamental Canadian value is fairness. Although it can be hard to define, most of us intuitively tie it to well-being. We don't believe that inequality is fair. While everyone doesn't have to be the same or have the same things, we nonetheless believe that it is only fair if people have equal opportunities. Poverty and economic insecurity erode both equality and opportunity. Far too often, programs that are designed to help people in need perpetuate this lack of choice and opportunity.

It's time for a new approach to economic security. We believe Canada should implement a guaranteed livable income for all Canadians that ensures every citizen has access to the basic necessities of life without stigma, while respecting dignity and enabling participation and inclusion in community. It will take time to create and design the appropriate model for Canada, but budget 2010 can take steps towards the GLI by extending income security to working-age adults, the one demographic that currently has no universal income security program.

In moving towards an economy of care, all sectors of society have a role to play, including businesses and unions. But governments have a leadership role. Through public programs and services, the federal government contributes to social security for all Canadians. The government can reduce poverty and inequality, promote opportunity, and support the health, well-being, and education of all Canadians. But this requires sufficient federal revenue to invest in social security.

Many economists have criticized the value of tax cuts as stimulus. Economic modelling by Informetrica has shown that the same amount of money invested in social infrastructure as opposed to tax cuts will more than triple the number of jobs created. Tax cuts also permanently cost the government revenue, while investments in social infrastructure pay off for years to come. We recommend that the budget roll back the recent corporate tax cuts and GST cuts and invest the revenue in social infrastructure programs like child care, social housing, and EI.

By promoting dignity for all Canadians, strengthening social security, and supporting fairness and equal opportunity, budget 2010 can help Canada take steps towards an economy of care for all Canadians.

• (0920)

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

We'll now go to Imperial Tobacco Canada Limited.

Mr. Clayton, please.

**Mr. John Clayton (Vice-President, Corporate Affairs, Imperial Tobacco Canada Limited):** Thank you, Mr. Chairman.

I suspect there are some people in this room who do not like the products we sell. However, I am going to ask that you listen to this message I have to deliver today, regardless of your views of my industry. I would also add that I am a non-smoker.

For too long governments at all levels and of all political stripes have ignored a problem that poses a grave threat to public safety, robs governments of billions of dollars annually, and forces the closure of small businesses. That problem is illegal tobacco. As a direct result of the government ignoring this problem, the illegal market has doubled in three years, government revenue has shrunk, and public health objectives are failing.

Let me be clear about the scope of this problem, the people behind it, and the implications.

Fact: illegal tobacco is now out of control. The illegal tobacco market now makes up 33% of the market nationally, or 13 billion cigarettes a year. In Ontario, 48% of all cigarettes sold are illegal. In

Quebec, it's 40%. The illegal trade is now spreading rapidly into Atlantic Canada and Manitoba. There are hundreds of examples, such as on May 13 when the RCMP seized 1.7 million cigarettes in West Hawk Lake, Manitoba.

Fact: the criminals are now running the show. By their own admission, the RCMP is losing the battle, estimating that they seize only one of every 50 illegal cartons. The RCMP believes that over 100 organized crime groups are involved in the illegal trade. Of those, 69% are also involved in drugs and weapons trafficking.

Fact: small businesses are suffering. Law-abiding business owners cannot compete with organized crime. Illegal cigarettes sell for as little as \$6 for 200 cigarettes, versus \$70 to \$100 for the same number of legal cigarettes. As a result of that lost revenue, convenience stores are closing every day.

Fact: government regulation of tobacco is becoming increasingly irrelevant. The clear plastic baggies in which illegal cigarettes are sold abide by none of the over 200 federal and provincial regulations governing tobacco products, including mandatory warning labels. They are manufactured in unlicensed factories, with no safety or content monitoring. Most importantly, illegal cigarettes are being sold to young people, since the criminals behind the trade do not ask for identification. Illegal cigarettes are literally available for pocket money prices. I say this as the father of a 13-year-old and an 11-year-old.

The illegal trade undermines every single tobacco control measure put in place by government. This is why the Canadian Cancer Society, amongst others, has reported that smoking rates are stagnant or even climbing now after decades of decline.

Fact: this committee should care about money. Governments are losing \$2.4 billion—\$2.4 billion—in tax revenue annually to this illegal trade. Our lost taxes are going straight to organized crime, which is reaping hundreds of millions in profits that are then used to fund other criminal activities.

Fact: governments have failed Canadians on illegal tobacco. Did you ever imagine that you would see the day when organized crime has taken over a multi-billion dollar industry in Canada? A task force was created in May 2008 to examine this problem. However, it has yet to issue any kind of report, and now, 16 months later, there is no evidence it has accomplished anything.

Furthermore, recent tobacco tax increases in many provinces have exacerbated the problem by increasing the price gap between legal and illegal cigarettes.

This committee can help. The key reason for the lack of progress is that no one seems to be in charge of this file. The committee could recommend the government appoint a senior politician to take charge, liaise with the provinces, and coordinate actions of all departments and jurisdictions involved. The appointee must be given a clear mandate to tackle this problem and must be held accountable for the government's efforts in this regard, with regular reporting back to the House of Commons on the initiatives undertaken.

Secondly, this committee can follow the money and launch a study of the illegal cigarette trade, its impact on law-abiding businesses, and the cost to the public purse.

We have more proposals in this area, which we hope the committee will take into consideration.

In closing, I accept there are no easy solutions to this problem and that it touches on politically sensitive areas. However, ignoring it will only make things grow worse over time and more difficult to solve.

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

● (0925)

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

We'll go to questions from members.

We'll start with Mr. McKay, please.

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

Thank you, witnesses.

I'll start with the last presentation from Mr. Clayton.

You are brilliant in your description of the problem. The only concrete suggestion you had was to appoint a senior politician to, in effect, be the tobacco czar. It's not clear to me what a tobacco czar would do to actually clamp down on what everyone would agree is a very serious issue here.

The other question I would ask is how do the manufacturers contribute to the problem? I've heard of things like company X manufacturing them, and they sort of fall off the back of the truck on their way to Estonia and somehow end up in the smuggler's hands, and so on.

Can you give me a bit of a handle on both of those questions?

**Mr. John Clayton:** On the first question, one of the main problems in solving this problem is that it's a political hot potato. You go to one department and they say it's the responsibility of another department, and that continues at the provincial level as well. So having someone who can coordinate across all of the different government departments is essential.

Public Safety sees their remit as public safety; Revenue sees their remit only as revenue; and Health only sees it as health. Without coordinating all of these to a comprehensive solution, I don't think we'll ever solve this problem, and it will continue to grow over time. That is why we recommend we have someone who can reach across all government departments, speak to the provinces, and engage with the first nations communities as well.

To the second question, the situation in Canada is very unique in terms of the illegal market. The majority of these products are coming from unlicensed factories on the first nations reserves. They are not branded products by the legal manufacturers, going from one country and slipping into the other. They are not counterfeit products either. The majority, according to the RCMP, are flowing out of those first nations reserves.

● (0930)

**Hon. John McKay:** The majority are flowing out, but is there a contribution on the part of the manufacturers?

**Mr. John Clayton:** There is absolutely zero contribution on the part of my company, and I believe that has been validated by the RCMP as well.

**Hon. John McKay:** Can you say that's true of all the other legal manufacturers?

**Mr. John Clayton:** I certainly hope it is true of all of the legal manufacturers.

**Hon. John McKay:** I'd love to pursue it, but I have to keep on moving here.

To Ms. Pasma with the CPJ, I think the committee should note the contribution of the CPJ to the deliberations of this committee over many years, particularly in the form of Gerry Vandezande. I know Gerry is ill, and I would be remiss if I didn't wish Gerry all the best and a speedy recovery, personally and on behalf of the committee.

I would like you to speak to recommendation two, which has a certain attractiveness. The real issues become what's the real cost and what programs do you cut to get to the cost? There's quite a mish-mash of social net programs. Presumably the idea is that you eliminate all of that and go to a basic income.

So can you tell me what you'd cut and what it would cost?

**Ms. Chandra Pasma:** First of all, thank you for your best wishes for Gerald. I'm sure he will really appreciate that.

On the issue of a guaranteed livable income and what it would cost, one of the reasons I said that this would take time to structure and design correctly is that there really needs to be work done on what programs get eliminated. There needs to be a conversation with Canadians. I think it's really the moment when Canadians can have a dialogue about what kind of country we want, what kind of social programs and infrastructure are necessary for that country, and then how economic security plays a role within that context.

Strictly speaking, though, in 1994 the human resources department did a study and a supplementary paper on guaranteed income. They pegged the total cost for a universal demi-grant at \$146.1 billion, and the cost for a negative income tax, which only pays those below the poverty line, at \$37.3 billion. Taken by themselves, those sound like giant numbers, but in 2004, government transfers to individuals in Canada—that excludes spending on all collective programs—was \$130 billion.

So if we're talking about eliminating programs and rolling them into this program, then we're not talking about a great overall cost. And if any payments are being made to people whose incomes are over the poverty line, that money is being taxed back.

That's a bit of a complicated way of saying there's not a good answer for costs without doing the study.

On programs that should be eliminated, I think social assistance is the most glaring example of what should be eliminated. I believe old age security and GIS and the Canada child tax benefit could easily be rolled into a program like this. They're already structured as guaranteed annual income; they're just targeted at particular demographics.

On employment insurance, I think there's a legitimate debate. The real goal of employment insurance is wage replacement, but we've been using it as an income security program. Perhaps if we have a real income security program, then it can get back to its original goal of being a wage replacement program.

I think there are still areas of public infrastructure where we would still need spending. Obviously, health and education are the biggest examples. Child care is another example.

**Hon. John McKay:** Thank you.

I'd love to pursue that a little bit further, but obviously I'm running out of time. I'll just finish up with the building and construction trades guys.

You don't seem to be overly thrilled about this home renovation tax credit. It seems, from your perspective, a little too little, it doesn't really do much, and it's going to end quite quickly. Could you expand your views on that, please?

• (0935)

**Mr. Robert Blakely:** If you look at it, the home credit itself is small. With the current limit, if you spend the maximum, you can get roughly \$1,000 back. No one is going to spend \$100,000 on a major home renovation because they get \$1,000.

Take a \$100,000 renovation. The cost of that is roughly 50% labour and 50% materials. If you created a program that would give somebody \$10,000 back, it might be a real encouragement to go out and hire somebody to go to work. The 50% of the labour that is on that job, taxed at the lowest marginal rate, basically pays for whatever the people of Canada expended by way of a credit.

On the materials that are being supplied, it basically works against the underground economy, gets the GST and HST, wherever, paid for the materials. It makes people contribute to WSIB. It makes people contribute to CPP. It's a winner.

I mean, the \$1,350 that's in there currently is, for most people, nice to have, but it's not going to make them do a major renovation and it's not going to put anybody to work.

**The Chair:** Thank you.

Thank you, Mr. McKay.

We'll go to Monsieur Laforest, *s'il vous plaît*.

[Translation]

**Mr. Jean-Yves Laforest (Saint-Maurice—Champlain, BQ):** Thank you, Mr. Chair.

Welcome to all of the witnesses.

My first question is for Mr. Pellerin. You have laid out some of your demands or suggestions. I don't know if you have taken a page out of the Bloc Québécois' election platform, but your brief contains several planks of that platform, for example, the recommendation that young farmers be allowed to cash in their RRSPs to purchase a farm. I fully agree with you that it is important, to ensure the future of farming, that measures be adopted to help young people get a start in farming.

I recently met with several farmers from my riding of Saint-Maurice—Champlain. All of them mentioned the same problem, namely the lack of slaughterhouses in close proximity which would allow them to continue farming. You mentioned beef and hog farming, but these farmers talked about chickens, rabbits and other small species. They also talked about the Levinoff-Colbex slaughterhouse that is experiencing some financial problems.

Is that what you had in mind when you mentioned hog and beef farming?

**Mr. Laurent Pellerin:** We are calling for three main initiatives: a cooperative investment plan; a program to help maintain agricultural land and a program that would allow young people to cash in their RRSP for a one-time capital purchase for their farm. These measures target all Canadian farmers. I admit that the Government of Quebec has already brought in a cooperative investment program as well as certain programs to help young people get a start in farming.

Regarding your second question, I mentioned that some sectors of Canadian farming are doing relatively well, while others are going through a particularly difficult period. Generally speaking, beef and hog farmers are having a very difficult time of it. Beef farmers never recovered from the BSE crisis in 2003. For the past three years, hog producers have been grappling with problems linked to the health of their livestock, to the economic crisis and to fluctuations in the Canadian dollar. These sectors play a role in export markets. More recently, the H1N1 flu has seriously affected hog farming. The sector was beginning to recover slightly, but prices have again tumbled dramatically.

All sectors in Canada are encountering a major problem where slaughtering is concerned. I recently returned from a two-day trip to Calgary, the site of a roundtable on beef and this was a important topic of discussion. Canadian BSE regulations are very costly for Canadian slaughterhouses, so much so that they cannot compete in any way with US slaughterhouses. Large Canadian slaughterhouses are in the process of losing the critical mass that they need to be profitable operations. Increasingly, live animals are being shipped to the US for slaughter.

• (0940)

**Mr. Jean-Yves Laforest:** What's the solution?

**Mr. Laurent Pellerin:** Small slaughterhouses face the same problem because their costs are the same. It's even more complicated for small diversified slaughterhouses. I personally invested in a slaughterhouse close to your region, in Saint-Grégoire. We completely rebuilt the facility, then were forced to shut it down because our operating costs were too high.

**Mr. Jean-Yves Laforest:** I assume that you have some specific recommendations to make with regard to slaughterhouses.

**Mr. Laurent Pellerin:** Regarding specific risk material, further to the BSE crisis, we are calling on the Canadian government to cover the cost difference between Canadian and US regulations, until such time as the two countries have harmonized their regulatory regimes. Markets are too open to allow such vastly different conditions to exist in Canada. The situation jeopardizes our industry.

I urge people to consider that not only do we run the risk of losing a share of the volume handled, but also the risk of losing these facilities completely. In many parts of the country, the critical mass for operating slaughterhouses has disappeared. Therefore, these operations could disappear completely in Canada if action is not taken quickly.

**Mr. Jean-Yves Laforest:** Thank you, Mr. Pellerin.

I have a question for Mr. Clayton.

In this forum, people are free to express their views. Earlier, you said that you were a non-smoker. May I ask why, as a non-smoker, you promote smoking?

[English]

**Mr. John Clayton:** The reason I'm a non-smoker is that I recognize that smoking carries real and serious health risks. I personally understand that, and my company recognizes that as well.

With regard to the second point, I don't believe that my company promotes smoking. We offer brands to adults who are aware of the health risks. We hope they choose our brands over our competitors' brands.

[Translation]

**Mr. Jean-Yves Laforest:** However, in some respects you are promoting your company. I find your position somewhat contradictory. I understand that you are completely free to do as you wish. I also understand the full extent of the problem surrounding cigarette smuggling. That is truly a whole other problem. You find yourself in a difficult position, but it is unusual to see a major tobacco company defending its interests and addressing another problem. Overall health is not the only problem. Taxation is also a problem. Regardless, I find you quite brave. The issues involved are complex.

[English]

**The Chair:** Do you want to respond briefly, Mr. Clayton?

**Mr. John Clayton:** Yes.

In regard to the first point, I believe in the fundamental principle that an informed adult has the right to choose, which is probably why I feel comfortable working for this company.

Regarding the second point you raised, certainly our company is losing hundreds of millions of dollars, but I didn't think that was of concern to this committee, whereas I think the issues I raised regarding the availability of these products to children, the impact illegal tobacco is having on small business, the fact that it is not abiding by any of the regulations, and the fact that it supports organized crime are a concern to all of us, whether you like a cigarette company or not.

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

We'll go to Mr. Kramp, please.

**Mr. Daryl Kramp (Prince Edward—Hastings, CPC):** Thank you.

First of all, Mr. Blakely, I certainly respect your representation of your organization, but I just have a little thought process, as you twigged my sensitivities when you suggested that the home renovation tax credit was in essence almost a waste of time from your perspective.

Might I just remind you that while megaprojects are certainly important, whether a nuclear project...and given all of the labour needed out of the hiring halls, we also have hundreds of thousands of entrepreneurs, small business people, and contractors who contribute greatly to this country's success and prosperity. Just from the ones I've talked to across my riding and the anecdotal evidence we're seeing from the uptake of this program, I am absolutely shocked you would suggest it is not having a positive impact, the simple reason being that when I talk to people in my riding, they tell me it's difficult to get a small contractor right now because there's been such a huge uptake.

I respect that you are representing your constituents, and not only your constituents but also the trades and the union halls, which all serve their purposes, but I don't think you could adequately back up your point when the statistical data we're seeing coming in right now are just totally contrary to that. So I just make that comment.

My only other comment is regarding your very, very strong concern about labour mobility. Mobility definitely is a concern. I think you're dead on the money there. We have to somehow get around to that. One of the difficulties we have, of course, is the overriding provincial responsibility there, but I do think that as a federal government there are ways we can be effective in lobbying, leveraging, whatever. So I think your point there is very, very well taken.

Perhaps I can now flip to Mr. Pellerin.

● (0945)

**Mr. Robert Blakely:** Could I just respond very briefly, sir?

**Mr. Daryl Kramp:** Very quickly, please. I have too many other questions to go through.

**Mr. Robert Blakely:** Don't think I'm sneering at the tax credit you currently have. I'm not. It does create some jobs. But you don't create jobs that employ significant numbers of people. You get contractors—

**Mr. Daryl Kramp:** Well, I take issue with that. In my particular riding—I am in a rural area—my self-employed people outnumber the trade union people by probably 40:1. Now, that is not the same across the country and it's certainly no reflection on the trades. We have wonderful trade and union people, whom I respect, but in a lot of small communities that is just not the fact of life. We don't have megaprojects; we have many, many small projects, and we cannot exclude them. That is all.

Mr. Pellerin, the one recommendation you brought forward with regard to the RRSPs being tax free for our young people is a marvellous suggestion. When I take a look at the average age of people in the agricultural community, I see that in my particular riding and in our region, it's 56 to 60 years. There's a dramatic transition that has to take place here. For a young farmer to start right now it's almost impossible; it's so capital intensive. They do need a way to be able to effectively manage this transition. This is one suggestion that I think is powerful and positive. It is not something that's going to commit government to long-term structural deficit, but for a transition period I think it's an excellent idea. I thank you very kindly for bringing that forward.

I do share your concern over delays in funding for programs, whether it was anything over the past five, ten, fifteen, twenty years to programs that are now in place. Delay is time and money lost. And for many people in the agricultural community, particularly in livestock right now, their difficulties are so time-sensitive that they need the money now. So I can assure you that the committee, and certainly I as a member, will be bringing all the pressure we can to bear on the respective ministries to ensure the speediest flow possible. So your concerns are well registered with this committee.

I thank you very kindly.

I hope I have time to get to everybody here.

Mr. Ogilvie, I have a couple of questions and thoughts on this. My concern is that we don't build another major bureaucracy that doesn't deliver results. We've seen too many fiefdoms being created, and great ideas, but then they end up becoming a think tank that goes nowhere. So how do you propose that we take this from more than just a great collection of people who are well intended to a model that can be delivered?

• (0950)

**Mr. Kenneth Ogilvie:** My colleague may want to answer this too, since she does a lot of work in this area.

We actually don't want a new bureaucracy. We'd like to work with existing structures and existing programs. One of our main asks is coordinating this in pursuit of a vision of where we're going, not creating another structure on top; we have too many already. And we probably have more barriers because we have too many, rather than because we need another one. So I totally agree with that. We have existing programs. They could be organized and focused to advance this agenda. There's no need for a new structure.

**Mr. Daryl Kramp:** I like the idea of pilots or demonstrations. It's great to spend a little bit of money to ensure we're on the right track, but how do you suggest it, and who is going to get involved with prioritizing and making these decisions?

**Dr. Shahrzad Rahbar (Vice-Chair, Quality Urban Energy Systems of Tomorrow):** Reiterating what Ken said, we do not see value in recreating a bureaucracy. The Government of Canada is spending billions of dollars through the gas tax, going through municipalities; through the suite of eco-programs delivered through Natural Resources Canada; and with specific initiatives through Environment Canada on waste management, water, and then the work on transportation. We hope to have some means of coordination within the government machinery for delivering those with some insight and assistance from an advisory group composed

of this group that has been energized around this agenda, which includes the private sector—builders, developers, as well as the energy companies and civil society—to help set criteria. We do not at all see the need for creating new machinery.

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

Thank you, Mr. Kramp.

*Monsieur Mulcair, sept minutes.*

[Translation]

**Mr. Thomas Mulcair (Outremont, NDP):** Thank you, Mr. Chair.

I too would like to welcome everyone here. Since our time is relatively limited, I will get straight to it.

First of all, I want to thank Mr. Blakely for his presentation. His assessment is correct, particularly as regards the restrictions with dealing with the black market. Recently, France adopted a similar approach, namely refunding the VAT. These tax measures can stem a problem which has become endemic in this sector.

Mr. Pellerin and I have often had the opportunity to discuss the following issue. Stringent enforcement of laws is fair because most people are law abiding. People who are not law abiding should not reap any economic advantage.

It is always a pleasure to see you, Mr. Pellerin. Thank you for your comments, particularly those concerning the need for Canada to invest as much as its partners in an area in which you are not only an expert, but seen as a valued figurehead not only by Quebecers but also by all Canadians. It is a pleasure to see you again today. Thank you also for your comments about Quest.

I have a brief question now for Mr. Ogilvie.

[English]

What form did the endorsement take that you say you got at the Council of Energy Ministers ?

**Mr. Kenneth Ogilvie:** Yes, I was at the ministers meeting in Newfoundland, and—

**Mr. Thomas Mulcair:** It's a very specific question. I have very little time. What form did the endorsement take?

**Mr. Kenneth Ogilvie:** It was a press release that basically endorses a community energy solutions road map.

**Mr. Thomas Mulcair:** It basically endorses...? A press release—

**Mr. Kenneth Ogilvie:** It does endorse. There is a press release. I have a copy here.

**Mr. Thomas Mulcair:** Okay. But there is no resolution, there's no....

**Mr. Kenneth Ogilvie:** No. There is a road map, and it's really for each jurisdiction to figure out how to proceed.

**Mr. Thomas Mulcair:** Okay. Because it can vary a great deal from one to the next. Maybe you could share that with us. Thank you very much.

I'll go to Mr. Clayton.

[*Translation*]

Recently, we met at my riding office. You told me that although you had only recently arrived from the United States, you planned to learn French one day. We will nevertheless continue in English, so that you can understand more easily.

[*English*]

What I retained from our discussion at the riding office was that a lot of the things that have happened in the past few years with Imperial Tobacco you were unaware of, or you were saying to me that that was in the past. So I'll take you on the list that you gave us today.

One of the great concerns you have is the access to tobacco products by children. I asked you then and you seemed unaware, but have you had time to verify what I explained to you and was actually quite easy to obtain, which was Purdy Crawford's notes for his intervention before his parent company in London, England, wherein he explained the well-thought-out and applied strategy of Imperial Tobacco to get children hooked on tobacco products? Have you now had the time to look at that?

**Mr. John Clayton:** With regard to your first point, I've been taking French lessons twice a week and unfortunately am not making much progress.

To the second point—and I appreciate the suggestion—I did follow up with that correspondence. I am, I suppose, as—

• (0955)

**Mr. Thomas Mulcair:** Try “appalled”.

**Mr. John Clayton:** —outraged. Let's also point out that it's a letter from many years ago—

**Mr. Thomas Mulcair:** But we do agree, then, that the people whose tobacco you're fighting to keep taxed by telling the government that we haven't done our job.... There are a lot of people who were hooked because your company had an active policy of getting young people hooked on tobacco products. We agree on that.

**Mr. John Clayton:** I was not working at the company at that time. For me to say—

**Mr. Thomas Mulcair:** I didn't ask if you were. I just wanted you to confirm what you've had time to check: that Imperial Tobacco put in place a well-thought-out scheme to get children hooked on tobacco.

**Mr. John Clayton:** Sir, Mr. Crawford's letter speaks from Mr. Crawford's point of view. I'm representing my company today.

**Mr. Thomas Mulcair:** Okay.

Now, on the smuggling level, Imperial Tobacco and Rothmans paid a total of \$1.1 billion in fines for having put in place an elaborate smuggling scheme. Your share of the fine, unless I'm

mistaken, was \$600 million. How many of those smugglers went to jail?

**Mr. John Clayton:** I don't believe anyone went to jail as a result of the settlement.

**Mr. Thomas Mulcair:** That's right, because there is somehow a difference between criminals, right? Because when you're a criminal with a \$1,200 suit and you put the deal together.... They later boasted at Imperial Tobacco that the \$600 million fine represented the profits from a single year of smuggling organized by Imperial Tobacco. So not only were the networks, which you're describing now as the big problem, created by Imperial Tobacco, but the very individuals who are still members of those smuggling networks were the ones put in place by your company. You've had time to check that too, I hope, Mr. Clayton.

**Mr. John Clayton:** I share your outrage at the state of contraband tobacco today. What is hard for me to understand is why government today fails to recognize that this is a problem and fails to propose a solution. We are happy to work with governments to try to address this problem, for precisely the reasons that I laid out today.

**Mr. Thomas Mulcair:** You're completely right on one point. Tobacco is a legal product. It's legal to sell tobacco in Canada. It is also a legal requirement to pay the appropriate taxes on that product. There are rules. What I find outrageous is that somehow there is this blank slate approach, as if—

**Mr. John Clayton:** Sir, I'm not—

**Mr. Thomas Mulcair:** —there has been electroshock therapy applied to Imperial.

**Mr. John Clayton:** Sir, there is no denial coming from me. I am not denying the settlement that we reached with the federal government. I'm not denying the activities that happened in the past when I was not at that company. What I am saying today is that the illegal market in this country is 33%, and 48% of all cigarettes sold in Ontario are illegal, as are 40% in Quebec.

I guess what I would ask is if we could take your sense of outrage, which I share, and apply it to the situation we have today.

**Mr. Thomas Mulcair:** Where do you get your \$2.4 billion calculation?

**Mr. John Clayton:** That is a combination of all the provincial sales taxes, tobacco taxes, and federal excise taxes put together. I would be happy to have my finance department provide you with that. I'm not a finance expert myself.

**Mr. Thomas Mulcair:** Are the figures that are produced now with regard to the number of smokers lower because we're not taking into account the amount of contraband tobacco properly?

**Mr. John Clayton:** Sorry, I don't understand.

**Mr. Thomas Mulcair:** When we produce figures on the percentage of Canadians who smoke, are they still accurate, or are they undervalued in terms of the reality of the situation because of the fact that so much of it is coming in illegally and can't properly be accounted for?

**Mr. John Clayton:** I'm not sure. The only thing I would say is that the most recent CTUMS data put out by Statistics Canada is indicating that there is a slight increase in some places in people smoking, which some of the public health groups claim is a result of very low-priced product being available.

**The Vice-Chair (Mr. Massimo Pacetti):** Okay, thank you.

*Merci, Monsieur Mulcair.*

Mr. McCallum, five minutes.

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

Thank you to all the witnesses.

My first question is to John Clayton.

Mr. Clayton, my understanding is that the government some months ago, with a certain amount of fanfare, came out with this enhanced stamp as an essential component of its attack on contraband. I can't understand how an enhanced stamp, given the complexities and all of the issues in contraband, will have any significant effect on the problem. What is your position on that?

**Mr. John Clayton:** At present for the baggies coming off the first nations reserves, none of the regulations are being applied. It's very difficult for me to see how suddenly a new stamping put on all the legal products is going to have an impact on the contraband trade.

• (1000)

**Hon. John McCallum:** I don't think you have to be a genius to figure that out. So how can the government possibly claim it will have any impact whatsoever on the problem with this new stamping thing, which it seems to have announced with much fanfare as a major solution to this issue?

**Mr. John Clayton:** I agree.

**Hon. John McCallum:** Thank you.

Maybe the government side could comment at some point on that.

My next question is to Mr. Blakely and it relates to infrastructure. I would like to just say very briefly what our position has been and then ask you if you agree, or what your position is.

We've essentially had two criticisms of the government infrastructure program. On the one hand, they failed to get money out the door. On the other hand, they've been all over the map and not strategic. So what we had suggested was that we'd have essentially two parts of the infrastructure. One would be based on the gas tax transfer mechanism, and the money would go much more directly to the municipalities and shovels would get going faster. The second component would be more strategic, whether it's fast trains or other strategic projects that are important to the country as a whole.

In light of what I just said, I wonder what your view is.

**Mr. Robert Blakely:** Without trying to sound partisan at all, our two criticisms really were that it wasn't rolling out fast enough and

we have this fear that the bulk of the stimulus money is going to hit at a time when the economy has recovered, which is the wrong time.

**Mr. John McCallum:** Exactly.

**Mr. Robert Blakely:** The second portion is that we think the money should be used strategically. It should be tied to other initiatives that the Government of Canada has: a better transportation system, looking at the reduction of greenhouse gases, energy efficiencies, targeted and focused spending. It isn't enough to give every riding a new hockey rink. That's not what we should be doing.

**Hon. John McCallum:** Right, and the ridings that get new hockey rinks tend to be Conservative ridings, we've noticed.

**Mr. Robert Blakely:** I can't speak to that. I would say this: if they need a hockey rink, we promise we'll build it and we'll build it with quality construction.

**Hon. John McCallum:** That comment was a little bit partisan but not untrue.

If I could come in a more neutral way back to you, the trouble with things that are strategic, like a fast train or whatever, is that inherently they can't be done immediately; they do take time. On the other hand, the job losses are happening now, and we need the construction in 2009, this year, not two years from now. That's why I said two components. The gas tax transfer mechanism would be quick, and the other component would be less quick but more strategic.

Would you agree with that rationale?

**Mr. Robert Blakely:** Yes.

**Hon. John McCallum:** Why do you think the money has been so slow in getting out the door? Gerard Kennedy, our infrastructure critic, spoke to hundreds of mayors across the country and found out that only 12% had actually flowed. Why is it so slow?

**Mr. Robert Blakely:** I don't think it lies at the feet of any particular group. The fact that the money flows from the federal government to provincial governments that have to get the provinces on side with a number of provincial matching schemes makes it more and more difficult. We need a number of projects that are really on the shelf, engineered, and ready to go. Nobody has that, because they've never had the money to do the engineering and the background work to have the project ready to take off.

**Hon. John McCallum:** But we already had a model in place under the gas tax transfer mechanism.

**Mr. Robert Blakely:** I agree with that.

**Hon. John McCallum:** So I contend that had they used that for a part of the funds, it would have got spent a whole lot faster.

Would you agree with that?

**Mr. Robert Blakely:** Yes. Having a permanent infrastructure that allows infrastructure money to flow through it makes a lot of sense. The Province of Ontario, Infrastructure Ontario—that's a brilliant idea.

**Hon. John McCallum:** Thank you very much.

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

Monsieur Roy.

[Translation]

**Mr. Jean-Yves Roy (Haute-Gaspésie—La Mitis—Matane—Matapédia, BQ):** Thank you, Mr. Chair.

I understand the problem full well, Mr. Pellerin, but I'm not sure that everyone tuning in this morning understood the difference between Canadian and US regulations respecting SRM. Can you enlighten us further?

Apparently, Canadian slaughterhouses are not doing as well financially as US slaughterhouses because of the Canadian regulatory regime. Are we talking about a 5% or 10% loss of potential profits, or something less than that?

• (1005)

**Mr. Laurent Pellerin:** As far as the differences between Canadian and US regulations are concerned, the Americans have a so-called short list. They struggled with BSE just like Canada did, but the problem was much milder for them. Could it be that they encounter fewer problems because they don't go looking for them? Opinion is divided on that subject.

Canada's program proved to be very effective when it came to identifying cases, which were all concentrated in the same region, that is in several animal feed plants. This is one area on which we need to focus our research to avoid a recurrence of the problem in the future.

The Canadian Food Inspection Agency decided to use the long list of all bone parts or nerves removed from animal carcasses to deal with the BSE crisis. This list is from three to five times more costly to administer than the US list. Rendering by-products from slaughterhouses cannot be used as widely in Canada as they can in the United States, and thus their value is lower.

I cannot tell you in percentage terms what this represents in lost profits for Canadian slaughterhouses versus US slaughterhouses. However, I can tell you that according to a study by the Canadian Meat Council released yesterday in Calgary, Canadian slaughterhouses spend about \$30 million more a year disposing of risk material.

Slaughterhouses have not been making a profit for a number of years now. It is an extremely difficult market. Canadian slaughterhouses in particular have not seen any profits. That explains why the slaughterhouses that started up after the 2003 BSE crisis have all closed their doors. None has been able to weather the crisis. Even the large multinational corporations, most of which are US owned, have cut back on their slaughtering operations. Livestock are being shipped to US slaughterhouses instead of being slaughtered here in Canada, because Canadian regulations can be by-passed. The products still end up back here in Canada. Significant quantities of USDA beef are imported with the short list.

Canadian regulations are somewhat inconsistent and stringent. Our animals are slaughtered elsewhere, while we continue to buy

meat from other countries with less stringent regulations. Our actions need to be consistent. I'm very serious and extremely nervous about the situation. I meet with producers from across Canada and let me tell you that we have lost the critical mass to continue operating large slaughterhouses in Canada properly. By losing this critical mass, we have become less competitive and volumes are going elsewhere. When a business cannot compete, there is only one way to resolve the situation and that is by shutting down operations. That is what slaughterhouses and producers have opted to do. The number of producers in Canada is declining. Not only is the volume of production declining, but the number of producers is declining as well. Part of the reason for this is that the average age of producers is going up, as was mentioned earlier. However we are also losing producers who are in their forties. They are not getting into the business of livestock production. The same is true of people in their thirties and their twenties. If no action is taken, the average age of producers will not be 60, but more like 65 or 68 years of age.

In Western Canada, some of the farmers attending meetings of grain producers are over 70 years of age. There are no young people coming along to take their place. I see Mr. Menzies nodding in agreement. He knows firsthand the situation in these regions. He is not 70 years old, but he knows what it's like in these regions where many older farmers can't find anyone to take over their farming operations for them.

I want it to be clearly understood that two types of production are at risk in the Canadian livestock market. Over the past 18 months, hog production in Canada is down 5 million out of a total of 31 million hogs. This dramatic decline in production threatens our slaughterhouses because critical mass has disappeared.

The issue has been settled in the Maritime provinces. There are simply no more slaughterhouses. Hog production has almost disappeared, while cattle production is marginal. There are no longer any working slaughterhouses in Quebec. The Cargill slaughterhouse in Ontario has cut back its operations. Slaughterhouses in Manitoba and Saskatchewan are in dire straits. Alberta is cutting back a great deal on its shipments of live animals to the United States.

We need to sound the alarm, and quickly.

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

**Mr. Jean-Yves Roy:** Thank you.

• (1010)

**The Vice-Chair (Mr. Massimo Pacetti):** Mr. Pellerin, is the situation the same in all regions of Canada, in so far as finding people to take up the business of farming?

**Mr. Laurent Pellerin:** Are you talking about slaughterhouses?

**The Vice-Chair (Mr. Massimo Pacetti):** I'm talking about all sectors.

**Mr. Laurent Pellerin:** As far as livestock is concerned, the situation is the same in the east, in Central Canada and out west. Hog production has declined pretty much everywhere in Canada. The industry has fared somewhat better in Quebec because it has received more support over the last several years. However, in 2009, production has declined substantially, while the number of producers facing financial problems has increased.

The bulk of cattle production is in Alberta. This is also where we had the critical mass of processing-exporting slaughterhouses. They have been seriously affected and are concerned about the future of this production. Elsewhere in Canada, in the Maritime provinces, cattle and hog production are disappearing completely. Cattle production is marginal in Quebec. Quebeckers are consumers of beef, but they export it from Western Canada and from other countries. Ontario, which had a solid cattle production base, is experiencing a dramatic decline in production.

The rural fabric that is small and medium-sized cattle and veal producers is disintegrating. Similar crises occurred in the past when cows changed owners and farming operations consolidated. Today, cows are being sent to slaughter. Livestock numbers are down everywhere in Canada. This problem needs to be resolved quickly.

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

Mr. Dechert.

[*English*]

**Mr. Bob Dechert (Mississauga—Erindale, CPC):** Thank you, Mr. Chair.

Thank you, ladies and gentlemen, for your presentations and suggestions.

I have a couple of questions for Mr. Blakely from the AFL-CIO.

I was encouraged, sir, to hear you say that there are jobs available across Canada. I take your point about mobility of labour. I think lots of things can be done to enhance that.

I wonder if your organization could provide to our committee the lists of those jobs, the names of the employers, the contact information, and that sort of thing so that we can publicize that. I'd love to be able to tell some of my constituents who are looking for work where to find those jobs. I'm very encouraged to hear about that.

With respect to your comments about infrastructure, I just want you to know that in the city of Mississauga, where I live, there are a number of very major infrastructure projects going on, including the rebuilding of the city hall square, which is a \$43 million project; the construction of a new building at the University of Toronto Mississauga, a \$70 million project; and the construction of two parking structures at Erindale and Cooksville GO stations, about \$31 million each. I believe these projects employ your members. They're under construction today.

All of the money for those projects has been transferred, I understand, by the Government of Canada to the Province of Ontario and is on its way to the City of Mississauga. Mayor Hazel McCallion and her staff have been working extremely hard to get these projects under construction. Try driving down any major street in Mississauga today and you'll find traffic delays due to construction. Things are getting done.

But I appreciate your raising that.

I'm pleased to see that my colleague Mr. McCallum is here today. He may be interested to know that his successor at the Royal Bank of Canada, chief economist Craig Wright, said yesterday that the

economy is growing again, in part due to the aggressive policy actions on behalf of the government, which are taking effect. In fact, he went on to cite improved markets, low borrowing rates, and fiscal stimulus as the keys to the turnaround.

So it's interesting to note that these things are happening. They're taking place. We'll continue to make sure that projects get built as quickly as possible. There are lots of large-scale construction projects, such as water pumping stations in Peel region, water treatment facilities, and a new vehicle maintenance garage for the Peel Regional Police. These are large projects that are under construction in Mississauga and Peel region today. I hope your members will be encouraged by that.

I was a little concerned to hear your criticisms, frankly, of the home renovation tax credit. I mean, it's wildly popular, so much so that even the NDP and the Bloc are apparently going to support it tomorrow.

It has created jobs in my riding. As I've gone across my riding over the summer, I have noted many projects under construction in homes across the riding. I've talked to hundreds of entrepreneurs in the home renovation business, including roofers, people who install doors and windows, heating and air-conditioning contractors, driveway paving companies, and those who put in lawn irrigation systems and home security systems. They all tell me that they're run off their feet, frankly, by the work they're doing, which is largely due to that tax credit. They are promoting it to their customers.

Now, more would be nice. I don't think any consumer would complain about that. Obviously there's a fiscal balance that we have to maintain.

I'm wondering if you have any statistics to back up your claim that it's not creating jobs, because it's certainly different from what has been told to me and what I have seen, with my own eyes, going on in my riding in the city of Mississauga.

• (1015)

**Mr. Robert Blakely:** Construction is a business that has upwards of 350,000 contractors in it, most of whom employ a small number of people. Each one of those businesses has a capacity.

A large national construction company like Black & McDonald isn't going to be doing a home renovation. That's generally done by smaller contractors.

**Mr. Bob Dechert:** Fair enough, but they are working on the Mississauga city hall project, for example.

**Mr. Robert Blakely:** I agree; Black & McDonald, of course. That's their business. The smaller—

**Mr. Bob Dechert:** I understand that the president of the Ontario Home Builders' Association, Frank Giannone, recently said that the Ontario home renovation business and the home builder associations are witnessing positive trends and increasing consumer interest as a result of the federal government's home renovation tax credit. I believe those large new home construction projects, many of which go on in Mississauga and Peel region, do employ members of your unions.

**Mr. Robert Blakely:** Yes, just about all of them.

**Mr. Bob Dechert:** And housing starts are up in our region.

So it is good news, and obviously we want to continue to support that. Our support for new home purchases has been helpful in driving business to those new home projects.

**Mr. Robert Blakely:** I think you are taking my comments somewhat out of context. The context is basically that very small construction projects aren't done by contractors; they're done by the entrepreneur who has a roll of wire or some pipe in the back of his pickup truck.

**Mr. Bob Dechert:** The entrepreneurs do employ people. Small business employs more people in Canada than any other form of business.

**Mr. Robert Blakely:** I agree.

**Mr. Bob Dechert:** We certainly want to support them as well as everybody else.

**Mr. Robert Blakely:** In our business, the small entrepreneur is the company most likely to do his business in the underground economy.

**Mr. Bob Dechert:** In order to take advantage of the tax credit, they need to have a receipt.

**The Vice-Chair (Mr. Massimo Pacetti):** We have to go because we're over the time. Thank you, Mr. Dechert. We can have this discussion afterwards.

One of the panel members didn't show up from 9 o'clock to 10:30, so we're going to try to slot him in on the next panel and will need the extra five or ten minutes.

I want to thank all the witnesses for appearing. As usual, it has been a very interesting discussion. We're going to have a difficult time trying to make recommendations, but that's up to us. If there's any additional information, you can send it through the clerk.

The meeting is suspended.

- (1015) \_\_\_\_\_ (Pause) \_\_\_\_\_
- (1025)

**The Vice-Chair (Mr. Massimo Pacetti):** Good morning, everybody.

Thank you to the witnesses for appearing.

I have a list here of organizations that will speak. I have the Canadian Federation for the Humanities and Social Sciences,

[*Translation*]

the Canadian Paediatric Society, Results Canada, the Canadian Conference of the Arts, Option consommateurs, the Alliance of Canadian Television and Radio Artists, as well as the Vanier Institute of the Family.

You will be up in this order and have five minutes each to make your presentation.

[*English*]

Then the members will be asking questions, and I would ask that you keep your answers brief, as the members have limited time.

Let's begin.

Ms. Golfman, please go ahead.

**Dr. Noreen Golfman (President, Canadian Federation for the Humanities and Social Sciences):** Thank you.

Good morning, Mr. Chairman and honourable members, ladies and gentlemen. I might add it is a pleasure to recognize some of the people I've had the opportunity to meet in the past.

Thank you for allowing me this opportunity to bring forward the Canadian Federation for the Humanities and Social Science's ideas for Canada's 2010 federal budget.

[*Translation*]

During this presentation, we will speak of course about the enormous potential of social sciences and humanities research, as well as about the increasing opportunities it affords to Canadians.

[*English*]

As you may know, the Canadian Federation for the Humanities and Social Sciences represents over 50,000 researchers, graduate students, and practitioners through 69 scholarly associations, 75 universities and colleges, and seven affiliate members. Together, we represent the bulk of the social sciences and humanities research community in Canada.

Today, I would like to talk about the contribution of social sciences and humanities research to innovation and to our nation's ability to compete globally and be an effective partner in the international community. Before doing so, I need to mention that our community appreciates the difficult job you are all doing. Despite encouraging economic signs in recent weeks, the road to full recovery and a balanced budget will be slow and demand very tough choices from Canadians.

As we emerge, which we hope to be doing, from this recession, there is one thing we know: successful economies will be transformed and driven by the ideas generated in the full range of research disciplines, from the natural and health sciences to the human sciences. The knowledge generated in the social sciences and humanities enables social and economic progress in a number of ways. These disciplines are the source of many of the concepts and ideas that inform our understanding of the world. They also help to build knowledge about people and their ideas and behaviour, whether as individuals or as members of groups.

The application of this research provides society with the nimbleness, the flexibility, and adaptability it needs to flourish. The research performed by our community helps improve service delivery, governance practices, and business models. It also helps our industries understand the social, cultural, and economic dynamics of the world, opening new doors for Canadian innovations in the global marketplace.

As art and the humanities fuel the cultural life of our country and the creative industries that are becoming the trademark of Canadian entrepreneurship, research in the social sciences generates the knowledge that underpins our democratic institutions. In a world driven by ideas, the opportunities afforded to Canadians are directly correlated with the education and the training we can offer them. The social sciences and humanities are essential to train the global citizens, strategic thinkers, and experts we need to compete in the world and to respond to complex challenges.

We have a remarkable source of talent in our universities, ready to mentor, to train, and to educate the next generation of Canadians, ensuring that they have the resilience, the adaptability, the skill, the perspective, the tolerance, and the creativity needed for the 21st century. Social sciences and humanities research and training is essential to create the entrepreneurial knowledge and people advantages that Canada needs at this critical juncture. Whether it is research at the University of Toronto's Munk Centre for International Studies that helps cities determine how they can best attract the creative talent they need to thrive or the work being done at Carleton University that is helping the Canadian Federation of Municipalities visualize urban zones with an increasing risk of homelessness, our disciplines are responding to the critical questions of our time.

Research in our disciplines serves an important strategic function, whether we are faced with severe economic dislocation or the outbreak of H1N1. Much of the work of government deals with health, security, economic, poverty, inequality, and environmental issues that are deeply rooted in the social sciences and humanities, so a healthy reservoir of knowledge in our disciplines ensures that no matter what the political, the social, the cultural or economic challenge, Canada has the expertise it needs to confront the unexpected.

Canadians already benefit from world class research, infrastructure, and programs to nurture talent at the highest levels of excellence. With the Social Sciences and Humanities Research Council, which we call SSHRC in our circles, and the Canada Foundation for Innovation with the support for maintenance and repair projects on campuses across the country, the Vanier Canada Graduate Scholarships, the Canada Excellence Research Chairs program, we do have the foundation in place to succeed.

The Canadian Federation for the Humanities and Social Sciences is calling on the federal government to commit to a strategic investment totalling \$100 million over the next three years through the Social Sciences and Humanities Research Council, through SSHRC. Our objective for this investment is to better connect research with Canadian policy-makers, with businesses and the public, providing them the knowledge capital they need.

● (1030)

First and foremost, our concern rests with the next generation of scholars and researchers. These are the future collaborators and partners for Canada's NGOs, for social and cultural entrepreneurs, business leaders, and decision-makers in our public institutions. We are therefore recommending an investment of \$50 million to increase support for new researchers and to help to see the next generation of excellence in the social sciences and humanities.

According to data from the association—

**The Vice-Chair (Mr. Massimo Pacetti):** I have to cut you off there. It doesn't look like it's coming to a close.

I think you have a third recommendation, if you want to put that on the record.

**Dr. Noreen Golfman:** We have two more.

**The Vice-Chair (Mr. Massimo Pacetti):** We had asked for three. We have the written brief, so I'll leave it at that.

I want to keep you within your timeframe. You're already at six minutes.

**Dr. Noreen Golfman:** Wow, I'm talking as fast as I can.

**The Vice-Chair (Mr. Massimo Pacetti):** When I put the mike on, you know there are only 30 seconds left. It's out of respect for everybody else.

**Dr. Noreen Golfman:** Understood.

**Mr. Massimo Pacetti:** We'll go to the Canadian Paediatric Society.

You can't talk too fast, because then the translators can't hear you.

**Dr. Gary Pেকেles (Past President, Canadian Paediatric Society):** Mr. Chair, honourable members, we're delighted to have the honour and opportunity of speaking to you now. At the beginning of the week, I wasn't sure we'd all be here, but we are, and that's good.

[*Translation*]

This is the fourth time that I have the honour of appearing before this committee on behalf of the Canadian Paediatric Society. This time we will be taking a somewhat different approach. I hope that you have in front of you a copy of our written submission. Instead of reading it, I would like to speak to you briefly about where we are today as we make this submission to you. Another difference is that where in the past we identified three or four priorities, this time around, we will focus on a single priority.

● (1035)

[*English*]

The issue I want to talk to you about is early childhood education. The specific recommendations and some of the specific justifications for it are found in the written presentation.

I want to step back a little from this, because this issue has generated a fair amount of heat over the years. I want to step away from our ideological positions and the chronic Canadian challenge of jurisdictional boundaries and take this from a fairly pragmatic standpoint.

The reality is that currently over three-quarters of households where the youngest child is between three and five have a working mother in that house. That means more than three-quarters of those children, one way or the other, are having care and supervision in those two years alone outside their household. We know that currently the available regulated spaces for day care barely reach 20%, so there is a great discrepancy. Whatever we think about the sociology of the transition of families over the past several decades, that's the reality we now face.

So this is a challenge, but it's also an opportunity. I would like to go beyond our understandable preoccupation with current efforts to get out of the recession we've been in and particular aspects of the stimulus package and really look beyond that in the longer term. The opportunity we face here is very clear: by assuring accessibility to quality early childhood education, we have a great opportunity to help secure our social and economic future going forward 20 years.

Economists and those of us who are engaged in social policy in general often feel torn by conflicting imperatives in any program or investment we seek to look at. On the one hand is the equity and distributive justice aspect, and on the other side is the efficiency and productivity of the piece. Early childhood development is one area where, rather than looking at intersecting curves and finding some middle point to help inform the policies we establish, the curves really go in parallel.

In the written document you're going to see a lot of European comparators and OECD ratings that situate us at the bottom of the countries we most like to compare ourselves to in our initiatives within early childhood development. But I'm going to in fact cite some American data.

This has been most lucidly put together by James Heckman, a Nobel Prize-winning economist from the University of Pennsylvania. He has shown—not from his own research but from compiling research that was generated largely in the United States on early education interventions for the most disadvantaged kids, beyond addressing the distributive equity side of the piece—that over the generation and a half that those programs have been in place there have been some remarkable successes.

Some of you who may have followed the story of Head Start will have had mixed messages. In the early days the results looked great. In the middle school years, the differences between those kids who had enhanced early childhood education programs seemed to disappear, and there was a worry that there wasn't a long-term effect. We're now at a stage far enough out that in looking at post-secondary outcomes in terms of education, engagement within the workforce, and less involvement with the law—not as professionals but as subjects—remarkably, there are persistent and impressive differences between those kids who had early childhood education and those who did not.

• (1040)

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

We will now go on to RESULTS Canada and Ms. Dendys.

**Ms. Chris Dendys (Executive Director, RESULTS Canada):** Thank you. I'll try to be quick.

RESULTS is a national grassroots advocacy organization. We are committed to creating the political will to end poverty and needless suffering. We champion cost-effective, proven, tangible, and impactful solutions that will benefit the world's poorest and, by extension, the world as a whole. Our volunteers across the country are parents who think that no parent's child should die needlessly from lack of immunizations that cost pennies. They are neighbours who think that nobody around the block or around the world should die from a disease that costs dollars to treat. They're everyday

citizens from coast to coast, and they're your constituents. I'm honoured to be here today to represent their views.

I bring three recommendations. The first relates to the quantity of aid. The second relates to the quality of our aid and specifically calls to put Canada as a global leader in the area of child survival and maternal health. The third is a call to increase Canada's commitment to the Global Fund to Fight AIDS, Tuberculosis and Malaria, one of the single most important global interventions of our time.

First, in terms of the quantity of aid, the most important message I want to bring today—so if I get cut off early, this is the one to listen to—is that Canada does not stand alone in the world. We live in an increasingly global economy and community, as we have seen that markets are closely linked and external events have the capacity in an instant to affect our national priorities, policies, and directions. In this increasingly interconnected globe, it's irresponsible to ignore the fact that 1.4 billion people live in extreme poverty. Extreme poverty is a place where hunger and disease live, where children often don't live to reach school age let alone attend school, where even the most basic necessities like access to a toilet are a luxury, and where the shelter of a shack in a shantytown is a blessing. And one in six people on this planet live there.

The extent of global poverty has had an impact on the fabric of our planet, on global security, on public health, on the environment, on climate change, and on the economy. That is why I'm here to say unapologetically that despite and even because of the economic crisis, aid is important. Forty years ago last week, because of Canada's leadership, the rich countries of the world pledged to commit 0.7% of their GNI to aid. Today, of the 22 countries of the OECD Development Assistance Committee, 16 have set a timetable to reach that goal. Canada is one of the six that has not. We have around 0.3% right now, not even half of where we should be. So we're calling on you to put aid on the agenda in this budget, to explicitly say that we should be on a timetable to go to 0.7%. In the past, 8% increases to our aid budget have been legislated. It's unclear whether those increases will continue next year. If you can make an explicit commitment to make sure that is clear, then that would be incredibly valuable to the world, to this country, and would show tremendous Canadian leadership.

How am I doing?

**The Vice-Chair (Mr. Massimo Pacetti):** You're doing well.

**Ms. Chris Dendys:** Okay.

My second is a recommendation that relates to the quality of aid and Canada's capacity for incredible leadership in the area of child survival and maternal health.

If you can imagine 1,000 preschool classrooms full of children in Canada being wiped out every single day and future leaders, doctors, teachers, and our collective hopes for the next generation wiped out with them.... Around the world, even more than that die each day from preventable disease and illness. Close to nine million children under five years old succumb to a host of health challenges. But this is remarkably a story of hope: that number has been cut in half from 20 years ago. That's because we know what works when it comes to saving children's lives. Basic immunizations, bed nets to curb malaria, zinc, oral rehydration therapies, all of these cost-effective interventions cost pennies. Canada has been a leader on many of these fronts and we can be a global leader again. In 2007 the Canadian government announced an initiative called the catalytic initiative to save a million lives. We're calling on you to expand that initiative and to show Canadians pride in our place in the world by putting Canada at the centre of global leadership on that front.

Our third and final recommendation is to ask you to renew and increase Canada's pledge to the Global Fund to Fight AIDS, Tuberculosis and Malaria. Together those three diseases kill six million people every single year.

This is not just a sad story from a place far away. Every second someone in the world is infected with tuberculosis. It is a disease that is transmitted through the air. Last year alone 1.7 million people died of TB, even though it costs \$20 to treat. I think swine flu has killed about 1,700 people around the planet so far. These diseases are also a huge drain on economic growth. Malaria alone costs the African continent about \$12 billion annually to address. This aid helps ease the strain on governments and frees up resources for other priorities. But the global fund is bankrupt and it needs our commitment and our resources. The Global Fund to Fight AIDS, Tuberculosis and Malaria was a G8 commitment in 2001. It has saved 3.5 million lives since then. Next year when Canada has the eyes of the world on us and we host the G8, our greatest legacy of the G8 may be that the global fund has run dry.

To conclude, please consider recommending that aid, especially impactful and effective aid, not get lost in these deliberations. The eyes of the world will be on us in 2010. Let's live up to the leadership, compassion, and vision that this opportunity affords.

• (1045)

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

La Conférence canadienne des arts, Monsieur Pineau, for five minutes.

[Translation]

**Mr. Alain Pineau (National Director, Canadian Conference of the Arts):** Mr. Chair, members of the committee, my name is Alain Pineau. I am the National Director of the Canadian Conference of the Arts, the oldest and most broadly based cultural umbrella organization. The CCA provides a national forum for the entire cultural community: heritage, arts and culture. CCA's mission is to provide research, analysis and consultations on public policies affecting the arts and Canadian cultural institutions and industries.

[English]

Given the global breadth of our mandate, we've grouped our recommendations under three common themes, for which I will give you the highlights in this presentation.

First of all, why invest in culture? Well, because it's a very important segment of the creative economy. According to some statistics, it gives jobs to between 650,000 and a million people in Canada and contributed almost \$85 billion to the gross domestic product in 2007. It's a sector that grows faster than the overall workforce.

The CCA welcomes the recent decision of the government to renew successful programs for a period of five years. This crucial investment will enable organizations, institutions, and cultural workers to continue their creative endeavours in a more stable environment. More needs to be done in that direction.

[Translation]

Market development.

Canada is blessed with a very high proportion of artists, creators and cultural institutions and industries, but is greatly handicapped by its small internal market and immense geography. In order to survive and flourish, our cultural sector must develop markets both internally and externally.

Despite several small programs within the Canadian Heritage portfolio, there is currently no coordinated governmental strategy for the promotion of Canadian artists to international markets.

Accordingly, the CCA recommends that the federal government invest an additional \$40 million into the Canada Council for the Arts' base budget to expand its capacity to develop national and international markets. At the same time, the CCA encourages the Department of Foreign Affairs and International Trade to collaborate with the Canada Council for the Arts on its cultural initiatives abroad. The integration of a diplomatic strategy prioritizing cultural relations and trade would yield both economic and diplomatic benefits for Canada. We see proof of this on government sites.

The CCA invites the Standing Committee on Finance to recommend to the Minister of Finance that an additional recurrent increase of \$20 million a year be made to the Canada Council base budget for a period of four years starting in 2011, with a view to eventually bringing its annual budget to \$300 million by 2014. The CCA also urges that the results of the current Strategic Review underway be reallocated to the Canada Council's higher priorities.

[English]

Next is the public broadcaster. Last year, the Standing Committee on Canadian Heritage unanimously recommended that the government establish a long-term memorandum of understanding with the CBC. The committee added that the additional \$60 million received annually by the CBC since 2002 should be permanently added to the corporation's base budget and that "its core funding be increased to an amount equivalent to at least \$40 per capita".

We fully support all of this. Also, we urge you to recommend to the government that the CBC be allowed to keep the \$50 million it has been asked to identify as part of this year's strategic review. By the way, this is a recommendation that we also extend to the National Film Board.

[Translation]

The required tools.

Every sector of economic activity needs reliable statistics to develop. In the new post-industrial Canadian economy, it is critically important for the arts and culture sector to have access to labour market data, export activity and new forms of cultural activity.

The CCA therefore recommends that the government allocate at least \$1 million per year to Statistics Canada and Heritage Canada to provide statistics to the arts and culture sector for its development and for the evaluation of its performance and that of supporting government programs.

• (1050)

[English]

Next is investing in infrastructure. Much of the cultural infrastructure built around Canada's 1967 centennial celebration is in need of repair and upgrading. Cultural spaces within Canada often have uneven distribution within communities, resulting in a lack of affordable and sustainable rental spaces in many regions of the country. We're not talking about only large centres here—culture belongs to all Canadians. It would be fitting to mark Canada's 150th anniversary by addressing this issue.

The CCA supports the recommendation of the Creative Cities Network for the creation of a special multi-year capital program to address a huge deficit in funding for cultural and recreational facilities across Canada. While the CCA rejoices in the fact that the government recently renewed the Canada cultural spaces fund for five years with a one-time increase of \$30 million this year, we submit that the annual base budget of \$30 million is grossly inadequate and recommend that it be doubled.

As we plan for sustainable growth for our economy, our environment, and our industries, so too must we plan for our national heritage. Over the years, the CCA has called for a renewed national museum policy, not only for predictable funding, but also for a firm policy commitment to protect and project our national heritage for Canadians and foreign visitors.

Despite the broad consensus achieved in 2005 on this front among all political parties in this House, the past three years have seen significant cuts made to the museum community. Accordingly, the CCA renews its recommendation that the government commit \$50 million to implement a long overdue national museum policy.

[Translation]

Thank you for your attention. I will be happy to take your questions.

[English]

**The Vice-Chair (Mr. Massimo Pacetti):** *Merci, monsieur Pineau.*

We go to Ms. Bose from Option consommateurs, for five minutes, please.

**Mrs. Anu Bose (Head, Ottawa Office, Option consommateurs):** Thank you.

Mr. Chairman, Mr. Vice-Chairman, members of the committee, thank you for this opportunity to present our views during the 2009 pre-budget consultations. My name is Anu Bose and I am the head of the Ottawa office of Option consommateurs.

We are an organization that dates back to 1983. We are non-profit and our mission is to promote and defend the interests of consumers. Our head office is in Montreal, and as you know, we also have an office here.

Although experts are not agreed if the end of the current recession is in sight, we maintain that Canadians are suffering and will continue to do so for months to come. Labour market changes over the last several months raise concerns for the financial health of Canada's households. For example, the latest figures from Statistics Canada show that full-time employment has shrunk by 3.5% since October 2008, while part-time employment has grown by 3.1%. Women aged between 25 and 54 were the only demographic group to have experienced an increase in employment in August 2009. But what appears as good news on the surface hides a much harsher reality.

We ask you to bear in mind that according to Monica Townson's findings published this year, on an average Canadian women working full time earn only 71% of the income of their male colleagues. And women make up 60% of all workers earning minimum wage.

To borrow a phrase from south of the border, and here I cite Hennessy and Yalnizyan, we are in a "he-cession". Put differently, it is Canadian men of prime working age who have borne the brunt, 71%, of recent job losses. This leads us to question the ability of Canadian households to meet their short- and medium-term financial obligations. We maintain that the next budget must offer solutions that address the concerns of the unemployed and the vulnerable consumers more than to be consumed by the size of the federal deficit.

The current recession has and still is especially hard on the poorest households as they have little room to manoeuvre in their budgets. More than 60% of the consumers we meet in our budget counselling program live alone. Some 30% are 55 or older. Moreover, around one-quarter of single mothers live below the poverty line, even after we take into account current government transfers.

Bearing in mind that consumer activity makes up 60% of Canadian GNP, we ask you, the government and the Department of Finance, to pay special attention to maintaining the purchasing power of our most vulnerable and most financially challenged citizens, who are all consumers.

I'll pass on to Ms. Reed, my colleague.

•(1055)

[Translation]

**Ms. Geneviève Reed (Head, Research and Representation Department, Option consommateurs):** If Canada is to meet the challenges of a knowledge-based society and if Canada is to ensure a well-functioning marketplace, Canadian consumers must have the necessary skills in reading, writing and numeracy. According to the data for Canada to be found in the International Adult Literacy and Skills Survey of 2003, the performance of Canadians between the ages of 16 and 65 in literacy, numeracy and problem-solving is directly linked to their performance on the labour market. The unemployed and those outside the labour force have average results at Level 2 while the employed are at Level 3. These facts show a clear link between literacy and employability. Several of our own studies demonstrate an equally strong link between literacy and sound consumer choices.

Since Canada must absolutely develop a knowledge-based economy for the future, the Minister of Finance must pay special attention to literacy and numeracy training for the unemployed so that they can play an active role as workers and as consumers.

It is not only the labour market which is undergoing a major transformation; Canadian citizens are falling even deeper into debt. The most recent figures published by Equifax Canada for June 2009 show that an ever-growing percentage of Canadian consumers are unable to meet their credit card payments. The number of people falling behind in their payments has increased by 24%. Some of the practices engaged in by credit card issuers can encourage consumers to spend or borrow money. These include offering low introductory rates, cheques for advancing funds, lower minimum payments, options to waive payments and cash back on purchases.

Because many Canadian consumers have fallen prey to abusive practices by financial institutions that issue credit cards, the Minister of Finance must take firm action to regulate and supervise market practices in the area of credit costs and information disclosure.

The Canadian economy is on life support and many Canadians are in critical condition. We would therefore like to make the following three recommendations.

Firstly, the federal government should adopt income stabilization tax measures targeted at Canada's most vulnerable consumers, particularly single people, the elderly and single-parent families.

Secondly, as part of the reforms of the employment insurance system, the federal government should include literacy and numeracy programs to help build Canadians' financial understanding and capacity.

Thirdly, the federal government should honour its commitment to regulate credit, specifically by implementing the recommendations of the Senate committee, so as to create a level playing field for Canadian consumers.

Ladies and gentlemen, thank you for your attention. We will be pleased to take your questions.

[English]

**The Vice-Chair (Mr. Massimo Pacetti):** *Merci.*

Next is Ms. Downey from the Alliance of Canadian Cinema, Television and Radio Artists. You have five minutes.

**Ms. Ferne Downey (National President, Alliance of Canadian Cinema, Television and Radio Artists):** Good morning. My name is Ferne Downey. I'm an actor and the elected national president of the Alliance of Canadian Cinema, Television and Radio Artists. I'm joined today by my colleague Stephen Waddell, our national executive director.

Thank you for inviting us here this morning to bring you the concerns of the 21,000 members of ACTRA. We work and live in every corner of our country. We are English-speaking workers and artists whose performances entertain, educate, and inform Canadians and global audiences in every medium—TV, film, radio, and digital media.

Culture is who we are. It reflects who we are as a country to each other and to the world. Culture is also serious business that plays a critical role in the economic health of our country. Canada's cultural industries contribute more than \$85 billion to Canada's gross domestic product. That's 7.4% of our GDP. Culture also provides more than 1.1 million jobs to Canadians, and that means about one in every 30 Canadians has a cultural job in ridings from one end of the country to the other. More people work in culture than in agriculture, forestry, mining, and oil and gas combined. Cultural industries are also among the most efficient in generating results. Every \$1 invested generates at least \$7 in return.

I am here today to speak specifically about the audio-visual sector. Our Canadian film and TV production industry put \$776 million in salaries and benefits directly into the pockets of Canadian workers and added \$5.2 billion to our economy last year. As well, 131,600 jobs were in the film and TV industry. That means 51,700 full-time jobs directly in film and television production, and a further 79,900 spin-off full-time jobs in other industries in the Canadian economy.

Canadian performers, writers, directors, and producers create products enjoyed and consumed in Canada and around the whole world. Exports of Canadian film and television products are extremely successful, doubling within a decade from \$1.5 billion in 1997 to \$3 billion in 2006. However, these hard-working Canadians can't do it alone. Like many other thriving industries, Canada's audio-visual industry relies on government support to trigger private sources of investment. Film and TV production is an expensive endeavour that cannot be financially sustained by Canada's relatively small domestic market. In order to thrive, Canada's audio-visual sector and workers need reliable government investment to fuel this growth industry. We must not forget that Canada is not unique in this respect. Almost all industrialized countries around the world support domestic television and film production through direct investment and tax credits.

ACTRA would like to suggest three things that the government can do to capitalize on the potential of this job-creating machine.

First, increase your investments in Canada's audio-visual institutions, like the Canadian Television Fund, Telefilm Canada, the CBC, and the National Film Board, and make those investments long term. Long-term stable commitments from the federal government encourage independent producers and distributors to invest in our industry. Year-to-year investments, while appreciated, will not allow the industry to meet its full potential. Like many other industries, film and TV is a multi-year cycle. One project can take many years to complete, from concept to development to the time it hits the screen. We need stable government investment in order to plan and trigger private financing to make these projects a reality.

The CBC's unique role within the broadcasting system has been weakened by chronic underfunding. To fill that funding gap, our own Canadian public broadcaster is putting more and more U.S. content on its schedule. The CBC should not be airing *Jeopardy* and *Wheel of Fortune* in prime time just to survive. We urge you to take up the 2008 recommendation of your colleagues at the Standing Committee for Canadian Heritage to increase the annual allocation for the CBC by \$7 per Canadian, to a total of \$40 per Canadian, to bring it in line with other industrialized nations.

I will turn to my colleague Stephen Waddell.

• (1100)

**Mr. Stephen Waddell (National Executive Director, Alliance of Canadian Cinema, Television and Radio Artists):** Thank you, Ferne.

Government investment in our institutions is critical. Another important piece of the puzzle is tax credits. Our second recommendation to you is to increase the value of the Canadian film or video production tax credit, or the CFVPTC, and the production services tax credit, the PSTC.

Tax credits for domestic production have helped create the products that allow us to tell our own stories. The Canadian film and video production tax credit should be increased and expanded to keep pace with provincial tax credits and encourage Canadian production using Canadian creative talent.

We support the finance committee's own 2004 recommendation to increase the value of that credit from 25% to 35%. To encourage

foreign production in Canada, we propose that the production services tax credit be increased from 16% to 26%. The fact is that if we want big Hollywood films to spend their multi-million dollar budgets in Canada, we need to have competitive tax credits.

We also encourage you to increase the value of both tax credits. You can do that by eliminating the provincial grind and expanding the tax credits to apply to all production and post-production costs, not just labour, just as Ontario and Quebec have recently done.

Our third proposal is to reintroduce income tax averaging for artists. It is very difficult to make a living as a professional artist in Canada. A performer's income can fluctuate wildly from year to year. One year you're a lead in a series, and the next year you may not work at all.

**The Vice-Chair (Mr. Massimo Pacetti):** Your time is up. Thank you.

From the Vanier Institute of the Family, we have Mr. Lochhead, for five minutes, please.

**Mr. Clarence Lochhead (Executive Director, Vanier Institute of the Family):** Mr. Chair, honourable members, let me first say thank you to everyone for the opportunity to participate in this very important pre-budget consultation.

The Vanier Institute of the Family is an independent national research and educational organization and we're committed to the well-being of families in all of the various dimensions that entails, including health in children, right down the line. We've been in existence since 1965, and over our 45-year history we've continued to document the status and well-being of families in all of their diversity, and we continue to try to understand better the challenges and opportunities that are ahead for Canadian families.

In the first part of my presentation, I'd like to share with you some of the key trends that we've taken from some of the research that we and others have done around Canadian family finances. I think it helps us better understand the impacts of what families are going through in this particular recession, and I think it says something very important about what we need to be doing with respect to budgetary spending as we look forward to the future security of families.

It's very important to stress that I think there are what we might call reactionary changes that we could put in place in terms of budget responses to the current economic crisis, but I would also urge those who are considering various programs and options for the budget to look forward, to look at this as not only a reactionary budget, but also perhaps as a transformative budget. I think there is opportunity within this challenging time to achieve these things.

I'm going to put the three recommendations of the institute on the table and then back up to talk about some key trends. I want to make sure I get these out here. We think there's action required on several broad fronts. I want to talk a little bit less at this point about the nuts and bolts of this and really talk more about thematic and directional shifts in the budget that I think would be in the interest not only of Canadian families but also of the Canadian economy.

I think we do need to shore up some of our key income security programs for working-aged families and for seniors as well.

We need to invest in community infrastructure. We can build roads and we can build bridges, but there is an important community infrastructure that's experiencing real stresses and strains now, and it's going to be a very important part of our economic recovery. I think some of this budget needs to look at innovative ways of supporting community infrastructure development.

Finally, I think there is a need to continue with efforts to introduce appropriate safeguards, policies, and practices to achieve higher levels of financial literacy.

I'll come back to each of those, time permitting.

I do want to talk a little bit about some of the key trends that we've been looking at. I was going to start by talking about some of the impacts on Canadian families, and I think those around the table here are familiar with those, whether it's seniors who are looking at savings that have plummeted and are now wondering about their retirement decisions, whether they can do that or not. We see young people who are struggling in terms of entering a difficult labour market at a difficult time, and we certainly see the numbers on the unemployment side of things.

As tough as all those things are in a recession—and indeed they are—what's interesting to understand is that those impacts are even more jarring when families are, as we would say, “living on the edge” of the monthly budget. This really takes us back to our longer-term analysis of what's been going on in the area of family finances. What we see when we cast back 15 or 20 years is that the changes families have had, the incomes that they've been bringing in from employment have been essentially stagnant on an individual inflation-adjusted basis.

How have families responded? One of the things they've done is put enormous amounts of time and energy into their workplaces. That's good to the extent that it has helped bolster those family incomes by a modest amount over that time, but they've done it by putting more time in the labour market. This is really important as a backdrop to these recommendations, because we know about time stress. We've had enormous sophisticated research analysis that has told us about the impacts of work and family imbalance. We know this has a negative impact within workplaces; we know it has a negative impact within communities. Recent numbers have shown the ability of people to volunteer is going down. We certainly know that it has an impact on public health, just in terms of well-being. Finally, of course, it has a tremendous impact on family life itself.

•(1105)

So families have been putting more time in, and what they've been doing, if you look at not just the income side but also the expenditure side, is spending as if they've actually been accruing real income

gains. So their spending has far outpaced any income they've had coming in. What you end up with is a squeeze-play. I think of the analogy of a car with a shock absorber, where you hit a bump at the end of the road—

•(1110)

**The Vice-Chair (Mr. Massimo Pacetti):** You are hitting the bump. Actually, you are hitting the stop sign.

Thank you to the witnesses. I just want to remind the witnesses that the members have seven minutes in the first round, which includes questions and answers. So if you're going to make long-winded answers, the members will have less time to ask questions—although you can't control the members.

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

**The Vice-Chair (Mr. Massimo Pacetti):** Speaking of uncontrollable members, Mr. McCallum, for seven minutes.

**Hon. John McCallum:** Well, thank you, Mr. Chair, and thanks to all the witnesses for being here.

My first subject is foreign aid and I have a question for Ms. Dendys, but it requires a little bit of a preamble.

Dale Orr, one of Canada's most respected economists, recently wrote a paper in response to the government's so-called plan to reduce the deficit. Whereas the government focused on those who wouldn't lose, such as provincial governments, Dale Orr's focus was on those who would lose as a consequence of this. The first losers he identified were employment insurance payers, because the premiums will go up a lot. But he also identified a category of expenditure of transfers of various kinds that would be subject to particularly severe restraint. Included in this component was foreign aid.

So according to Dale Orr, one of Canada's most respected economists, foreign aid has been singled out for particularly severe restraint in upcoming years. This might be perfectly understandable to the Conservatives because, by definition, recipients of foreign aid don't vote in federal elections in Canada—although it does make it a bit more difficult to understand why the NDP would wish to support the government.

My question is, if Dale Orr is right and foreign aid is singled out for particularly severe restraint—and I don't know what that means, but maybe 1% or 2% growth per year in the coming years—how would you react to that?

**Ms. Chris Dendys:** I realize you have a lot of tough choices to make around the table, and I am not stupid and realize that foreign aid is not an issue that people think generates a lot of votes. However, I respect his opinion, obviously.

I would be disappointed. I would think that Canadians would be disappointed. I think we have an opportunity to show tremendous leadership. I think it is short-sighted and not testament to the Canadian vision of the past to think that advocating stimulus within our own country and cutting aid across the world is fair or just or that it will not have an impact in the long term.

By the way, because I represent grassroots individuals from across the country, I will say that Canadians do care about these issues. They want to see Canadian leadership.

We've made a commitment to the world to live up to a timetable for meeting 0.7%. We are not asking for anything that is insurmountable; we are being very prudent in our asks. We are asking the committee to encourage the government to live up to even an 8% increase for next year in foreign aid. That's between \$300 and \$400 million. This is a commitment that has been made and one that we should be living up to.

I guess that's my response.

**Hon. John McCallum:** Thank you very much.

My second question is for Ms. Golfman, and it again requires a little bit of a preamble. I've always thought this government had a very strong anti-intellectual bias, witness its cutting of funds for research granting councils and funds for science. I could also say it has an anti-cultural bias, witness its cutting of funds for culture, but I want to deal with the academic/research side.

This anti-intellectual bias against research is across the board, but as a former dean of arts I am particularly sensitive that nowhere is it more concentrated than in the social sciences and humanities, witness the government's requirement that some fraction of the meagre funding that already exists go into business-related studies as opposed to whatever the granting councils might choose.

I know this government sometimes exacts retribution against people who criticize them, so I wouldn't criticize you if you didn't want to comment. But my question to you is whether it is becoming increasingly difficult for people in the social sciences and humanities to cope, given the attitude and the actions of the Conservative government?

•(1115)

**Dr. Noreen Golfman:** Thank you for that very leading question.

To respond as diplomatically as possible, it's our view, and the view of, I would say, the 50,000 scholars that our federation represents, that it is really counterproductive to be undermining the vast majority of researchers in this country who are dedicated to doing the kind of research that, as I was listening to the witnesses around this table, informs every single argument that people are making for child development, literacy, cultural health, or you name it, the whole basket of issues that are before you. It is those researchers who make those contributions. We think it is short-sighted to be focusing on business exclusively, because that focus really undermines, for example, the engagement that those social scientists and humanities, who are not necessarily in business schools, want to have with improving our social problems or taking on the challenges. It's not just a business matter.

We have such a fabulous track record in this country of cultural production, of artistic production, of social science and humanities research. There are enormous pressures on those budgets right now.

**Hon. John McCallum:** Thank you. I want to have time to make one last comment. I thank you very much for your answer.

I would also say, NDP willing, help is on the way.

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

[*Translation*]

Mr. Laforest, for seven minutes.

**Mr. Jean-Yves Laforest:** Thank you, Mr. Chair.

Good day to all of the witnesses. My first question is for Mr. Pineau.

I had a question concerning a comment you made earlier and it was answered in part by Ms. Downey. Regarding the demands that you have made and the importance of the arts in Canada, what type of return on our investment are we looking at? Ms. Downey answered the question in part, but more as it relates to the arts, film and television. She mentioned the significant economic spinoffs generated. However, with respect to the performing arts such as theatre, music and dance, can we expect to see similar spinoffs when the federal government invests in supporting and promoting culture in general?

**Mr. Alain Pineau:** Yes, in fact we can. I can't quote you all of the figures off the top of my head, but I do know that depending on the sector or method of calculation used, we can expect to see either a full return, or double or double and a half return on the investment. There is some disagreement as to the exact figures. I would be happy to send you the supporting data for the performing arts, in terms of the overall economy. I promise to send you additional statistical information on this subject.

Briefly, I would just like to emphasize the importance of reliable statistics for this sector. When I meet with some members of Parliament, I hear how each one has his or her own statistics on culture. It's hard to know exactly what these statistics mean. There is admittedly a problem here. That is why we feel that if the government and parliamentarians believe this sector is truly worth caring about, then it should provide it with some basic tools, namely statistics.

**Mr. Jean-Yves Laforest:** I'm asking you this, because the core mission of the Canada Council and of culture in general is to contribute to the development of Canadians and Quebecers. However, some people don't seem to understand that this is important. They don't understand the meaning of these numbers. So then, without question, we need to emphasize how very important it is to invest in culture and the arts. But it is equally important to provide us with the statistics to support our argument for providing equal, if not, more funding to this sector.

•(1120)

**Mr. Alain Pineau:** Absolutely. That's the positive side of the negative side of the cultural sector. Creating jobs in this sector is not a very costly proposition because artists and people working in the cultural sector generally do not earn a great deal. I'm not saying that they should continue to live in poverty. However, if we seriously want to create jobs in the culture sector, we can do so relatively inexpensively compared to other industries that may not be forward looking.

**Mr. Jean-Yves Laforest:** That ties in with the second question that I would like to put to Ms. Downey. The question is also for Mr. Waddell.

Do you have some idea of the average income of members of your association who work in the film and television industry?

[English]

**Ms. Ferne Downey:** It's less than \$25,000 a year.

[Translation]

**Mr. Jean-Yves Laforest:** I think it's important to emphasize and re-emphasize that contrary to popular belief, people working in this sector do not all earn a great deal of money. A handful of them may, but not the majority. I believe you would do well to mention that when governments invest in culture, they also see a return on their investment. The cultural industry employs people who do not depend on the State to get by. In fact, these people get by with very modest incomes.

You answered my question. Thank you.

Ms. Golfman, you urged the government to invest more heavily in social sciences and humanities research. I would like you to give us a few concrete examples of social sciences and humanities research. I realize that there may not be many people tuning in to our proceedings, but there are still some who are listening to us.

What exactly does research in the social sciences and humanities entail? What type of research may be important for society's development and for the work being done by researchers?

[English]

**Dr. Noreen Golfman:** Child development, literacy, and culture, but I think one very strong, forceful example of the success of the progressive nature of the research that's been going on in universities in the last several years is something called the CURA program or, in English, the Community-University Research Alliance. It's a program sponsored by the Social Sciences and Humanities Research Council, which the federation takes credit for having invented in the first place, and it's an attempt to get academics beyond the ivory tower and engaged with community activists and entrepreneurs.

It has been hugely successful. The demand from the community is to involve researchers in matters challenging social cohesion, let us say, whether that be issues around poverty, literacy, or childhood development, or issues about communities that are fracturing and emptying out. I come from Terre-Neuve, where a lot of social sciences and humanities research has been devoted to, say, the collapse of the fishery. There are very concrete examples like this, which have stimulated more research and benefit the local, the rural, and the city environments in which these people are living.

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

*Merci, monsieur Laforest.*

Monsieur Wallace, seven minutes, please.

•(1125)

**Mr. Mike Wallace (Burlington, CPC):** Thank you, Mr. Chair.

I want to welcome our guests here today. I have a few questions. I won't be able to get to everybody, but I appreciate your attendance.

First of all, let me start with Ms. Golfman. I'm actually a double major in economics and political science, so I guess I'm from your side of the equation, but we have heard quite a bit, including yesterday from organizations, engineers, and scientists, from people who say they want more money for research and more money for people. This year we announced \$136 million for university-based social sciences and humanities research. We announced that money this spring, so we've recognized that.

In a nutshell, how do you think the government as an organization should evaluate the value of what you would call "science" science, compared to the humanities or social science, and how should we balance that? Do you have any concept of a ratio that we should be dealing with?

**Dr. Noreen Golfman:** Scientists need lab equipment and they need more money to do the kind of research they do. SSHRC is relatively underfunded. Certainly we'll always probably get less money, because the researcher doesn't need this whole apparatus to do his or her research. But there is, I think, in some sense a kind of false distinction between these worlds.

We're increasingly interdisciplinary. I'm sure you're hearing that from the tri-councils. We're not saying give us more at the expense of science.

**Mr. Mike Wallace:** Of somebody else; I appreciate that.

To RESULTS, I don't have much time left, but we do hear your message. In fact, I think we have heard the message. In the 2008 budget, we met our commitment for doubling our aid to Africa. We have \$5 billion to 2010 for aid. I think this government has been active in trying to get to where we want, with about \$450 million towards AIDS research and fighting some of those issues.

So we hear you. It is a tough year, as you've indicated. We'll see what comes of it.

I want to turn to my friends from the arts community, if I could.

As I said yesterday, I'm pretty active in the arts myself, not as a participant but as an audience member. I have been working since 1999 to try to get a performing arts centre for the city of Burlington. It's under construction. We can thank partly our government for that happening in terms of infrastructure money.

I'm a member of Theatre Aquarius. This summer we went to Shaw again, and we've gone to Stratford. I'm very active in the performing arts piece in terms of being somebody who pays money to go and see it.

I have two points, and I'd like to start with Mr. Waddell. We've met before on this issue.

One of your recommendations—I like to deal with the specifics—is the averaging of income over five years. That hasn't been in existence since 1981.

**Mr. Stephen Waddell:** Since 1982.

**Mr. Mike Wallace:** Well, okay, it may have ended in 1982, but it got cancelled in 1981. It's almost 30 years old.

How do I justify to my small business owner who doesn't know how much money they're going to make from year to year that my actors get to average their income over a five-year period and they can't?

**Mr. Stephen Waddell:** You should tell your small business colleagues that income tax averaging could advantage them as well. It shouldn't be limited to just performers or artists; it should apply to all small business owners, to accountants and lawyers and anyone who has fluctuating or lumpy income.

The point of this is to average it over a period of time so that you're not taxed at an excessive rate for a good year in a bad year.

**Mr. Mike Wallace:** I'm not going to assume that you were around, but since you put it in a recommendation, do you understand why it was cancelled in 1981-82?

**Mr. Stephen Waddell:** Well, knowing something about the finance department officials and the government then and now, the governments and the finance department like employees. They don't like independent contractors, which our members and others are. So they're attempting to force everybody into the employee mould. The consequence is that independent contractors are having a really tough time surviving.

Just to amplify Ms. Downey's response, in our jurisdiction, the average earnings of an actor member total around \$15,000. It's a significant problem to survive—to survive—in this country.

**Mr. Mike Wallace:** Yes, okay, I appreciate it. And I appreciate the work that everybody does in that field.

We also heard about the adding to the production side. We heard that yesterday, and I had some questions on it.

To Mr. Pineau, we also heard from Orchestras Canada yesterday about more money for the Canada Council for the Arts. We're at \$180 million now. We added \$20 million a couple of years ago, and then \$30 million became permanent last year, I believe it was. You're asking for \$40 million over, I think, the next four years—not just for one year, not one shot—to get you to \$300 million.

Try to help me justify to my constituents why your organization gets a 22% increase in a very tough year. How am I, as an individual of this committee, supposed to recommend a 22% increase, not just this year but every year? It's like a 60% increase over the next number of years. That's a pretty tough number to swallow.

I want to know why you came up with such a large number in this particular budget.

● (1130)

**Mr. Alain Pineau:** Well, I'll address only the \$40 million that we're talking about in developing foreign markets. I would tell your constituency that this is a government priority, and if you need arguments to support that, that's what we're here for. I'm not going to do that in the three seconds I have here, but I can provide you with all the information.

The information to justify this is sometimes available on government websites, which show evaluations, for example, that when Canada sends its artists and creators and troupes abroad, the people who are most enthusiastic about that are not the cultural attachés—we don't have any of those left—but the people who work in commerce, the people who are trying to sell our wares abroad, because arts and culture attract people at those embassies in those locations. That's an investment in developing a market.

My first step is to convince you that arts and culture is an important part of the creative economy and that while I understand the rationale for pouring zillions of dollars into industries that were more yesterday's industries and maybe should be reshaped in some manner—I don't know—the future of this country, according to many, is in the creative economy. Our natural resources will eventually run out, and our industries are very dependent on the outside world. Our creativity is the one thing that global warming doesn't get to.

**Mr. Mike Wallace:** Thank you.

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

Perhaps Mr. Mulcair would like to donate his time.

Mr. Mulcair, you have seven minutes, please.

[Translation]

**Mr. Thomas Mulcair:** Thank you, Mr. Chair. As always, it is a pleasure to meet with all of the witnesses.

Our time is quite limited. Therefore, I will begin with a comment directed to the Canadian Paediatric Society. Thank you for your presentation, Dr. Pekeles. You work in the medical field and you have focused on early childhood education needs, emphasizing that quality, well-funded programs are needed. You also spoke of the long-term effects. We often speak of sustainable development strictly in terms of the environment, but you have reminded us that it is important to invest in our children to ensure the well-being of future generations. Thank you for your clearly worded message.

I would also like to thank Mr. Pineau for providing such a sound answer to Mr. Wallace. Kudos to you.

It is always a pleasure to see you, Ms. Reed, Dr. Bose. To my mind, Option consommateurs is the most important consumer watchdog group in Canada, as your presentation has once again demonstrated.

Recently, our party has identified a number of areas on which the government should focus and work in the public interest. One such area is employment insurance. There has been some movement on that front. Two other areas are better pension protection and the credit card system. The former does not concern you, while the later does.

I want to be certain that I understood your message clearly. You say that the government needs to act now on the credit card issue, not only in terms of educating and informing the public, but also in terms of directly informing them of abusive interest rates that are currently charged. Is that correct?

**Ms. Geneviève Reed:** Thank you for that excellent question, Mr. Mulcair. Last year, we did some extensive research on certain business practices of institutions that issue credit cards. A number of these current practices need to be re-examined and regulated. We believe a policy must be adopted to impose a ceiling on interest rates. The Bank of Canada's prime rate must be taken into consideration, because right now, that's not the case. However, this isn't the only action that needs to be taken. A series of measures are needed to regulate the system.

• (1135)

**Mr. Thomas Mulcair:** Thank you very much.

Since the clock is running, I want to thank Ms. Downey and Mr. Waddell from ACTRA for their excellent presentation.

[*English*]

In your presentation, Mr. Waddell, you mentioned the need to eliminate the provincial grind. Could you give us a bit more information about what's involved there?

**Mr. Stephen Waddell:** Sure. Thank you for the question.

Eliminating the grind means that under the federal tax credit system they take into account what has already been paid in terms of the provincial tax credits and then deduct it from the federal tax credit, so there is a grind-down effect. If that grind-down effect were eliminated, it would actually be equivalent to raising the percentage by 4%. So that would be a significant change and a significant benefit without any substantial impact on the revenues.

**Mr. Thomas Mulcair:** You mentioned the need for income averaging as well. Are there any provinces right now that have a

practice of income averaging, and have you been able to measure the results?

**Mr. Stephen Waddell:** Yes. Quebec currently has income averaging. They've reinstated income averaging. It's been extremely beneficial to performers and other independent contractors in Quebec, a significant benefit. Quebec also provides a tax benefit to artists, as other countries such as Ireland do, to encourage artists in Quebec. They allow \$15,000 worth of income from royalties earned from copyright royalties to be tax exempt, a terrific benefit for artists and others who are earning royalty income in the province of Quebec.

**Mr. Thomas Mulcair:** These are broad-stroke committee hearings with a view to preparing the budget, as you know. There are also a lot of issues that come to the fore in your field that are on the horizon and are not yet there in terms of the new media. What are some of the issues that we as legislators have to be looking at to make sure we're well prepared for the future? In other words, not just reacting as the problems arrive, but what can we be doing to be looking a little bit to the future to make sure that what we have in place legislatively meets those challenges?

**Mr. Stephen Waddell:** We're going through a tremendous transition right now from the analog system to the digital system, and the business models have not yet been developed, they're not yet formed. Companies, whether they're advertisers or producers, have not yet been able to figure out how to make money out of the digital economy in this area.

We're very much in transition. We're facing some significant challenges at the regulatory level. There are real needs to put more money into the system and for broadcasters to get increased funding.

The ISPs, the Internet service providers, are making tonnes of money and yet not putting money back into the system. Our view is that they have to contribute significantly to production in this country. They're making significant revenues out of broadcasting in Canada, they should be putting more money back into the system, particularly with respect to levies similar to what are currently in place with the Canada Media Fund.

**Mr. Thomas Mulcair:** Thank you very much.

[*Translation*]

I have nothing further, Mr. Chair.

[*English*]

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

We're into the five-minute rounds, and the next round will start with Mr. McKay.

**Hon. John McKay:** Thank you, Chair.

Thank you, witnesses.

My first question is to RESULTS Canada. I'm familiar with the good work of RESULTS Canada, and I agree completely with Mr. Orr's analysis that one of the programs most likely to be affected will be our contribution to foreign aid. But it's probably actually worse than that, because not only is it the quantity of aid, it's the quality of aid.

You were very helpful in the passage of Bill C-293, which has now been the law for well over a year, going on a year and a half. The idea of the bill was to make our aid better aid, more focused aid, focused on poverty alleviation.

In the year and a half that the bill has been the law of the land, have you seen any material difference in the way that CIDA or this government does business?

• (1140)

**Ms. Chris Dendys:** To get back to *The Economist* and Mr. Orr, I just want to say that because his analysis is about aid stagnating, it doesn't necessarily make it the right thing. I should have said in that my previous comment, which was that every party around the table has made a commitment to a timeline to 0.7%, that aid is important. It's interconnected in terms of our impact and our capacity to thrive in the world that we care about how the global economy actually does and how those who are the least among us are doing on this planet.

In terms of your direct question about Bill C-293, I have not seen a noticeable difference. I know there's a commitment on the part of CIDA to focus on thematic priorities. There are discussions and speeches about focusing on the poorest of the poor, which is what the bill lays out about having a poverty-focused aid agenda, which is absolutely crucial. So in terms of actually seeing it roll out into the ground and roll out into implementation, I haven't seen the results of that. I suppose that would require some more digging.

**Hon. John McKay:** There is a reporting period that's supposed to be at the end of this month, and I must admit I'm somewhat skeptical.

There's a book out called *Dead Aid* by Moyo, and it's an interesting and sometimes critical book about aid. One of the things that it criticizes is the western intervention on bed nets, and particularly with respect to free bed nets being distributed by western NGOs and driving indigenous business out of business. I'd be interested in your comments on that since you do have a legitimate thrust in the areas of tuberculosis and malaria and things of that nature. I'd be interested in your comments on her observations.

**Ms. Chris Dendys:** I haven't read Dambisa Moyo's book, but I did hear her speak and I think she is an articulate person. In terms of her broader message, I should preface by saying I would actually agree with Paul Collier and others like Jeff Sachs in the field who kind of dispute her notion that aid to Africa doesn't work. Even she has said she's been misquoted on that fact.

In terms of the bed net analysis, we know what to do when it comes to malaria: bed nets, ACTs, and spraying huts. We know how to eradicate malaria on this planet, and the globe has come together on that. We are actually close to complete coverage in terms of bed nets. We've had a lot of successes on that front. That's an example of the cost-effective, tangible solutions where we can invest and have an impact.

Should there be more production of bed nets within the continent of Africa? Yes.

**Hon. John McKay:** Mr. Pেকেles, we had a witness here yesterday who essentially said, give every family \$4,000 per child and let them look after their child care needs whichever way they want, whether it's in home, out of home, for profit, not for profit, and whether it has an education component or not. I hope I'm not characterizing incorrectly what the witness said, but I'd be interested in your observations with respect to whether that is an effective child care strategy.

**Dr. Gary Pেকেles:** Thanks for that question.

Last year when I was here, I was probably sitting directly beside that woman, and we've had some active e-mail discussion since then.

I don't see the two as competing with each other. There is some benefit to providing financial support to families with small children, but what that doesn't cover are the opportunities inherent in child care for families in terms of setting standards.

One of the problems is that even if you increase the demand by increasing the financial capacity, the supply in terms of quality day care settings that meet some very basic criteria is not there. Again, this is clearly primarily a provincial jurisdiction, but we're talking to you about it because we see some opportunities for the federal government to serve as a catalyst in bringing national standards into place. Once that money is spent, there are tremendous opportunities being wasted and some safety considerations as well in making sure that the money is being spent for safe, high-quality day care centres with appropriately trained personnel. Giving the money just to the individuals as a sole approach to this problem is insufficient.

• (1145)

**Hon. John McKay:** Thank you.

**The Vice-Chair (Mr. Massimo Pacetti):** Thank you, Mr. McKay.  
[Translation]

You have five minutes, Mr. Roy.

**Mr. Jean-Yves Roy:** Thank you, Mr. Chair.

My question is for either Ms. Reed or Ms. Bose.

You stated in your presentation that according to an international survey, approximately 55% of Canadians aged 16 and over do not have level 1 or 2 numeracy and literacy skills. Since I haven't seen the survey, I don't know what levels 1 and 2 are. Does this mean that people cannot understand a credit card statement or read the rules on the back of the statement?

**Ms. Geneviève Reed:** Thank you for your question, Mr. Roy.

Level 1 is in fact the basic level of written comprehension.

**Mr. Jean-Yves Roy:** In that case, could we refer to this as functional illiteracy?

**Ms. Geneviève Reed:** Yes, absolutely.

Unfortunately, I don't have the figures handy, but according to the survey, the required level for functioning in today's consumer society was determined to be level 3.

**Mr. Jean-Yves Roy:** I see.

**Ms. Geneviève Reed:** A study involving credit card statements was conducted last year. People were asked some questions and grouped together for discussion purposes. Participants were asked some questions about literacy and a number of recommendations were made. I don't have time in three seconds to list all of them. The recommendations called for credit card statements to be much more legible and easier to understand.

**Mr. Jean-Yves Roy:** The fact remains, though, that 55% of Canadians aged 16 and over do not have level 3 skills. That is catastrophic. It means that nearly 55% of people are incapable of functioning in today's society. That is essentially the conclusion reached by the international survey.

**Ms. Geneviève Reed:** We have indeed taken these findings into consideration. Initially, we were not affected by them, given our status as a consumer association. Our interest was piqued about five or six years ago when we began to put together small guides for stakeholders and students attending literacy programs. The demand for this kind of material was overwhelming.

**Mr. Jean-Yves Roy:** I am, however, not in agreement with your second recommendation that calls for the federal government to add a training component to the employment insurance regime. In Quebec, training is, I believe, a provincial government responsibility. As a rule, there should be training programs—perhaps shared programs—for adults, to help them function better in society. Currently there are no such programs.

**Ms. Geneviève Reed:** One thing that we observed, after cross-referencing the survey's data, was that people who are employed are generally better trained. It is the unemployed, the people who are out of work, who are having problems. That is why we limited ourselves to three recommendations calling for very concrete actions to be taken. People are out of work, we are in the throes of a recession and those affected need basic literacy and numeracy courses. People need the financial skills to function in today's world.

**Mr. Jean-Yves Roy:** What other recommendations have you made? You mentioned one, but what type of plan are you proposing to make adults functionally literate in society? We're talking about 55% of the population. That's a significant percentage.

**Ms. Geneviève Reed:** Option consommateurs' main concern is not to increase the level of literacy and numeracy of all Canadians. That is not our primary mission. Our mission is to defend and promote the rights of consumers. We have observed, however, that a well-informed consumer makes better choices. Businesses must also demonstrate leadership in this area. It is not solely the government's responsibility to take action. We have recommended that financial institutions produce clearer statements and credit card application forms. Also, we recently completed a study of the invoices mailed out by telecommunications companies. We try to ensure that our efforts are tied to consumers, because they are our primary focus.

• (1150)

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

[English]

Ms. Block, for five minutes.

**Mrs. Kelly Block (Saskatoon—Rosetown—Biggar, CPC):** Thank you very much, Mr. Chair.

Thank you to all of you who are here presenting today.

As a fairly new member of Parliament and certainly as someone who is new to this committee, I have not had the privilege of meeting many of you, nor am I as familiar with your organizations as my colleagues are. I have appreciated what I've learned through the briefing notes you have provided as well as the questions you've answered already here this morning.

My questions are for Ms. Golfman.

I think you would agree that our commitment to research, whether it is in the science and technology area, industry, or the social sciences and humanities, is clear in Canada's economic action plan. Indeed, just this year, as my colleague pointed out, we have invested \$136 million in university-based social sciences and humanities research.

My question is more with regard to your organization itself. I'm incredibly interested in understanding what process you used, because it is a very broad and diverse membership that you have. What was the process you used to identify the three recommendations that you put forward?

My second question would be this. We have heard from other organizations such as polytechnics and the Partnership Group for Science and Engineering. Is there any collaboration among all of the different organizations that are identifying the need for more research dollars?

**Dr. Noreen Golfman:** Those are good questions.

In the first case, we certainly consult as widely as possible, as they say. For academics and marshalling consensus, the challenge is herding the cats, but we have been around long enough to know that we neglect our members at our peril. We represent 65 to 70 learned societies, and all of those societies have input into all of our briefings and all of our submissions across the spectrum of research issues.

We also very consistently consult with SSHRC and, I might add, with NSERC and CIHR. It would be fruitless for us to come here singing from a different hymn book. There has to be confidence that what we are asking for is something that we know the community both needs and is behind. I am fully confident in the solidarity, if you will, of the research community in asking for what we think is rather modest in view of the growth potential of research in this country.

**Mrs. Kelly Block:** Thank you very much.

I have just one comment to make to Dr. Pেকেles. I appreciated Mr. McKay's question and your response about balancing the suggestions you made in your brief with tax credits and benefits that provide families with a measure of choice when it comes to how they will provide for their early childhood development and care needs.

Thank you.

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

I have one quick question for Mr. Lochhead, seeing as how you haven't had any questions.

In your brief you talk about community infrastructure, which is a little different from the bricks-and-mortar type of infrastructure we've been talking about in the House. There's also a litany of items, and some of course are under provincial jurisdiction. I'm wondering if you can give us a concrete example of investing in community infrastructure.

**Mr. Clarence Lochhead:** Sure.

I want to first say that the litany, as you've described it, is really the notion that through the lens of family there is a multitude of very worthy kinds of support. That's quite intentional. For example, movement into the areas of social housing, home care, training, and education poses an interesting link to some of the things we'd like to see happen under employment insurance. There's an interest in a coming together of the delivery of training programs at the community level, particularly to vulnerable populations, with a renewed and expanded emphasis within the employment insurance system on continuing those efforts on training.

I don't want to simply re-read the list, but immigrant settlement services is a terrific example. These newcomers have been dealing with issues of integration. We're going to see more of this in a more serious way as we work our way through the recession. Support dollars there are very important.

• (1155)

**The Vice-Chair (Mr. Massimo Pacetti):** I think you answered my question. It's just where does the federal government play a role in the list you have here? When it comes to pensions in the section where you have shore-up income security programs, I understand

you're looking for an increase in items like the guaranteed income supplement. But do you have a position on CPP benefits to help seniors—to maybe increase the premiums paid? Is that something you've considered?

**Mr. Clarence Lochhead:** We don't have a position that would specify what ought to be done with CPP. I think the bottom line for us is that we have a seniors population and a near-retirement population that are going to face some tremendous challenges as they move into those CPP and GIS years. We're only at the front end of that now.

A lot of these displaced workers are going to find jobs, with any luck. Unfortunately, many of them will find jobs at earning levels well below what they are now. I think we need to look at that transition among that older population—not only for the existing seniors but for the ones approaching retirement. That's why we're saying let's take a look at the whole pension system, the GIS, and protections for very low-income seniors, and put some ideas on the table.

**The Vice-Chair (Mr. Massimo Pacetti):** The committee has started doing some work on that, and I know the government is very interested in it, so thank you for that.

I want to thank the witnesses for coming forward. I was a bit worried there when you all overspent the allocated time. It's our first week of the pre-budget consultations, so thank you for coming. It's going to be a big job.

I want to remind members that we'll be travelling when we return, so we'll be under the common practice, rules, and procedures of the House when committees travel.

Thank you again to everybody.

The meeting is adjourned.

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