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## **Standing Committee on Finance**

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**EVIDENCE**

**Thursday, October 27, 2011**

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**Chair**

**Mr. James Rajotte**



## Standing Committee on Finance

Thursday, October 27, 2011

• (0900)

[English]

**The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)):** Good morning, everyone. I call this meeting to order. This is the 21st meeting of the Standing Committee on Finance. We're very pleased to be here this morning in Saskatoon, Saskatchewan. We want to welcome all of our guests this morning.

I'll start with a couple of logistical matters. Each person has to operate his or her own mike this morning. I know that's different, colleagues, from how we normally do it.

There is translation, for those of you who require it, in either official language.

We want to welcome the four organizations who are presenting in this first panel: the National Council of Women of Canada; the Edmonton Chamber of Commerce; the Canadian Association of Social Workers; and BIOTECanada.

Thanks to all of you for being with us here this morning. Each of you will have up to five minutes for an opening presentation, and then we'll have questions from every member of the committee.

We'll start with Ms. Kozak, please.

**Ms. Carla Kozak (Vice-President, National Council of Women of Canada):** Thank you, Mr. Chair and members of the committee. It's a pleasure to be here. Thank you very much for this opportunity to address you.

When we heard about the opportunity to write a brief on what we would like to see in the coming budget, we looked at all our current policies and what would be the most important. The thing we have been addressing since we first began this organization in 1893 is poverty. We're still battling poverty in Canada.

Understand, please, that poverty costs us all. It expands our health care costs. It burdens our policing services and diminishes our educational outcomes. Please look at the possibility of investing in our people, investing in our students.

The subcommittee on cities of the Senate's standing committee on social affairs put out an excellent report in December 2009: "In From the Margins". We ask you to look at that report, please. Look at some of the recommendations, especially the first recommendation, which says to look at the possibilities of getting people out of poverty instead of maintaining them in their poverty. Give them a hand up out of poverty, rather than a hand-out to keep them poor.

We also would like to remind you that helping people to get out of poverty expands our economy and improves our productivity as a nation. It makes our labour force more flexible.

It expands our economy in a very uncertain world, and expanding our economy right now is probably the most important thing we have to face. The world economy being so very uncertain today undermines our economic growth.

We believe that reducing poverty in Canada and thereby expanding our economy would create very positive waves that would strengthen other nations, as well as Canada, and would improve the world itself.

We've had success with seniors in Canada. We've done very well in getting our seniors out of the deepest poverty. This is an excellent success story. Look at some of those same policies and programs that we've used for seniors and try to apply them to the very poor, and I'm sure we will see an improvement in this area.

The second recommendation we have is to increase support for education and skills development. Simply keeping our students in high school is only part of the problem. A big problem we face today is upgrading our education in a very high-tech and rapidly changing job market. This can be a major barrier. People can be almost qualified for a job, but not quite, and therefore they're kept out of that job. Employers are constantly complaining they cannot find employees who are fully qualified for a job, and these employers, many of whom are operating on a small margin, cannot afford to absorb the upfront cost of training.

So we're asking you to look at the possibility of the federal government subsidizing very short-term upgrading. We're not talking long-term upgrading at all. We're talking about upgrading that would take anywhere from a few hours to a few days and about maybe looking at it from the same standpoint that you have with the summer student program, in which an employer pays part of the cost and the federal government pays part of the cost.

But look at the benefits you would get. You would have a person getting into a job that actually exists, so you would have an employer who fills his job opening, and his company would be more productive, more competitive. The government would win because it would receive more income tax revenue. This is all very revenue positive.

The last thing we would ask is to please look at fairer taxes.

**The Chair:** You have one minute.

**Ms. Carla Kozak:** One minute? Okay.

Look at fairer taxes. If you look at our tax situation in the last couple of decades, you'll see that our basic exemption has not kept pace with inflation. We would ask you to look at this possibility: simply raising the exemption would put more money in the hands of lower- and middle-income groups, and their spending in Canada would also bolster the Canadian economy.

So we're looking at three ways to build the economy, to build confidence in Canada, and to relieve the problems and avoid some of the barriers that people find in improving themselves and thereby improving Canada. As we improve our citizens, we're improving Canada. We're looking at ways to invest in our citizens.

Thank you very much.

● (0905)

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

We'll now hear from the Edmonton Chamber of Commerce.

**Mr. Martin Salloum (President and Chief Executive Officer, Edmonton Chamber of Commerce):** Good morning, Mr. Chair and members.

I'm Martin Salloum, the president of the Edmonton Chamber of Commerce and the World Trade Centre Edmonton.

With me today is James Merkosky. He's an associate partner in tax services with PricewaterhouseCoopers, and he's also the volunteer chair of our finance and taxation committee. He'll probably be answering all of the questions you ask.

On behalf of our nearly 3,000 business members, the Edmonton Chamber of Commerce is once again pleased to have this opportunity to provide you with our most important federal tax and program spending priorities as they are related to the upcoming budget.

Since submitting our pre-budget brief to you in August of this year, global economic circumstances have become even more tenuous, and I'm sure we'll all be watching today to see if the market soars or crashes or does nothing in response to the EU announcements last night.

Given these circumstances, and to uphold Canada's so far stellar performance and reputation in fiscal management, the Edmonton Chamber believes it's even more important now that the Government of Canada stay the course with respect to targets and initiatives announced in last year's federal budget relating to deficit reduction and savings via program spending reviews.

Chambers of Commerce have called on the federal government to balance its books by 2015, and to do so by limiting program spending growth to about 1.6% per year, on average, through fiscal 2015-16. It was also recommended that savings could be realized by improving the efficiency and the effectiveness of government programs.

Similarly, it is crucial that we do not undermine the progress that has been achieved to date with respect to income tax reductions. The government must proceed with the legislated 1.5% reduction in the federal general corporate income tax rate, taking it to 15% as of January 1, 2012, and the government must also continue to review and make improvements to capital cost allowances.

However, it is with respect to minimizing tax administration and compliance costs that our members have focused their recommendations for this year's federal budget.

We have three tax recommendations that would essentially be cost-neutral to the government and yet would improve business efficiency and profitability and help to ensure the continuation of job-creating small and medium-sized enterprises that are so essential to our economic stability, recovery, and growth.

The first recommendation is that the federal government introduce legislation requiring the timely assessment of income tax returns, wherein taxpayers' returns are automatically deemed to be assessed as filed and are duly processed after 120 days of filing, thereby initiating the statute-barred period after which reassessment could be issued.

Recommendation two is that the federal government undertake a comprehensive review of the tax provisions affecting estate and succession planning in the next 24 months to determine whether the existing tax regime appropriately considers transfer of family-owned businesses.

The third recommendation is that the federal government establish an expert committee—I've even had it suggested to me by one of your own ministers—and possibly a royal commission that includes key internal and external stakeholders to, within a 36-month period, undertake a comprehensive review of taxing statutes, with the objective of identifying, recommending, and ensuring the implementation of ways and means to simplify tax legislation, to reduce compliance costs, to ensure all taxpayers are treated fairly, and to continuously monitor changes and publicly report progress at least annually.

I will not at this time go into more detail concerning these recommendations. The full background and justification for them was forwarded to you in our August brief to your committee, and it has also been attached as an appendix to my speaking notes, which we brought here for you.

In closing, I'd like to thank you, James, for inviting us to come to speak to your committee today. The Edmonton business community is appreciative of this opportunity to have its voice heard by the House of Commons Standing Committee on Finance. Mr. Merkosky and I are eager to respond to your questions.

Thank you.

● (0910)

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

As an Edmontonian, I should also point out that this is the largest chamber in the country.

**Mr. Martin Salloum:** Yes, it is, by a substantial margin.

**The Chair:** Originally, these two representatives are both from Saskatoon.

**Mr. Martin Salloum:** Yes.

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

We'll now hear from the Canadian Association of Social Workers.

**Mr. Ray Pekrul (Board Member, Canadian Association of Social Workers):** Good morning. My name is Ray Pekrul and I'm the representative from Saskatchewan for the Canadian Association of Social Workers.

The issue that we again want to advocate to you is the improvement of the financial status of low-income and moderate-income women in Canada. We acknowledge that some improvements have been made by this government in previous budgets, such as the working income tax credit, funding for affordable housing and the homeless, tax credits for seniors, tax credits for persons with disabilities, and increases in the guaranteed income supplement.

Although the budget mentions that the federal government is working to improve retirement income for future generations of seniors through a pooled registered pension plan and the development of options for modest increases in the Canada Pension Plan, it is again unclear whether the initiatives will benefit low-income women.

Why is there need for additional policy? When looking at income and wages, we can see that while the overall prevalence rates of low income, as measured by StatsCan low-income cutoffs after tax, are similar for men and women, senior women, female-led families, and unattached women, particularly in urban areas, are disproportionately poorer than men.

The low income of women is further affected by age, ethnicity, immigrant status, and aboriginal status. The average earnings of women relative to men remain in the 65% to 70% range. It is higher for full-time work, but there's still a significant gap.

While the vast majority of adult women are in the paid work force, women's experience of paid employment is different from that of men. More women are in part-time and non-standard work. This pattern dramatically affects their earning capacity. When looking at individual transfer payments, the allowance component of OAS and GIS is available to low-income individuals aged 60 to 64 who are married to low-income pensioners and to low-income widows aged 60 to 64. But low-income individuals aged 60 to 64 who have never married or who are separated or divorced are not eligible.

On employment insurance, women are less likely than men to qualify for benefits when they lose their jobs. They move in and out of jobs more frequently because of family demands. Rules governing voluntary job-leaving also make it difficult for many women to qualify. In addition, sickness benefits are inadequate for women, and women are more likely to be cut off than men.

We think the following three sets of recommendations will benefit low- and moderate-income women in Canada.

Looking at old age security, the guaranteed income supplement, and the allowance, the combined amount of OAS and GIS for those who have no other sources of income in old age should be at least at the level of the after-tax LICO, regardless of where women live. The additional benefits outlined in the 2011 budget will still leave many women in poverty in urban areas.

To address the problem of the denial of GIS benefits to those with small amounts of personal savings, higher amounts of income should be allowed before cutting back on GIS benefits. The 2011 budget

maximum top-up of GIS for single women presupposes an income of \$2,000 from income sources other than OAS and GIS. We think that amount should be at least doubled.

Since the CPP retirement pension is available at age 60, it would make sense to eliminate the marital status limitation in the allowance of the old age security system and make benefits available to all low-income persons aged 60 to 64, regardless of marital status.

Looking at the Canada Pension Plan, to improve CPP retirement pensions for low-income individuals, the replacement rate could be increased from 25% of average earnings up to 50% for those with earnings at or below the year's maximum pensionable earnings. Increased replacement rates could be financed by increasing the upper level of contributing earnings from the current amount, which is roughly equivalent to the average wage, to a factor of twice the average wage.

The burden of high CPP contribution rates for lower-income earners could be addressed by increasing the tax credit for CPP contributions or making it a graduated credit geared to income. This would also help multiple job holders whose earnings at any one job are below the year's basic exemption and who wish to make CPP contributions.

• (0915)

A caregiving dropout should be implemented in the CPP, similar to the dropout for children, to allow for those years to be exempt when women come to claim their CPP benefits.

Looking at employment insurance, there could be a gradual increase of the maximum weeks for sickness and compassionate care benefits, with the potential to increase the benefits period further. We could expand the definition and categories of "just cause" for voluntarily leaving a job to provide more flexibility to interpret what constitutes just cause, and we could increase the weekly benefit amount of a claimant's average weekly earnings in their best 14 weeks of earnings during the most recent 12-month period.

We think these recommendations would go some way towards improving the income level of women of low and moderate incomes.

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

We'll now hear from BIOTECANADA.

**Mr. John Hyshka (Chief Financial Officer and Chief Operating Officer, Phenomenome Discoveries, BIOTECANADA):** My name is John Hyshka. With me is Cate McCready. We will represent BIOTECANADA.

First of all, I want to thank you for the opportunity to appear today and to speak to you on the action plan that BIOTECANADA has developed.

I'm going to discuss three main points.

As I've said, my name is John Hyshka. I'm a co-founder of a company called Phenomenome Discoveries, based here in Saskatoon. I would consider us one of the Canadian success stories. We started in 2000 with our own money, which in biotech doesn't happen very often. We got local investors to put in angel capital and were able to get venture capital as time went on.

We also believed in a philosophy of growing with our cashflow. Because of our experience in this sector, we had a platform that enabled us to do contract research in agriculture and in pharmaceuticals. We continue to do that to reduce our dependence on venture capital, because there is none in Canada for biotechnology.

Our company focuses on disease prevention. We have 15 blood tests that will tell you your risk of having a number of diseases. Our first to come to market is a colon cancer test, which we're hoping will replace the existing screening methods for colon cancer. We have pancreatic tests, tests for ovarian cancer, tests for Alzheimer's, for Parkinson's, for MS.... I could go through the list, but the first one that will be coming out is for colorectal cancer; then the others will be for ovarian and pancreatic cancers.

We also have a therapeutic side: we believe that we have an Alzheimer's drug that will prevent close to 80% of the people who get dementia and Alzheimer's from ever getting it.... Our focus is on prevention, because we believe that as time goes by, drugs are going to become more and more expensive and it is going to become more difficult for health care systems to afford drugs. If you can prevent diseases from ever happening...that's what the idea is. Early detection is the key to that.

I'll be throwing in examples of Phenomenome in my discussion with you, and if you have further questions, I'll be more than happy to answer them.

I have the pleasure to speak about the Canadian biotechnology industry and how it contributes to a long, sustainable economic development future for our country, because we are the knowledge-based industry of the future.

Innovative technology entrepreneurs like me need an alignment of public policy to help us feel that we should be in Canada rather than in other jurisdictions around the world. Since the Canadian dollar has appreciated and our costs have increased dramatically over the last six to seven years, it is becoming harder and harder to justify why we're doing this in Canada and why we're not doing it in the United States, Europe, or Asia. It's getting to the point that you really wonder why you're in Canada, especially since there is no venture capital investment capital within the country compared with other jurisdictions.

Our industry believes that we're going to need \$1 billion to \$1.5 billion in annual investment over the next few years. Phenomenome Discoveries could use \$750 million of that ourselves, so I don't know where they're getting this number. There is a major lack of capital within this country.

As our companies grow, we generate billions in sales and add jobs for Canada. To give you an example, our colon cancer screening test global sales could be up to \$1 billion a year. That's global sales for one test. I'm telling you that our companies will bring jobs in industry and taxes to this country. Entrepreneurs, once we've been

successful, will invest in and develop more biotechnology companies in the future.

But I have three major points to bring up.

Point one: expand the ability to create capital formation in this country. We have no venture capital. So for anything from the flow-through program, which BIOTECanada has talked about before, to other tools relating to it, please look at that seriously.

Next is SR and ED. If we did not have it, we would not be in Canada. It has enabled us—through contract research and the SR and ED payments—to stay in this country. It has kept 30 people employed in this city, so when you're looking at changing SR and ED, you think about.... I think it should be expanded, and the percentage should be expanded, and do not get rid of equipment, because we wouldn't be able to afford equipment if you changed that. We like what you're doing with SR and ED.

● (0920)

The third point is to buy Canadian. In particular, we're talking about vaccines, but you should also look at helping to buy diagnostic tests and buying drugs that Canadian companies are developing first, because this makes things a lot easier when we talk to multinationals about selling our products abroad. If our country, our national government, is buying them, that will make it a lot easier for us to sell in the future.

In closing, I'll say that the biotechnology and life sciences sector in Canada creates more than a million jobs. It accounts for more than 8% of the GDP. We believe the Canadian government needs to develop policies to encourage and support us in this vein.

Thank you very much.

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

We'll begin members' questions with Mr. Mai, for a five-minute round, please.

**Mr. Hoang Mai (Brossard—La Prairie, NDP):** Thank you, Mr. Chair.

Thank you to all the witnesses for your presentations and for your briefs. They were very interesting.

I want to say that this is my first time in Saskatoon. It's a pleasure to be here.

I'd like to start with the National Council of Women. We've been asking the government to address the poverty issue and also the fact that there is an increased gap between the rich and the poor. We have had the answer that corporate tax cuts benefit everyone, and that this is the way the government has been addressing the issue, or most of it. I'd like to have your view on that.

After that, I would like hear from the Canadian Association of Social Workers.

**Ms. Carla Kozak:** Are you asking me specifically whether corporate tax cuts benefit the poor?

**Mr. Hoang Mai:** Yes.

**Ms. Carla Kozak:** In general, they do not. For the most part, corporate tax cuts benefit the people in the executive suite. We have seen that over and over again in Canada. What we need in Canada to benefit the poor and the lower middle class is various means to get money into their hands.

One of the means I have suggested is to raise the basic exemption from income tax. That's a very simple means, and it actually would be revenue-positive, because as you get money back into the hands of the middle and the lower classes, they spend their money in Canada on Canadian goods and services. That spending in turn expands our Canadian economy.

You'll find that a number of studies have shown that the very rich spend their money outside of Canada on very expensive toys, on property outside Canada, on activities outside Canada, and so on. So if you're looking to expand the economy, get more money into the hands of the lower and middle classes.

• (0925)

**Mr. Hoang Mai:** Let me turn to the Canadian Association of Social Workers.

**Mr. Ray Pekrul:** In response to your question, the Canadian Association of Social Workers is on record as asking the federal government to develop a poverty reduction strategy federally and work with many of the provincial jurisdictions that already have instituted poverty reduction programs. We would see this kind of initiative sending a very clear signal to begin a very active process of addressing a whole range of constituencies in the populations of the poor.

**Mr. Hoang Mai:** Let me have a quick answer. Do you think the government has been doing enough on that issue?

**Mr. Ray Pekrul:** My indication is that a couple of years ago there was much more discussion of poverty reduction strategies at the highest levels in the government. Lately there hasn't been much of an initiative that I'm aware of, although the provincial governments, particularly New Brunswick's now, are active in developing a poverty reduction strategy for their provinces.

**Mr. Hoang Mai:** Thank you.

BIOTECCanada, you've mentioned that the increased value of the Canadian dollar has an impact. Can you expand a bit on what the impacts are?

**Mr. John Hyshka:** I can just tell you how it impacted our company, because we work contract research to keep our company going. When we started, we charged, say, \$100,000 U.S. to Pfizer for a project. Back then, our Canadian dollar was at 62¢, so it actually worked out to be about \$138,000 or \$140,000. We continue to do contract research, and we still charge in U.S. dollars internationally, but we're trying to decide whether that is the best way to go anymore.

Also, in regard to cost, which is important, people have to realize that when we started out... Because of my background in economic development, I knew how regions would provide incentives to Phenomenone in other countries. We were recruited to locate in the States, but you would be paying a research scientist in Boston the equivalent of about \$130,000 or \$140,000 Canadian, whereas in

Canada we'd pay \$50,000 to \$60,000, roughly, or maybe \$70,000, for that same scientist.

The salaries are getting closer. All our costs are getting to the point that you would wonder... The capital is in San Francisco, Boston, and New York, and every time you go out to meet investors, they ask why we don't locate in San Francisco. They say they would be more interested in investing in us if we were there. We used to have a major cost advantage, but now we don't.

**Mr. Hoang Mai:** Thank you.

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

We will go to Mr. Hoback, please.

**Mr. Randy Hoback (Prince Albert, CPC):** Thank you, Mr. Chair.

I would like to thank all of the witnesses today for coming to my home province of Saskatchewan. If you drive around the city today, you'll see exactly what's going on in this province, with potash expanding, the oil and gas sector expanding, and of course our mining sector expanding, all at the same time. It is like an economy on steroids right now. I have to compliment the government we have in place right now for managing it very diligently.

There are so many questions I would like to ask all of you, but five minutes isn't enough time, so I'm going to go into an area I have a lot of passion for, and that is the biotech area. I look at that sector and I see so much potential that it is actually scary. In fact, in listening to some of your colleagues, I think you're underselling the potential in some ways.

One of the things we noticed when we were doing a biotech study in the agriculture committee was the lack of knowledge of biotechnology and of the definition itself. The first thing that most committee members would go to was genetically modified organisms, which I found really interesting. When you look at the stack, that's just one tool in the tool kit.

Do we have an issue that we need to work on with the biotech sector in raising awareness of it so that we can attract this venture capital? Is there something the industry is doing that we could also be helping with?

**Mr. John Hyshka:** I do use the word "biotechnology", but I'm trying to switch over to saying "life sciences" because people can understand it better. You're right: in biotechnology, people think of genetic modification.

There probably is some awareness issue in regard to the general investor, but in regard to what we would consider sophisticated venture capitalists or investors, they're well aware of the life sciences sector. It is a lot like the mining sector with regard to the junior mining sector, because there is a lot of risk.

For people who invest in biotechnology or the life sciences, you have to understand that there's a lot of risk. That's due to a long product development cycle and a lot of risks in development. There are a lot of regulatory hurdles. Just as it is in the mining sector, we have to get a number of different approvals, both in the medical device arena and the therapeutic arena, so it's a very risky investment, as opposed to going into oil and gas or investing in banking or going into a number of things.

I really think the Canadian government has to look at how it can encourage investors to build the agricultural science sector—for example, to develop new seed companies in Canada. I am a proud Canadian, and one of the reasons my partner and I still have the company in Saskatoon is that we have a dream of building a multinational corporation in life science in Saskatoon. We think we have the tools to do it, but I'll tell you that we're fighting every day.

It's as if we're going against the current. When we meet with investment bankers, they continually tell us that it would be easier for us to just be in San Francisco or in the New York, Boston, and New Jersey area.

● (0930)

**Mr. Randy Hoback:** So what is it that the San Francisco and Boston and New York areas have? Are there regulatory advantages? Is it—

**Mr. John Hyshka:** No, they don't have a regulatory advantage. In some regards, the FDA is worse than Health Canada. Actually, Americans are starting to see innovative products get developed in Europe and Asia instead of North America because of the FDA. Health Canada has been actually quite reasonable whenever we've dealt with it.

**Mr. Randy Hoback:** How come those funds have gravitated to those three areas, though?

**Mr. John Hyshka:** It's just that the historical development of the industry was in San Francisco and on the east coast of the United States. I think Americans have a bigger appetite for risk, and they've developed that expertise over a number of decades, which has been encouraged by tax incentives. We see a number of reasons why investors have done that. So what has happened over the last 30 or 35 years is that all the big funds are based in New York, San Francisco, and Boston, and they want you close to them.

They also have their systems of doing it. There are a lot more people working in those sectors, so if you're looking for senior management or for certain particular scientists, there's a huge labour force pool. Your customers are right there. If you're located in the New York–New Jersey area, you're talking to all the big pharmas. So if you're trying to license your drug or your diagnostics, they're a mile away from your facility, as opposed to taking a day, flying there, spending a couple of days, and coming back.

Basically, the clusters have developed in those areas. Toronto doesn't have that cluster. Vancouver doesn't have that cluster. Montreal was trying to develop the cluster.

I am very worried about the life science sector in this country, because when I talk to the entrepreneurs who are in our SME group, they are all talking about how they can stay here.

**The Chair:** Thank you.

Thank you, Mr. Hoback.

We'll go to Ms. Block, please.

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

Thank you so much for being here. This is not only my home province but my home city. I have the privilege of representing Saskatoon—Rosetown—Biggar, which we are not in right now, but you could just go a few blocks west and we would be there.

Again, thanks to all of you for being here. I was fortunate enough that one of the committee members offered to let me sub for him so that I could be here today.

Again, as my colleague said, there are so many questions one could ask in five minutes, but that doesn't hardly give us time.

I, too, am very interested in the presentation by Mr. Hyshka.

I picked up on something you spoke about, which was angel capital. I sit on another committee, the government operations and estimates committee, and we just heard about angel capital earlier this week. I'm wondering if you could explain the difference between angel capital and venture capital.

● (0935)

**Mr. John Hyshka:** Angel capital comes in a lot earlier than venture capital. In regard to developing a technology, it costs money to just actually validate a technology so that you can get sophisticated investors. I should exclude the word “sophisticated”. What I mean is investors who look at it as a larger investment.

When you look at angels, people usually think of your rich uncle or your parents or your close associates as your angels, and it expands from there. I think angels can invest from a minimum amount of \$20,000 to millions.

In regard to encouraging the angel sector, not just in the life sciences sector but in the knowledge-based industries, I personally believe, because I deal with a lot of these angels, that the capital gains should be eliminated for those particular sectors because the risk is so great. This is the big joke when you go to knowledge-based conferences: “You know how you become a millionaire in life science? Start with a billion”.

**Voices:** Oh, oh!

**Mr. John Hyshka:** It's a sad joke, but luckily we can laugh among ourselves.

I really believe that there are people who would love to invest in a company that's preventing Alzheimer's or Parkinson's or ovarian cancer because these might have impacted their families, but the risk of success is so low, and where the risk of failure is so high, you need to reduce that risk so people will invest. If you can eliminate the capital gains for those particular sectors, I think you would get angels to invest a lot more, and you would start to see a lot of SMEs start to develop.



**Mrs. Kelly Block:** Last month, the Minister of Finance spoke at the Perimeter Institute and noted that Canada has an unacceptable level of private sector support for R and D and innovation. Specifically, he pointed out that between 2000 and 2006, spending increased from government, but it was down for Canadian businesses.

I am wondering if you agree. Also, what changes would you recommend to better incent private sector spending on research and development?

**Mr. John Hyshka:** I agree with you totally. I can tell you from Phenomenome's experience that every dollar we generate from contract research, SR and ED, and equity, we put right back into R and D. Like the small companies, we're putting everything back in.

The reason you're seeing such a drop in private sector R and D is that the venture capital industry disappeared. That was about the time that venture capital disappeared.

What you also have to look at is whether we have any major multinationals headquartered in Canada, because I find that when I'm flying to promote our contract research work, I'm usually going to Germany, Switzerland, and the United States, and guess what? Those companies still invest in their main regions.

We just don't have a Pfizer. We don't have a Merck. We don't have a Novartis that is headquartered here and is investing. That's what Phenomenome wants to become, and I can tell you that other entrepreneurs would love to be able to do that as well.

But I think it all goes back to when venture capital disappeared. The Business Development Bank does a good job, but everyone is syndicating deals, and the BDC needs Canadian partners to syndicate.

**The Chair:** Thank you.

Thank you, Ms. Block.

We'll go to Mr. Marston, please.

**Mr. Wayne Marston (Hamilton East—Stoney Creek, NDP):** Thank you, Mr. Chair, and...*[Inaudible—Editor]*

**The Chair:** Your mike, Mr. Marston.

**Mr. Wayne Marston:** Thank you. I'm so used to these guys taking good care of us, as they always do...

As for my excitement, normally in the five minutes I don't have enough time to ask questions of all the people I want to, but I'm going to get a second round, so brace yourselves.

Ms. Kozak, I found your presentation dead-on in many ways. New Democrats have believed for a long time that it's time for our government to invest, and in the exact areas you're talking about: in things that will lift people out of poverty but also will give hope to our young people.

I have to quibble a little bit with you, though. You were talking about modulizing training, or in other words, lifting out a particular component of a craftsperson's job and training young people to do it. I think it's really important for our training of young people that they get fully trained to the journeyman's status. If we can get apprenticeship programs going so they do a certain portion in the

beginning and then become valuable to the company, then the government can help take them all the way to being a full journeyman.

We've spoken here many times about what they call the Red Seal program, where from coast to coast you can say that a tradesman from Newfoundland will be as qualified as anyone anywhere in the country. To get our workforce to that level is an advantage both for the people, obviously, but for business, because we have a very serious problem of employment coming and I think that matches up with what you were saying.

We've talked, too, about the need for the government to invest in infrastructure now, but I'll leave that.

Would you like to comment?

● (0940)

**Ms. Carla Kozak:** Yes. There may be some misunderstanding of what I was trying to get at. In talking about upgrading training, I'm talking about not taking people out of high school and saying, "Okay, now take this little module of training so you can get this job".

We're talking about people who are looking for a job that... Maybe they're in a company that is looking for someone who can do their job plus one other bit. Maybe the company needs someone who is knowledgeable in one particular and very advanced computer program, for instance.

Let's say you're an electronics technician. You're working for a company and they need someone who is knowledgeable in this particular brand new application. They can't find someone. If they could take that employee and send them someplace for, say, one week of upgrading training, that employee could get into that job and then the company could ease someone else into the job that the first employee had. You're creating a better job, plus you're getting someone else into the first job.

We're talking about finding ways to help people to improve themselves. As I said, in many cases, it's just one little bit that's needed, one little bit extra. In many cases, the companies just cannot quite manage the financing for training this employee, so—

**Mr. Wayne Marston:** Well, that's understandable for small businesses.

**Ms. Carla Kozak:** We were thinking that especially in the case of small and medium-sized businesses, which are the engine of our Canadian economy, this would go a long way in helping a lot of these companies to be much more competitive in the world market and to get more people into better jobs.

**Mr. Wayne Marston:** Thank you. I have to try to move on.

Mr. Pekrul, what you said struck a chord with me, because I've been the party's critic for seniors and pensions for the last number of years, and one of the things I've noticed is the idea of giving priority to low-income and moderate-income women. We've been calling for an increase to the guaranteed income supplement.

We targeted that at 300,000 people, mostly women, who were below the poverty line, and we said that the government had to increase this by \$750 million, which is roughly \$200 a month. The response from the government was \$50 a month. Not only that, but they spread it across 680,000 seniors, which didn't really scratch the surface of the problem.

My time is up, I see, so I'll stop right there and give you time to respond.

**The Chair:** Just a brief response, please.

**Mr. Ray Pekrul:** Yes, we're aware that the infusion of about \$300 million a year ago wasn't sufficient, based on the Caledon Institute of Social Policy research showing that \$700 million would have lifted that group of women above the poverty line.

**Mr. Wayne Marston:** Thank you.

**The Chair:** Thank you.

We'll go to Ms. McLeod.

**Mrs. Cathy McLeod (Kamloops—Thompson—Cariboo, CPC):** Thank you, Mr. Chair.

It's a pleasure to be here on a beautiful sunny day.

I'd like to start with questions to the Edmonton Chamber of Commerce. I want to talk about the recommendations. We've had a number of people who have come to this committee. The ones who stand out dealt with the actual Income Tax Act. Could you talk a little bit about your recommendations number one and two and why they're so important?

**Mr. James Merkosky (Chair, Finance and Taxation Committee, Edmonton Chamber of Commerce):** The first recommendation dealt with timely assessment of tax returns. Really, this is about bringing tax certainty to taxpayers. Currently in the Income Tax Act, there's no requirement that a return be assessed within a specific period of time; it just says "with all due dispatch". So practically speaking, the Canada Revenue Agency can take as much time as it wants before it assesses a tax return, which then starts the period for statute-barred. So it's a matter of bringing certainty to the taxpayer of when that statute-barred period will end.

If it takes a long time for a return to be assessed—granted, the taxpayer does earn interest on what's being held—small businesses can use that money in their businesses far better than the rate of interest they're earning on a refund. Those are the two key tenets: getting the cash back to taxpayers if there is a refund, and bringing tax certainty to when that statute-barred period will end.

The second one had to do with the intergenerational transfer. The key to this recommendation is that in upcoming years there will be billions of dollars of wealth transfer to the next generation. A major driver of the Canadian economy is small business. With the current tax structure, there are opportunities for tax to be levied where there's no cash on the table. Effectively, that could end up killing small businesses that are driving the economy in cases where they are transferring to the next generation. Our recommendation revolves around taking a look at these provisions to make sure we're appropriately taxing those taxpayers at the appropriate time.

● (0945)

**Mrs. Cathy McLeod:** You might have heard the conversation about the corporate tax rate. The government believes that a competitive corporate tax rate creates the jobs and the environment for success, which in turn creates the opportunity to pay for the social programs that we need and desire.

Having heard some of the conversations on corporate tax rates, can you share your perspective on this issue?

I'll ask the Edmonton Chamber of Commerce.

**Mr. James Merkosky:** My primary area of practice is cross-border tax. I deal a lot with the United States. One of the major advantages of the Canadian taxation system is that we have tax integration in Canada, meaning that if you earn a dollar personally versus earning a dollar in a corporation, and are ultimately paying that out to a shareholder, you pay about the same amount of tax. It doesn't matter which entity it's earned in.

At the end of the day, a corporate tax cut results in less tax overall for the individuals who are earning income from the corporations, be they individuals or corporations. So it's a bit of a misnomer to say that a corporate tax cut does not benefit individuals, because it does. The ultimate flow-through of that income is tax left to individuals.

The other key tenet is that "corporation" doesn't just mean big business. There are a lot of small businesses that drive the economy. As well, the corporate tax cuts flow down to the small businesses, and this helps the economy as a whole.

**Mrs. Cathy McLeod:** I'd like to go to BIOTEC Canada now. It's interesting to hear you talk about the challenges your industry faces. In the last few days we've been up north and we've been to British Columbia, where venture capital for high-risk mining activities seems to be easy to come by. Well, perhaps it's not so easy, but it wasn't deemed an issue.

Have you ever compared the two? You talked about the location and the density of products. Could you talk briefly about that?

**Mr. John Hyshka:** Because I'm in Saskatoon and we are becoming one of the capitals of junior and major mining companies, I get to have drinks with a lot of these executives, and we compare our industries. There are a lot of similarities. Junior companies are doing their staves and trying to develop mines, and they are trying to find larger partners to commercialize their mining.

The advantage they have is, firstly, that Canada has had a history of mining, so our investors are more in tune in regard to the mining sector and the oil and gas sector. But they've also had the flow-through and other incentives that have enabled junior mining companies to raise capital a lot more easily.

There's a local investment banker in Saskatchewan called MGI. When you talk to them about doing a mining deal as opposed to a life science deal, they're always going to go with mining because they know that people are more familiar with the process of getting a return.

So there are advantages.

**The Chair:** Thank you, Ms. McLeod.

We'll now go to Mr. Giguère.

[Translation]

You have five minutes.

[English]

**Mr. Alain Giguère (Marc-Aurèle-Fortin, NDP):** I have a question for the representative of the Edmonton chamber. Essentially, your principal request is for a new Carter commission, because I see the law at present as excessively difficult. It is so complicated. How can the modifications involve new opportunities for everyone to not pay the taxes...? Do you support a non-partisan Carter commission?

• (0950)

**Mr. James Merkosky:** I think it has been 40 years since the Carter commission was undertaken. A lot has changed in 40 years in terms of the economy in Canada and taxation.

What we're basically saying is, let's take a hard look at our taxation history, because really, what happened in 1972 was that some strong recommendations came out and major tax reform occurred. Over the years, things have, piecemeal, been added to and deducted from this existing tax frame. Why not take a look at it now and see if we can come up with a more efficient, straightforward, understandable, and fairer tax system?

A good tax system provides Canada with a competitive advantage over other countries out there. Again, I work in cross-border tax and when I compare the Canadian tax system to the United States, it's far better. Why not take it that step further?

**Mr. Martin Salloum:** Just to be clear, we weren't talking about what we can tinker with in the tax system. We're talking about a review from the ground up.

**Mr. Alain Giguère:** Thank you.

If, as you say, the job of the commission is to supervise, as was said, and the preparation of this commission is non-partisan, it makes sense that it's a good preparation for this: to indicate what is the new commission for *fiscalité*. Would you support this orientation?

**Mr. James Merkosky:** Absolutely. We believe that a good review would have to be non-partisan and, as Martin said, from the ground up.

**Mr. Alain Giguère:** Now my question is for the representative of the BIOTECCanada.

Presently, many interventions on the question of R and D credits indicate three problems. The first is if you have the support of something like the province, municipality, or a university, you are fiscally penalized.

Second, for many important enterprises, you have a fiscal credit but not an immediate payment. You'd prefer a payment for the question of cashflow *gestion*.

The third problem is that—and it's difficult to mistake—you have problems of accessibility. You have a law, the legislators make a good law, and the public function gives one other orientation.... It is

a surprise for me that you seem to indicate your support for these three requests of your friend.

[Translation]

**Ms. Cate McCready (Vice-President, External Affairs, BIOTECCanada):** Mr. Giguère, I am sorry but it's not very clear. What are you referring to exactly?

**Mr. Alain Giguère:** Three problems have come to our attention. The government basically gives some large corporations a tax credit instead of sending a cheque.

There is another problem. As soon as a province gives you support for your eligible expenses, you have to deduct the subsidy from either university programs, the provincial government or the municipal government. What that does is discourage action.

Third, there is access. The legislation is clear. It identifies three criteria. You must show progress, a question to answer and scientific work under way. Unfortunately, officials bend the rules to reduce spending.

**Ms. Cate McCready:** That shows exactly how opportunities work. To have good governance, all government levels should work together to address the situation. What are the programs that can give, like the companies John was referring to this morning,

[English]

a more efficient opportunity for them to operate and benefit from the programs that are in place. Alignment of public policy is the largest challenge that industries like ours or small SMEs face. It's about those two levels of government, so that when you have initiatives at one community level or one provincial level, you are not penalized at another government level for that initiative.

We can see globally as it relates to our sector particularly, where biotechnology and life sciences have now been an economic catalyst, recognized by governments, and they're working to align their public policy incentives for exactly that goal. So it's an opportunity for Canada, I think, to look for.

• (0955)

**The Chair:** Okay. *Merci*.

We'll go to Mr. Adler, please.

**Mr. Mark Adler (York Centre, CPC):** Thank you, Chair.

Thanks to all the witnesses for being here today.

I'd like to begin my questioning with the Edmonton chamber. I really love these quotes in your third section on the simplification of the tax statutes. Two of them were extracted from two cases.

We were in Moncton a couple of weeks ago. One of the witnesses brought in the tax code. It was thicker than the Toronto phone book.

You know, no one here is calling for a Herman Cain kind of proposal, for that kind of simplification of our tax code, but you were right earlier when you indicated that there hasn't been a comprehensive review of our tax system since the Carter commission in 1972.

Having said all of that, there are some in Parliament who are calling for higher taxes and greater spending. I'd like your comments on that. There seems to be a misnomer that corporations are the Bay and King bank towers downtown and all the corporate heavies that hang out there. But most corporations in this country are small businesses, and I suspect that most of them in Edmonton would be members of your chamber.

Can you tell us what your members are saying about the importance of keeping corporate taxes low, on the one hand, and on the other hand returning to balanced budgets? The alternative is to go down the route of some of the European countries.

Can you talk a bit about what your members are saying?

**Mr. James Merkosky:** I think generally in the Edmonton chamber a lot of our members are basically saying that from a tax review perspective, it's time to review the tax system from the ground up. I don't think any of our members are opposed to paying tax. What they are opposed to is a tax system that is complex for them to understand. That's number one.

With regard to the trade-off you're talking about between spending and corporate tax rates, or tax rates in general, I think the view is that we can achieve both if we come up with a fairer tax system, one that is reviewed and that taxes appropriately, as opposed to basically trying to tax the taxpayer at source, on their income. Is there a better way of doing that?

**Mr. Martin Salloum:** I'll add that over 80% of our members and 80% of the business community in Edmonton are small businesses. Most of those have fewer than 10 employees. Comments about them flying around in corporate jets and buying toys would be kind of funny to most of them, if they were listening to that.

I think it's important to realize that there's only one taxpayer, and that taxpayer is the individual. When a corporation has a tax increase, they have a choice of decreasing wages, cutting employment, or increasing prices to the ultimate consumer. Corporations don't pay tax. Businesses don't pay tax. It's the individual, at the end of the day, who ends up paying. It has an impact on the economy.

You also referred to what was going on in the European Union. You know, economic certainty.... If you want to see a good example of what the opposite of that causes, you can look at the United States and at what has happened with their unemployment rate. Most of that is caused as a result of economic uncertainty.

**Mr. Mark Adler:** I'm so glad you're saying that the corporations don't pay tax, because that's very true. They don't pay taxes.

There is one taxpayer, and that bird's feathers have been plucked. There's nothing left.

I'm glad you said that.

**Mr. Martin Salloum:** Just on the other side of it, I might add that we have not opposed increases to the minimum wage and those kinds of things. We also believe very strongly in having as many people as possible within the economy buying goods and services and being productive as well.

At the end of the day, it's a balanced economy that ends up winning.

**Mr. Mark Adler:** Okay.

I have a quick question for the Canadian Association of Social Workers.

You indicated that we need a poverty reduction strategy in this country. Would you not agree that the best poverty reduction strategy is a strong economy?

• (1000)

**Mr. Ray Pekrul:** Certainly the incentives for a stronger economy will increase employment. There is no doubt about that.

But increasing employment is really only one segment of reducing poverty. If we look at a poverty reduction strategy, it's usually made up of many components, including housing. Employment and training are certainly part of that, but health care and education are part of that. Transportation is a concern. There's a whole myriad of things that go into helping an individual really access the economy that's there—

**Mr. Mark Adler:** But you really can't have any of those things without a consequence.

**Mr. Ray Pekrul:** Well, I think the association's position, and my position, is that while Canada has certainly been very good at regulatory banking and capital protection, I think we have a great capacity to become a world leader in terms of developing our social capital, which is our future generation and those who will make the good labourers and employees of the future.

**The Chair:** Thank you.

We'll come back in another round.

Mr. Marston, please.

**Mr. Wayne Marston:** Thank you.

Again, I've scribbled so many notes that I'm going to have to pause for a second.

One of the things we lose sight of when we hear the mantra of lower, lower, and lower corporate taxes.... Let's pause for a second and look at our banks. They made \$22 billion one year in profit and gave \$11 billion to their executives. Those are the birds who are flying around in jets.

I agree with you, and with Mr. Adler, that the small business person in this country has been screwed over. Pardon my language, but it could have been worse; I'm from Hamilton.

There has to be a balance between our infrastructure investment and our social infrastructure investment in this country. Mr. Martin took our corporate tax rate from the mid-thirties or high thirties down to 20%. Our argument with the folks across there is not about raising taxes, but over the last five years, they've headed for 15%. They've taken \$16 billion a year out of the corporate taxation that funds our ability as a nation to make proper investments. These are investments like those Ms. Kozak talks about, investments in education and in bridging people to employment.

The Conference Board of Canada says we should be addressing \$130 billion in the infrastructure deficit. Mr. Pekrul is talking about how we invest in taking care of our seniors. The reality is that we can do those things, and we can still have a change in our tax structure, as you're calling for. A review is well past due.

This poor man beside me had to study it in university, so he'll tell you first-hand of the complexities. In fact, in some ways, our tax system has been written by lawyers and accountants for lawyers and accountants.

There's a number of things we probably could agree on here. The significant thing, to my mind, is that we were just in Prince Rupert, where we saw what investment could do in that small community and how they've turned it around. We were in the Yukon, where they're crying out for investment in transmission lines. Is this not time for the government to invest? Canadians are indebted, so they can't boost the economy. Businesses are afraid to release their capital. Is this not the time for our government to invest?

Anybody...? I'll start with the chamber.

**Mr. James Merkosky:** One of the principles we believe about the taxation system is that the taxation system is there to tax taxpayers appropriately. It's not the government's purpose to be involved in business. The government's purpose is really to facilitate business.

The corporate tax reductions you're talking about, in a lot of views, really do facilitate that. They allow corporations to retain more money within their corporation, which they can then invest back into the business.

At the end of the day the taxpayer is, as Martin said, the individual. Again, with Canada's tax system, the way it works is that, ultimately, the same amount of tax is paid individually or through a corporation with the ultimate payout to the shareholder. A corporate tax deduction is a tax deduction, but it—

**Mr. Wayne Marston:** My point is that I wasn't quibbling with the fact that the first tax is focused at 20%; we were in the mid-range of the G-20. We were extremely competitive, far and away ahead of the U.S.

Going that extra step is crippling our ability as a nation to invest properly. That's where my concern lies—and the concern of our party.

I must be getting close to being out of time.

**The Chair:** You have about a minute and a half, but Ms. Kozak wanted to comment as well.

**Ms. Carla Kozak:** I'd like to comment from my background in international business.

I was involved in helping to implement business deals between Alberta and Mexico in the 1990s. It seems to me that one of the most important jobs we have as Canadians in business is to make potential investors aware of how great it is to do business in Canada.

We have the strongest investor protection in the world. That's a big plus for investors. We have excellent tax laws. Quibble about the rates, but we have very good tax laws. They're fairly clear. We actually have less red tape than almost any other country you can

imagine. We have very low corruption rates, which is very important to a lot of people.

We are a very highly innovative and highly technological country. We have a labour force that is very well educated.

We need to be getting out there and telling people, investors inside Canada and outside Canada, how great it is to do business in Canada. Invest in Canada. Invest in Canadian businesses. The government doesn't have to do all the investing. We can let some of the individuals invest too. We have to make them understand how great it is and how beneficial it will be to them to invest in Canada.

• (1005)

**Mr. Wayne Marston:** I agree wholeheartedly. We're suggesting, given the turbulence of the times, that it is time for our government to take the lead.

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

We'll go to Ms. Glover, please.

**Mrs. Shelly Glover (Saint Boniface, CPC):** Thank you, Mr. Chair.

I, too, was born here in Saskatoon, although I represent a riding in Manitoba. I left Saskatchewan when I was four, but I'm proud to be home once again, where most of my family lives.

I have to say that we live in absolutely the greatest country in the world.

Here's why. I was a pregnant teen. I was on welfare with two children. I was a single mother in 1988. I remember all of those points you brought up, Ms. Kozak. I remember thinking what a wonderful thing it would be not to have to be on welfare, but I didn't think that the way to do that was to ask for more money on my welfare cheque. I wanted a job. I wanted education.

I agree with you. We have presented, through policy in Canada, the opportunity for pregnant teenagers to become members of Parliament, for poverty to be erased from those situations, for all of us to be lifted up so that we can support ourselves and be proud of what we've done.

That's why I disagree wholeheartedly with what Mr. Marston had to say. If I were on welfare now and someone said to me, "Do you know what? I'm going to raise all the taxes for all the corporations"... Six hundred and fifty thousand jobs were created because of the low-tax agenda we have. Those jobs would disappear. That's because Mr. Marston wants those corporations to pay more.

As the government, we are also collecting income taxes for those 650,000 jobs and giving every person who has a job pride in what they're doing, pride in their achievements.

So I thank you, Ms. Kozak, for mentioning many of these wonderful things you've put forward. Earlier, you mentioned seniors and the excellent measures that have been put forward to help lift seniors out of poverty. Can you just touch on the ones that you think were most effective in doing that?

**Ms. Carla Kozak:** A couple of items are very important. One is to make sure that seniors have access to information about programs they are eligible for. One reason that we are most proud of our government is that you actually came forward and said, "Look, we have all these programs, and you don't seem to be aware of them".

You've made it possible for seniors to find out what they actually should be aware of. You have this wonderful portal on the government website that says, "Here are things that you may be eligible for". We think that's wonderful. I thank you for that.

**Mrs. Shelly Glover:** God bless you, because I heard the same thing in my office. Seniors didn't know where to get the information, so providing it.... I'm a person who believes in the glass being half full, not half empty, and that is why we also have to celebrate the measures that have really put us on the map.

I'm going to turn my attention to Mr. Pekrul.

I read your brief very closely. I want to know if you costed your measures. Because, to be honest with you, I'm looking at hundreds of millions of dollars. What was the cost of the measures you put forward? Where do you expect the government to recoup those costs, knowing very well that if we raise corporate taxes, we lose jobs? Even a governor in the United States says he has companies running to Canada to create jobs for those people who want those jobs.

What is the cost of the measures that you've put forward?

• (1010)

**Mr. Ray Pekrul:** I'm sorry. I don't have those figures. The only figure I had was the increase in the guaranteed income supplement. If it had been \$700 million, it would have raised this whole group of women out of poverty and above the poverty line.

I have no idea about the other costing. I'm sure it would be somewhat substantial. However, looking at—

**Mrs. Shelly Glover:** I'm going to interrupt you for a minute, because I'd like you to cost these. To come to the government and say to us to do this, without costing...we need your help. If you really want us to look at it, we need you to cost it. Also, I'd like you to say where you think we have ineffective programs or inefficiencies, where we can cut that money to transfer it over to what you're asking for. I'll tell you right now that it's going to be difficult to make up the hundreds of millions of dollars without figuring out where to find the money.

**Mr. Ray Pekrul:** We did indicate that if the level of CPP benefits were to be increased that would result in an increase of payments currently—

**Mrs. Shelly Glover:** And our small businesses—

**Mr. Ray Pekrul:** — and of unemployment insurance, that—

**Mrs. Shelly Glover:** On our small businesses, the head of the CFIB said very clearly that if we do a CPP increase, which was

proposed by the NDP in their platform, it would cost them 50% to 70%. They would cut jobs across the country.

**The Chair:** Thank you.

I believe that is a debate that is ongoing.

We'll go to Mr. Van Kesteren, please.

**Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC):** Thank you, Chair.

I wasn't expecting to be up collecting my thoughts yet.

Thank you for coming.

I think I'll start with Ms. Kozak.

You and I had an interesting conversation just before we got started. We got talking about the things we're talking about today, and we both agreed that this isn't rocket science. As a matter of fact, the word "economics" comes from the Greek word, and I think it means household finance. We talked about how that's exercised and practised in every home. Maybe our generation is different from today's generation.

I have to take issue with you. You said that lowering taxes does not help the poor. I have to point out that this is incorrect. For the most part, higher taxes are harder on the poor than they are on the rich. I can afford to pay \$1.30 for a litre of gas. For a guy making 15 bucks an hour or 10 bucks an hour, that nickel on a litre could make or break him, to the point that he has to sell his car. I'm in the car business. I know that if you have to sell your car, you're in trouble. It's going to cost you money. In light of what we've talked about—economics—raising taxes does hurt the poor.

Mr. Marston, we've had some great chats, but always check your premise. Where's your start-up point? You raised the issue of CPP. The panel did too. I remind you that maintaining a lifestyle is difficult not only for those in lower pension brackets, but for individuals who have managed to save \$100,000 and expect to take that investment and possibly supplement their income. When you're getting 1% or 2%, that's bad enough, but when you start seeing inflation start to creep up and that \$100,000 is really worth \$80,000, people start to flee.

We've heard this theme repeatedly over on this side. Our government maintains that we need a strong economy. It's not that we don't have a heart for the poor. I remember the first time that I really saw poverty. I went to Jamaica. It was the first trip that my wife and I took. We had been married 15 years. I wanted to get back on the plane and go back home; I mean, I had culture shock. Then I went to Africa.

Poverty is an awful thing and we all have a heart for that, but what has happened, as we lose that investment, and as corporations become.... Again, Mr. Marston, I take issue with your \$20 billion and \$11 billion. I think that's \$11 million. We need to put that on the record too. We can have that discussion another day.

When I'm listening to the BIOTEC people about the exciting developments they've managed to introduce and are introducing today, I remember when we were on the industry committee, Mr. Chair, and we talked about the first form of financing. We called angel financing the "three Fs"—friends, family, and fools. That's the first group that'll invest. But if you don't have that group, you'll never get to the venture, let alone the investor. That's the situation we're in today. I think we agree on those things. I just wanted to bring it back to the basics, the basics of economics.

Is my time up?

Okay. I got a little bit taken on a sidebar. I'll just pass it on to the bio folks. Maybe they can explain to us the difficulty of financing.

• (1015)

**The Chair:** You have 45 seconds for a response.

**Mr. John Hyshka:** When you're starting off and getting angels, you can raise less than \$1 million and can start advancing your technology.

**Mr. Dave Van Kesteren:** Is it tougher now than it was?

**Mr. John Hyshka:** Well, I would say that in regard to Saskatoon and the great province of Saskatchewan, we're very lucky, because people are creating wealth, and they're investing within the province. So I'm very excited, and I think Phenomenome is very lucky to be located in Saskatoon.

But for the rest of the country, excluding Alberta, because of course Alberta's always doing well, there is difficulty. I find that at all levels the ability to raise capital is not as good as it was 10 to 15 years ago, especially in the life science sector. I don't see a very rosy future for us, and that's why it's important to have SR and ED. I cannot say how important SR and ED is to the Canadian biotech sector.

Thank you.

**The Chair:** Thank you. It is true about family, friends, and fools, although the investment industry told us that sometimes people fill two of those categories.

We'll go now to Mr. Mai for a five-minute round.

**Mr. Hoang Mai:** Thank you, Mr. Chair. It's my pleasure to speak here again.

I understand we've been having a conversation with the member opposite, and it's not the first time we've talked about choice and vision.

I agree with the Edmonton Chamber of Commerce that it's really important in terms of tax implications. We won't go into that, but we really agree, and I think the other side agrees too. We agree also with the fact that when we talk about corporate tax cuts, in the end, it's individuals who pay. We agree with that.

In terms of choosing between corporate taxes benefiting companies that are making a lot of profits versus the small businesses, here in the opposition we have been suggesting reducing the tax rate for small businesses. We believe that's where you actually create jobs, and that's how you create jobs that stay in Canada, rather than having corporate tax rate cuts, and seeing businesses leave. For example, Electrolux was a company in Quebec

that benefited from the corporate tax rate and actually went to the U.S.

Also when you look at how much money is being given...Mr. Marston mentioned the profits being given to the CEOs, but also, if you look, right now you have \$500 billion in terms of private sector money not being reinvested. So what we're saying is that you have to reinvest. You have to have incentives, and right now, just by going with a corporate tax rate cut giveaway, you're not reinvesting in the economy.

**Ms. Kozak:** can you expand on that and give us your views on how we should invest in Canada, and how it will help if we reduce small business tax rates?

**Ms. Carla Kozak:** Again, I would be speaking not as a representative of the National Council of Women, but from my own experience in business.

As you say, it's the small and medium-sized businesses that are the engine to our economy, and anything you can do to help create the employment rate in those businesses is going to benefit the Canadian economy very much. As I see it, creating increased confidence in our Canadian economy is one of the biggest jobs this committee actually has—the committee, the minister, and the government itself. Canada is a great place to live. It's a great place to do business. It's a great place to invest.

• (1020)

**Mr. Hoang Mai:** I'd like to hear from the Chamber of Commerce.

**Mr. James Merkosky:** We have 3,000 members in the Edmonton Chamber of Commerce, and 80% are small businesses, so I can't disagree with you that tax reductions for small business will drive the economy. We're not suggesting that tax cuts at the large corporate level go below what they are, but it is significant to represent that our corporate tax rates in Canada now are far below U.S. corporate rates. So it gives us a competitive advantage, when countries or other companies are looking to invest, that investment can happen in Canada. The fact that companies are sitting on millions of uninvested dollars doesn't have to do with the tax rates right now. It has to do with the uncertainty of the economy. So the question is, how do we get those companies to invest?

**Mr. Hoang Mai:** We spoke about the vision, and how we should change the current tendency we have in terms of how we make our economy evolve and how we look forward. I think that's what we're trying to study here, in terms of vision, in terms of the next budget—how we can change things.

**Mr. Pekrul:** you mentioned that minimum wage is one thing we can move forward. Do you have other suggestions?

**Mr. Ray Pekrul:** Yes, well, I had indicated the minimum wage, but certainly any cuts in income tax could easily become tied to job creation as a way to boost the economy. Certainly the idea that higher taxes are hard on the poor... I think if our ancestors in this country had adopted the idea that the taxation system was not going to be a vehicle for redistributing the wealth, or services in kind, then we wouldn't have had universal education programs, universal health care, employment insurance, or the Canada Pension Plan.

So what is the equitable distribution of the wealth in the country? I have no other comments, not at this point.

**The Chair:** Thank you.

Thank you, Mr. Mai.

I'm going to take the final wrap-up round as the chair. I think we've had a very good discussion here about a number of issues, especially about the tax rates. I just have to get into that debate a little.

If we go to the OECD and look at the federal-provincial combined corporate tax rates, we're in about the middle, maybe a little more toward the bottom.

If anyone wants two studies to look at, the Canadian Manufacturers and Exporters did an excellent study in terms of the positive benefits, as did Jack Mintz from the University of Calgary.

In terms of small business, the Chamber of Commerce mentioned that the majority of their members are small businesses. But the small business rate is 11% and the larger rate federally is 16.5% and you add on a 10% rate in Alberta. But that rate kicks in at \$500,000 of business income. So anyone making over that would be considered a large corporation by Canadian standards. That needs to be kept in mind as well.

The last point I want to make—and perhaps I'll get the chamber to comment on this—is the link between corporations and average citizens. I think we have to move to the point where we don't see corporations in one place and ourselves in another.

I'm going to use the example of my father, a retired school teacher who went to school here in Saskatchewan at Notre Dame College. He talks a lot like Wayne Marston, frankly. All the retired school teachers get together and tell me these big corporations are making money over here and the poor school teachers are over there.

Dad and I went to the Internet and looked at the Alberta teachers' retirement fund investments—TD Bank, Bank of Nova Scotia, Goldcorp, Suncor, Canadian Natural Resources, Talisman Energy, CIBC, CN, PotashCorp, Apple, Encana, Teck Resources, RBC, BCE, TD Capital Private Equity, Johnson & Johnson, PepsiCo, Wells Fargo, UBS, Pfizer, GE, Power Corporation of Canada, National Australia Bank, Rogers Communications, Novus Energy, Royal Dutch Shell, Goldman Sachs.... The pension of a retired school teacher is directly linked to the health and vitality of these companies. We have to recognize that. And after he said that, I told him he was a very powerful guy, controlling all these companies.

So perhaps I'll get the chamber to offer a comment on that, but I think we have to stop separating ourselves from the well-being of corporations in this country.

Martin, do you want to comment on that? I know it's a very tough question for you.

•(1025)

**Mr. Martin Salloum:** I think you're looking for a very generalized answer to that. And I know that Hollywood right now... I was watching a television show last night with my parents. They were looking for a criminal and the person said a business person and a psychopath were really the same thing, so they started looking at a list of business people and found the criminal. I doubt even Mr. Marston would go that far.

But I think the overdramatization in our entertainment system has painted a picture that's very far from correct. We talk about the amount of money a bank will make in a given year. They don't talk about how much that is over the amount of capital they have invested. They talk in terms of gross dollars.

I'm going to go off a little bit, James, if you don't mind, and take the opportunity to answer your question, based on a lot of the comment here when we talk about corporate tax cuts and have some questions about vision. A number of years ago, when my good friend Jim Dinning was the provincial treasurer of Alberta, he noted that we spent more money in Alberta on economic development than we brought in on corporate taxes. He suggested eliminating corporate taxes and eliminating spending money on economic development. We would be further ahead and probably wouldn't have to advertise Alberta as a place to go. And that's maybe something for the folks in Saskatchewan to think about. If we did that in Alberta and eliminated corporate taxes, would that have an impact on the jobs in Saskatchewan and the reverse effect in Alberta? I would imagine it would.

So if you don't think those things impact jobs and wealth and poverty, imagine what would happen if Alberta decided they weren't going to have corporate taxes any more. Or imagine what would happen if Canada did that.

That's just a little fantasy. I don't want to give you any indigestion, Wayne, but....

**The Chair:** On that note, I want to thank all of you for being here. I want to thank you for your ideas this morning in presenting and for responding to our questions. It was a very good session.

Colleagues, we'll suspend for a couple of minutes and we'll bring in the second panel.

•(1025)

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

•(1035)

**The Chair:** I would ask our colleagues to take their seats, please. We'll begin the second panel.



I thank all our guests for coming in and being with us here today. We have a number of organizations presenting in this session.

The first organization is the Investment Industry Association of Canada. We also have CropLife Canada, the Saskatchewan Institute of Applied Science and Technology, the Grain Growers of Canada, the Saskatchewan Association of Rural Municipalities, and the University of Saskatchewan.

Thank you all for being with us. You will each have five minutes for an opening statement.

We'll begin with Mr. Russell from the Investment Industry Association of Canada.

**Mr. Ian Russell (President and Chief Executive Officer, Investment Industry Association of Canada):** Thank you, Mr. Chairman.

It's a pleasure to be here this morning in Saskatoon.

I represent the Investment Industry Association of Canada, which is the trade association for the Canadian securities industry. We represent 200 investment dealer firms coast to coast across the country. We provide advice to retail and institutional clients, we provide corporate finance advice to corporations, and we structure and raise equity and debt financing for governments and corporations.

My presence here in Saskatoon is indicative of the national framework of the association. Our members are located in all parts of Canada and play a very important role in strengthening the regional economies by raising local capital and advising investors right across the country.

This budget is going to take place in difficult circumstances. Investors in Canada are under a lot of strain and stress. We're seeing low rates of interest, a lot of market turbulence, investors concerned about their portfolio values, and a need for income for retirees. These deflationary conditions are quite difficult.

On the issuing side, similarly, the evidence suggests that companies are increasingly having difficulty attracting capital. Overall, in common equity financing, we're down 54%, third quarter over the second quarter, and we don't think that circumstances will change much in the fourth quarter. Small and mid-sized companies are having a great deal of difficulty raising financing.

We recommend that the government stay the course to meet its G-20 targets for deficit and debt reduction. I think this is the linchpin in ensuring confidence. It is very important for the government to continue with the final year of reducing the corporate tax rate in Canada. This government has withstood a lot of pressure in holding to its reductions in corporate tax rates, and that is very important. There are three reasons. First, it's critical to growth. Second, it's important, particularly in the corporate tax rate side, to get those rates competitive, because there are huge opportunities for Canada to attract business from abroad. Third, our track record of managing our finances, holding growth, and minimizing the impact of the financial crisis in 2008 is the envy of the rest of the world, and it's given Canada, with its open economy, a lot of leverage in encouraging our other partners in the G-20 to get their houses in order. This is important, in light of what we've seen with the problems in Europe.

Finally, I have a couple of recommendations that I could explain later in questions.

We've argued for a number of years that there should be an incentive to help small and mid-sized businesses raise financing, especially in these conditions. When companies reach mid-size, say \$500 million in market cap, that's when they really run into problems raising capital. This would be an important incentive, which could take the form of a lower capital gains tax rate, extending flow-through shares beyond resource companies, or extending the advantages of the preferred corporate tax rate to these companies.

On pension reform, group RRSPs are an important retirement program for small companies. It's cost effective and it's the fastest-growing component. There's \$40 billion outstanding and about three million Canadians with these programs. The employers who offer these programs should be on an equal footing with employers who offer other defined benefit plans, which is to say that they should be exempt from payroll savings tax.

Finally, we commend the government on increasing the arsenal of retirement plans through the PRPP. We have a number of specific recommendations to improve the effectiveness of that instrument, some of which are still in discussion.

Thank you for the opportunity.

• (1040)

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

We'll now hear from CropLife Canada.

**Mr. Dennis Prouse (Vice-President, Government Affairs, CropLife Canada):** Thank you, Mr. Chair. CropLife Canada thanks you and the other committee members for inviting us here to testify today.

CropLife Canada is the national trade association representing manufacturers, developers, and distributors of plant sciences innovation, including pest control products and plant biotechnology for use in agriculture, urban, and public health settings.

We are committed to protecting human health in the environment and providing a safe, abundant food supply for Canadians. We believe in driving innovation through continuous research.

CropLife Canada is a member of CropLife International, a global federation representing the plant sciences industry in 91 nations.

Our mission is to enable the plant sciences industry to bring the benefits of its technologies to farmers and the public. Those benefits manifest themselves in many different forms, including creating jobs, driving agricultural exports, strengthening the rural economy, and increasing tax revenue for governments.

The increased yields farmers get when they use crop protection and plant biotechnology products do more than just improve the bottom line for farmers. They stimulate economic activity that ripples through the entire Canadian economy. Crop protection products and plant biotechnology lead to quality and yield enhancements that lead to 97,000 additional full-time Canadian jobs in more than 20 different sectors, including manufacturing, wholesale, retail, and financial.

Increased crop production due to plant science technology generates \$7.9 billion in value for farmers of field fruit and vegetable crops and creates \$385 million in tax revenue for the three levels of government.

Plant science technology has also enhanced Canada's standing as a net exporter of food. About 65% of Canada's food surplus can be attributed to increased yields because farmers had access to our technologies.

Canadian families save 58% on their weekly grocery bill thanks to modern crop protection and plant biotechnology tools. In fact, Canadians currently spend only 10% of their household income on food, compared to over 18% in the 1960s.

The pace of innovation in plant biotechnology is increasing. Between April 2010 and March 2011, 177 new varieties of peas were registered by the Canadian Food Inspection Agency. Seventy-nine percent of those varieties were registered by private sector feed companies. Biotechnology was a strong driver of this growth.

Globally companies invest about 11% of the profits directly back into research and development.

CropLife Canada would encourage the government to keep three key policy priorities, which we believe will grow the economy as a whole as well as the knowledge-based economy in particular.

The first would be to continue to negotiate and ultimately implement a comprehensive economic trade agreement with the European Union and to aggressively pursue new trade agreements with other major trading partners.

Collectively the EU represents the largest economy in the world. Outside of the United States, the EU represents Canada's most promising growth market for both commodities and value-added products. Our industry is strongly supportive of all efforts by the government to open global markets and to pursue trade agreements that will allow Canada's agricultural sector to grow and prosper.

Second would be to finish the work of the red tape reduction commission, ensuring that there are clear measurements of success across every government department and agency. Our industry made a submission to the red tape reduction commission, identifying a number of easily remedied regulatory issues across agencies and departments such as the Canada Food Inspection Agency, the Pest Management Regulatory Agency, and Environment Canada.

The commission holds great promise for improving efficiency and fostering innovation, but only if every department and agency is held accountable for addressing the recommendations made to it by participants.

Finally, Mr. Chair, would be to set down clear markers for success in the work of the Regulatory Cooperation Council. Improving market access to the United States and knocking down regulatory barriers between the two nations will grow jobs and improve prosperity. The United States is our largest customer for agrifood exports, and will continue to be, due to proximity and a shared commitment to science-based regulations.

Canada's access to the United States market is vital to Canada's plant sciences sector and to many of our stakeholders. We look forward to clear progress being made on a host of regulatory inefficiencies and access choke points that hurt prosperity on both sides of the border. If these three key policy recommendations—increased trade, smarter regulations, and a reduction in Canada-U.S. border irritants—were struck, they could all make immediate, tangible contributions to enhance prosperity and competitiveness in the Canadian economy.

Thank you, Mr. Chair. I look forward to participating in the question period.

• (1045)

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

We'll now hear from the Saskatchewan Institute of Applied Science and Technology.

**Dr. Robert McCulloch (President and Chief Executive Officer, Saskatchewan Institute of Applied Science and Technology):** Thank you, Mr. Chairman.

Again, thanks to everyone on the panel for the opportunity. It's just wonderful to have you in the great city of Saskatoon in the great province of Saskatchewan. It's a two-block walk from my office to here, so it's a delight.

As the previous speakers have done, please allow me to set the context of my remarks and our recommendations in our brief. I proudly serve as the president and CEO of the Saskatchewan Institute of Applied Science and Technology, more commonly known as SIAST. We serve nearly 26,000 distinct students each year, and nearly 3,000 of those students declare they're of aboriginal ancestry. We serve these students through our four urban campuses: Mr. Hoback insisted I start with the great campus in Prince Albert, which is our Woodland campus; our Kelsey campus in Saskatoon—Kelly, I hope you don't mind going second; Wascana in Regina; and Palliser in Moosejaw. And, panel members, please know we're proud to serve international students around the world through our online, web-based programming.

We are one of more than 150 colleges and technical institutes in Canada, and we are part of that acronym ACCC, the Association of Canadian Community Colleges. We are responsible for technical education, skills training, and applied research across the country.

Our overall theme in our recommendations—and we have three in our report—really is about the federal contribution in education and post-secondary education. Our recommendations are that notwithstanding provincial and federal criteria on this, we hope the federal government will continue, and in fact increase, its strong commitment and involvement in education and post-secondary education in Canada.

You can count on us in the college sector to support the training of skilled workers in our country, but we need to work together. We need all aspects of government working in that. We note with interest that HRSDC has projected a need for nearly seven million college graduates over the next seven years, along with nearly five million university graduates over that same time period. It's a wonderful challenge for us, but again, we need to be working together to meet those challenges of successful graduates.

You can count on us at SIAST, and you can count on the colleges for the HQP—those highly qualified persons—and the applied research our country needs. We work at the training, testing, and the application levels that are key to small and medium enterprise and to manufacturing in this country. I look forward to questions or comments on that.

If I may, I will just make a brief comment in the reverse order that was in our submission, because I would like to close with the aboriginal point. We need to look back to the future with regard to the federal government's involvement in the establishment of technical institutes. The first recommendation simply is that we endorse the recommendation by the Association of Canadian Community Colleges to the standing committee to establish a separate fund for post-secondary education transfer with accountability requirements directly to Parliament. We recognize that Parliament needs that accountability standard, and we fully support that.

We also are involved in applied research. That's the key. Our work is in applied research. For example, on Monday of this week I attended a meeting of industry and NGOs, where we were looking at water resources and water quality and how we could work together to make sure water quality across our country is maintained and in fact improved. So the second recommendation in our brief is that SIAST supports the ACCC recommendation to allocate 5% of federal research dollars to applied research.

Last but not least, I would like to leave the committee with the import of aboriginal education. Again, we are proud to serve 3,000 aboriginal students. We have implemented an aboriginal student achievement plan, and I look forward to describing that to you. Please don't forget aboriginal students, particularly in western Canada.

Thank you, Mr. Chairman.

•(1050)

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

We will now hear from the Grain Growers of Canada.

**Mr. Todd Hames (Director and Farmer, Grain Growers of Canada):** Thank you for allowing the Grain Growers and me, a farm owner, to be here to testify today.

I'd also like to give farmers' support to what CropLife's goals are. I think farmers do support what CropLife is doing and their goals of smart regulations and better innovations.

I'd also like to thank the Harper government for the beautiful weather this fall for harvest. As we know, the Harper government's responsible for just about everything that happens in the world, according to CBC.

**Voices:** Oh, oh!

**Mr. Todd Hames:** My name is Todd Hames. My wife and I farm 4,700 acres in the Marwayne area. It's about three and a half hours northwest of Saskatoon.

I am representing tens of thousands of successful farmers for the Grain Growers of Canada, from Atlantic Canada to British Columbia. Today I will focus on public research and innovation.

I think most of you know that farmers are divided on many issues, but this is one issue that unites all the farmers across this country. We appreciate that the federal government has started putting more money into research in the last few years. We also recognize that there has been an effort to have actual commodity associations, like pulse and canola growers, have more influence on our research priorities through science clusters and DIAPs.

The public sector does research on agronomics and diseases where there may not be an immediate commercial return, but the private sector doesn't always do this. Bayer, Syngenta, BASF, Dow, and others are huge investors in our research and innovation in Canada, but mostly just in three crops: corn, soybeans, and canola. Obviously, you see some big crops missing out of there—wheat and barley.

As farmers we see the need for both sectors, public and private. The United Nations forum on food has said that farmers will need to produce as much food in the next 50 years as has been produced in the last 10,000 years. The world's population will expand to 9.1 billion from the current 6.7 billion or 7 billion, depending on what number you're using, and yet Agriculture Canada's core research funding is far lower today than it was in 1994. Allowing for inflation, it would take an increase of \$26 million per year for the next 10 years—that is, each and every year the government would have to add \$26 million—to take us back to 1994 public research levels.

Farmers know the reality of trying to achieve a balanced budget on our farms, and we appreciate the same budgeting for the government, so the Grain Growers of Canada have proposed for you changes in the accounting for the royalty income within Agriculture Canada. Currently, income royalties from successful innovation that comes to Agriculture Canada go into the departmental budget. But—and this is important—it simply displaces government funding; it does not add to it. So all the royalties just come out of the funding. For example, if Agriculture Canada develops a new variety of wheat that earns millions of dollars a year in royalties, the next year the government simply reduces its budget. We suggest that in the absence of increased direct federal contributions, at a minimum, the federal government should lock in the current Agriculture Canada research budget as it is today and then tie it to inflation.

Next, the government should allow all royalty streams generated by Agriculture Canada discoveries to be added onto the current research budgets. This is a simple way to increase the Agriculture and Agri-Food Canada research budget because it is the royalties paid by the private sector that will increase funding.

The other important effect of this change would be to send a strong signal to Agriculture Canada scientists that if your projects and your research align with what farmers or food processors or end-use customers are looking for, then more money would flow back into their programs. Today, this would put between \$5 million and \$6 million into additional research each year. And we predict that this incentive would easily double or triple the new money annually within 10 years.

• (1055)

It is a win-win situation. The government only needs to match inflation, and the scientists who do good work see their programs grow. It's one way to start getting back to those needed research levels.

Thank you, and I look forward to your comments and questions.

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

We'll now hear from the Saskatchewan Association of Rural Municipalities.

**Mr. David Marit (President, Saskatchewan Association of Rural Municipalities):** Thank you, Mr. Chairman.

On behalf of the Saskatchewan Association of Rural Municipalities, I'd like to thank the committee for allowing us to appear and participate in this year's pre-budget consultation. My name is David Marit and I'm president of the organization, and with me is my good friend and colleague, Ray Orb, our vice-president.

SARM is an independent association that represents all 296 Saskatchewan rural municipalities. Our membership is strictly voluntary, and our strength comes from our membership, whose collective voice guides us in policy. We appreciate the occasion to discuss the three recommendations that we put forth in our written submission to the committee for consideration in the development of the 2012 federal budget.

You'll find the issues that are of the greatest importance to SARM members are the issues that impact the quality of life and productivity of key industries in rural communities. Industries

thriving in rural areas include natural resources, manufacturing, and agriculture and agrifood. Therefore, our three recommendations centre on the access to reliable and well-designed road infrastructure that industries depend on to allow them to efficiently reach their suppliers and markets.

Legislative updates will further support development and program improvements meant to advance the competitiveness of Canadian business. Municipalities are responsible for the development, maintenance, and renewal of local infrastructure that connects rural industry to the larger primary highway system. Recognizing that 50% of Canada's exports are the natural resources, energy, agricultural products, and raw materials extracted from rural areas, municipalities need federal funding to improve local infrastructure that connects rural industries to the rest of the country.

Our first recommendation, therefore, is threefold. First, we recommend that infrastructure funding be earmarked solely for rural communities, so rural projects are not competing with cities and towns for the same funding package. Second, we recommend that federal funding also be allocated to improve north-south road corridors and ports that allow Canadian industries access to U.S. market opportunities. Third, we recommend that the federal government consult with groups like the Federation of Canadian Municipalities and SARM when designing new municipal infrastructure programming for 2014 to replace the existing and current Building Canada fund program.

We realize the depressed fiscal capacity of the federal government, but we believe that through funding more infrastructure programs, the potential exists to continue to stimulate and grow the economy, which benefits everyone. Municipalities are also facing a regulatory road block when building roads and bridges. The Navigable Waters Protection Act adds unnecessary costs to roads and bridges construction projects because of its outdated definition of a navigable waterway. Conducting a review of this legislation and enacting relevant amendments will not cost the government but will act as an economic driver in regions across Canada.

Our second recommendation, therefore, is that government conduct a review of the Navigable Waters Protection Act, with the end goal of changing the definition of a navigable waterway.

Because agriculture continues to be one of the driving forces behind the livelihood of rural communities across Canada—including Saskatchewan, where in 2008 it accounted for nearly 13% of the provincial gross domestic product—the importance of this sector must be mentioned here today. Adequate federal funding has been allocated to the agricultural sector, but it is important to ensure that the programs being designed under Growing Forward 2 work for the benefit of farmers.

Our third recommendation, therefore, is that there be an increase in funding for agriculture via Growing Forward 2 programming to ensure programs offered under the current Growing Forward are modified and improved in ways that help improve the competitiveness and success of Canada's agriculture sector.

In closing, I want to once again mention the need for the importance of transportation infrastructure and agriculture in the economy, not only for the province of Saskatchewan but for Canada as a whole.

In closing, I want to thank the committee again for having us appear here today. We will be glad to answer any questions.

Thank you.

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

We'll now hear from the University of Saskatchewan, please.

• (1100)

**Dr. Karen Chad (Vice-President, Research, University of Saskatchewan):** Thank you, Mr. Chair and my fellow Canadian colleagues.

First, the University of Saskatchewan wishes to thank the finance committee for this opportunity to present as part of their pre-budget consultations for 2011.

Perhaps you might let me start by saying that Canadian universities have a significant impact on Canada's innovation agenda and its ability to compete in the global economy. Universities are a \$30 billion enterprise, which is comparable with the Canadian utilities sector and larger than the primary and fabricated metals or transportation sectors. So in short, universities' success is Canada's success.

As one of Canada's 15 medical doctoral research-intensive universities, we were extremely pleased to be able to provide three recommendations in our written submission to committee members.

Recommendation one is to invest in programs that support the ability of students, be they domestic or from across the globe, to obtain an affordable high-quality and relevant university education in Canada, with particular attention to recruiting aboriginal students and ensuring their success. The committee might be interested in a few quick statistics and facts that support the context for this particular recommendation. University graduates typically earn over \$1 million more than those without post-secondary or college certificates. Higher incomes and academic accomplishments mean increased social and economic sustainability.

The Centre for Study of Living Standards estimates that closing the educational gap between aboriginals and non-aboriginals by 2026 would lead to income increases of \$36.5 billion, government revenues of \$4 billion, and a decline in government expenditures of approximately \$14.2 billion. Additionally, international students contribute \$6.5 billion to Canada's economy annually, and by 2030 the number of people in Canada over 64 years of age will double with little growth in the number of working-age people.

I'll go on to recommendation two. Continue to invest in Canada's major university research programs through Tri-Council, the Canada Foundation for Innovation, and other federal department and agency research funding programs. Expand the Canada excellence research chairs program to include additional sectors that are critical to Canada's economic future and raise indirect costs support for university research to levels that are more comparable to those of other developed countries.

Currently, the federal government spends \$3 billion annually on R and D, but investment as a percentage of GDP has decreased while most of our world's innovating countries and nations have increased R and D support. We are also low when we look at supporting the indirect costs of research, and I'd draw your attention to a couple of quick statistics. Our current support is just over 23%. Compare that with the U.S., the U.K., and our Australian counterparts, where it ranges from 40% to 60%. So to be internationally competitive, Canada must increase or at least maintain our current levels of R and D funding and raise indirect costs support for university research to levels that are more comparable.

The last recommendation is to invest both financially and strategically in programs that enhance efforts to transform university research into commercial products and services and supports. Specifically, support development and funding of best practice technology transfer offices and fund more internships and fellowships with a commercial focus.

Canada does high-quality research, but this doesn't necessarily translate into knowledge transfer or commercialization. I think we have a collective role here. Governments can increase productivity by reducing administrative barriers and focusing on how best to support early stage high technology. We at the university can help by removing cultural barriers to commercialization, improving and simplifying technology transfer processes, and building better strategic partnerships with industry.

• (1105)

We need to look at things like providing early stage funding for university start-ups, pre-seed for continuing development of commercial applications of technology, or through internships, fellowships, and I just thought you'd be—

**The Chair:** Dr. Chad, can I ask you to wrap up, please?

**Dr. Karen Chad:** Sure.

I thought you'd be interested in hearing probably one of the most fascinating stories. Anand Agarwala sold his technology start-up company to Google for \$30 million, and if you ask this gentleman what was the key to his success, he will tell you that it was a \$20,000 university fellowship.

In conclusion, I'd like to thank the expert panel for their work and let you know that the University of Saskatchewan is eager to continue its collaboration with others on the needed next steps.

Thank you.

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

We'll begin our questions from members with Mr. Mai, for five minutes, please.

**Mr. Hoang Mai:** Thank you to all the witnesses for their presentations.

I want to take a few moments, as this is our last travel time with the panel, to thank the clerk, the analysts, the interpreters, and also the proceedings and verification officers for their help. This is my first time travelling with the finance committee. I find it really interesting. It's my first time here also, in Saskatchewan, so I find it very interesting.

My first question is with regard to the Saskatchewan association of municipalities. We've been pushing and asking the government to have a plan, a strategic plan, for infrastructure with basically sustainable funding. We've been asking to have the transfer for the gas tax indexed, and also to have an additional amount of one cent.

What's your view regarding having a strategic plan for infrastructure?

**Mr. David Marit:** Well, we look at what we're in the process of right now. We know the Building Canada fund is going on until 2014. That's why we're here now, to open the discussion on where we go forward from 2014.

What we'd like see, and what I think every municipality across this country would like to see, is some form of long-term infrastructure funding. I think that's why we made the point that it's important that municipal organizations, along with FCM, be at that table in designing that program.

As to what the dollar amount is and how that's going to be, I think that has to be determined by the government of the day. I think all we can do as organizations is lay the groundwork in terms of what we'd like to see designed into that program.

**Mr. Hoang Mai:** Thank you very much.

Turning to SIAST, you just started talking about the plan in terms of what you've done for aboriginal people. Could you perhaps expand more on that?

**Dr. Robert McCulloch:** Yes, thank you, Mr. Mai.

Our system, for years, has always been to have aboriginal support at each of our campuses, but we're finding that we must be more strategic. This plan is a longer-term plan. It involves making sure that we handle the transition for aboriginal students into post-secondary, and then the success in the program, but also the transition out of the learning environment into the work environment.

The point is that we're trying to cover the whole continuum. The new part that I like about this plan—I have a couple of copies that I'll leave here—is that we have a commitment from our provincial government for it. I think it's just a broader-based approach.

The point is that we are getting more and more aboriginal students into programs, but we must ensure that they continue with the same success rate as, or even better than, all other students. Right now there is a gap in some programs. In some technology areas the gap is as much as 15%.

So that's what we're trying to target: transition in, success, and then transition and success into the workplace.

**Mr. Hoang Mai:** Thank you very much.

To the University of Saskatchewan, on the same issue, what can the government do more of in terms of helping aboriginal students? We've heard a lot about it, but can you give us more examples of what we can do?

**Dr. Karen Chad:** I guess in terms of following on from my dear colleague Bob, it really is that: pre, during, and post.

In the “pre”, I think what we need to do is look at what types of support programs, bursaries, and relevant base curriculum we are providing. We also have to look at, in terms of the curriculum, what kind of experiential learning we are doing. The transition then into the job force becomes an easy transition. It all of a sudden starts to hook up in terms of both cultural and also relevant market opportunities.

**Mr. Hoang Mai:** Great.

To the Investment Industry Association of Canada, it's not necessarily a recommendation that you've proposed, but we've seen so far a lot of recommendations regarding tax simplification.

Do you think having a commission that would actually study the impact of simplifying tax would be beneficial for the members you represent?

• (1110)

**Mr. Ian Russell:** Yes, it probably makes sense to stand back and take a look at the system as a whole. A particular area that might merit further examination is the sales tax side, especially in the context of the harmonization of sales taxes that is taking place across the country.

A lot of issues come up in terms of the treatment of different types of commodities and services within a sales tax. There is probably merit in having a study that looks at the efficiencies of a sales tax. It's an important tax, and it's obviously one used around the world. There are some good examples we can take a look at. In that area, we haven't done anything on that tax since 1989.

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

We will go to Mr. Hoback, please.

**Mr. Randy Hoback:** Thank you, Chair.

I too would like thank the clerks and everybody involved in the travel. That was very honourable of you to do that. We sometimes forget what goes on in the background for these meetings. These folks do an excellent job, and we sure appreciate them basically having our backs as we do these types of discussions.

I also want to thank you, colleagues, for coming. I can't think of a better group of representatives from Saskatchewan and from outside Saskatchewan to talk about some of the issues we are facing here in this province. Of course, they are different issues than we faced four or five years ago. Now they're issues of growth instead of issues of decline. It's always good to see that.

I wish I had about 35 minutes to ask questions. I will see if I can get the chair to stop this clock for a while, but he's a little strict.

The first place I want to go is the investment dealers. We talked about the tech sector and we talked about the research sector. We're hearing about the inability to commercialize and the inability to get the capital into those sectors. In some ways, I wish you and Karen were sitting next to each other. Somehow there is a perceived wall between the two of you. What policies do we have to have as a government to get rid of that wall so that they don't have to go to San Francisco, Boston, or the eastern States to get their funding? They can go to Toronto, Vancouver, Montreal, or Saskatoon to get that funding. What do we need to do to make that happen?

**Mr. Ian Russell:** The problem, as I see it, is that the current environment is probably exacerbating the difficulty of raising capital for small and mid-sized companies, although we've argued that there has been relative difficulty over the last few years. In this current climate, it has been very difficult. The difficulty can really be traced to sources of risk capital and getting individuals or funds to invest in good Canadian enterprises.

The flip side of that is that we have a pretty good mechanism for finding the investment opportunities. It's really about bringing them together with the sources of capital. For example, the angel marketplace has worked fairly well. It could be better. There is a great clustering here in Saskatoon. There's Waterloo, Montreal, and Vancouver. That helps for the start-ups.

On venture capital, there's been a lot of talk around this committee about trying to encourage more venture capital in the small business sector. The government should be commended for the tax changes it made to allow in offshore venture capital funds. Again, it's a small part of the puzzle. It'll take some time.

**Mr. Randy Hoback:** I don't want to eat up the whole finance committee. Unfortunately, I only get five minutes, and I have a lot of questions. What I would like to do is think of whether there is a way to get both of these sectors together to come to us with a policy or a plan that would see those funds start to transition in a natural way.

I'm going to move on to my next question. Sorry. As I said, I wish I had 30 minutes. I don't want to discount what you are saying. It's very important.

It kind of ties in to my questions for the members of CropLife. We talk about research and we are doing a lot of research in Canada. It's great. We're providing that. What do we have to do to get your CEOs to locate here in Canada and to get your head offices moving into Canada? It's one thing to have the research park here in Saskatoon, but I want the CEOs here. I want the decision-makers here. What do we have to do to make that happen?

• (1115)

**Mr. Dennis Prouse:** I'm not sure there's any magic wand that's going to make that happen. That's just a continuation of good tax policy. We've talked in our submission about regulation and the ability to make approvals faster. If you want Canada to be a centre for research excellence, there have to be clear and somewhat easier paths to approvals. There are clear, easy measures that can be taken in the approvals process to move that along. If that happens, you're going to see Canada become more of a cluster for research. That will attract people to locate here.

**Mr. Randy Hoback:** Ms. Chad, we've heard about the brain drain leaving Saskatchewan or leaving Canada. Six or seven years ago, that was the issue: the brain drain—everybody is leaving. Now I think we have a good gain back. But are we doing enough to attract the top-quality MBA students, the top-quality doctoral students?

**The Chair:** Give just a brief response, please.

**Dr. Karen Chad:** I think the federal government has done a really great job of its programs, starting with the Canada research chairs program and then most recently the Canada excellence research chairs initiative. If you bring in those top world leaders here, faculty will come here and your students will come. I think you are going absolutely in the right direction, and I would encourage you to

sustain those and even build upon them more. That was the success of bringing 19 world leaders here to Canada.

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

We'll go to Ms. Block, please.

**Mrs. Kelly Block:** Thank you very much, Mr. Chair.

I echo the comments of my colleague in welcoming you and thank you for taking the time to be here.

I know some of you. I'm a member of Parliament representing Saskatoon—Rosetown—Biggar, right here in Saskatchewan, and I am very proud to do so. We all represent rural constituencies.

My questions will be directed to Mr. Marit and Mr. Orb.

We've heard long and hard about the Navigable Waters Protection Act and the implications that act is having on our rural municipalities. Could you give us some real, tangible examples of how that act impedes the work of our rural municipalities in moving forward?

**Mr. David Marit:** Through you, Mr. Chair.

Thank you very much for the question.

There are some strong, tangible examples in this province, where bridges built in the fifties and sixties, and prior to that, are becoming outdated. Our transportation system and our needs are changing. For example, we just had a case come to our office a few weeks ago of a bridge that has been more or less condemned on a lower class of road. The municipality wants to put a low-level crossing in and the Navigable Waters Protection Act says it has to be maintained as a bridge. Virtually nobody uses this road; it's a one-landowner road. That's how old and archaic the act is.

Those are things we have to change. It's costing not only us but all levels of government a lot of money.

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

My second question for you would be this. Do you have any other regulatory changes to recommend that would have a positive impact on rural Saskatchewan?

**Mr. David Marit:** I do, through you, Mr. Chair.

One recommendation, which we couldn't put in and which was a problem that we saw this year specifically in Saskatchewan with disasters, with the flooding—we think this would be an opportunity to probably save the federal government tens if not hundreds of millions of dollars—is to review the federal disaster assistance program.

Right now, municipalities cannot be compensated or are not compensated for doing their own work. We have to out-source all of it. In rural Saskatchewan, and probably in many parts of rural Canada, we don't have the contractors to do it. In the southeast corner of our province, we are so heavily industrialized in the oil and gas sector that the private contractors will not leave those companies. And you can't blame them. They have contracts with them; they won't leave them.

We think something that could save the federal government a lot of money is to look at their national road builders guide, use it as a guide, take the profit out, even, and say that they would pay the municipalities for their equipment to do work on disasters that is over and above their normal maintenance work.

Thank you.

• (1120)

**Mrs. Kelly Block:** I would like to ask you to comment on the Growing Forward 2 program and what our government is doing in seeking input from the agricultural sector to develop policy options for that framework. Could you comment on what your priorities for this framework are?

**Mr. Ray Orb (Vice-President, Saskatchewan Association of Rural Municipalities):** Mr. Chair, I'll take a stab at that one.

We consult with the federal government whenever we get a chance, and we have some priorities, particularly with business risk management. This ties in with the whole idea of Growing Forward, which we believe is really like a national farm program. It fits in with the infrastructure asks as well; we believe these should be tied together, so that we can make sure we have good roads and good infrastructure so that our farmers can compete on an international basis.

We think there are some ways the federal government can save money and streamline some of their programs. We've asked that AgriInvest be looked at. We think farmers like AgriInvest because it's very simple to administer, it's very easy for them to understand, and it's something that's bankable and that they can rely on in cases of emergencies at seeding and harvest time. We see ways the federal government could actually save money.

We've also asked for such things as a better definition of AgriRecovery. Now, it seems, this is more of an ad hoc program.

We certainly appreciate that the federal government helps farmers from time to time. We saw it last year and we saw it this year. We're asking them to put a package together that we can work with—and can help develop, actually.

**The Chair:** Thank you, Ms. Block.

We'll go to Mr. Marston, please.

**Mr. Wayne Marston:** Thank you, Mr. Chair.

Mr. Russell, I think you may be a little bit surprised, but the NDP supports a decrease in tax for SMEs. We have called for that.

We also certainly understand the problems of raising capital. We don't have the sources of capital in this country that they have in the U.S., for example.

But beyond that, I want to talk a moment about the pooled registered pension plan. I'm the pension critic for our party, and one of the concerns I have is that the risk level to that plan is the same as for an RRSP. If the market goes down, you take a pounding.

We've had a position now for a number of years to, as we say, double the CPP, but certainly to increase it. It's owned by Canadians; it's portable; it's national across the whole country. Doing that would

take some pressure off the businessmen who cannot really start a pension plan for their workers.

What is your response to that?

**Mr. Ian Russell:** My response would be that the current architecture of the pension funds probably provides enough flexibility and scope for small business to have pension funds without expanding the CPP.

I agree with you, I think the CPP is well-managed; it's a well-run fund, it's fully funded—far better than social security in the U.S. But my concern would be that if expanding it is going to result in payroll taxes or increases in federal tax—

**Mr. Wayne Marston:** Just to be clear on the expansion, it would be a phased-in expansion. It wouldn't be an immediate one.

**Mr. Ian Russell:** That's understood.

**Mr. Wayne Marston:** I'm not overly surprised at your response, but I wanted to give you the opportunity.

**Mr. Ian Russell:** I just wanted to say that group RRSPs, for example, which are a pretty effective plan for very small companies, whereby they use an administrator and offer group RRSPs, offer one vehicle that we think we could improve upon.

**Mr. Wayne Marston:** Thank you.

Mr. Hames, I want to thank you for your suggestion about freezing the ag budget and using the money for R and D to get some of that return back into the system in a fashion that takes some pressure off, to be truthful about it. I'm not sure whether government members will agree, but if you reduce the liability to the federal government by doing so, that's a very innovative way of looking at it, and I appreciate it.

I'm not really looking for a response. I just want to say I agree with you; I think it's a good idea.

Mr. Marit, we've taken a position that the capital vote is rather locked up right now. We hear there is \$500 billion that businesses are holding on to, and understandably so, because they're afraid of a downturn and of the banks freezing up again. We've suggested that now is the time for the federal government to take leadership on infrastructure and social infrastructure.

Something that struck me during your presentation, and that struck me particularly in the Yukon, where there are infrastructure problems—their hydro lines are 50 years old, and whatnot—is that we don't have the population in our rural areas to sustain and pay the costs of the very infrastructure that's needed to get produce through your areas into market, or a variety of flow-through types of activities that would go through the area. In a sense, there's more of an impetus on the federal government to do the investing in infrastructure in rural areas than in the more urban areas.



What are your thoughts?

• (1125)

**Mr. David Marit:** I'm only going to speak for Saskatchewan, because I think we've done our homework. We have actually prioritized our municipal system as far as what is a municipal road, what has a provincial interest in it, and what also has a federal interest in it.

Unfortunately, as I talked about, when we talk about our bridge infrastructure we're living under federal rules, and that's what really is driving the cost for rural municipalities, whether it's navigable waters, whether it's the Department of Fisheries and Oceans, whatever the case may be. We have to live within the parameters of federal and provincial rules.

We think that because of that there is a federal interest, and there is a provincial interest and a municipal interest, and we agree with that. We think there should be some cost-sharing on those types of infrastructures where there is a federal interest.

**Mr. Wayne Marston:** In 30 seconds, Mr. McCulloch, on the relationship with labour in training for apprenticeship programs, do you have a red seal level of training?

**Dr. Robert McCulloch:** Yes, in Saskatchewan it's a three-way partnership for our apprenticeship training. We would see an apprentice, depending on the program, between eight and twelve weeks of the year. They are supervised by the Saskatchewan Apprenticeship and Trade Certification Commission. The other key partner, of course, is the industry, the business leader. That has been working very successfully. And yes, absolutely, we cover all the steps of apprentices, including red seal.

**The Chair:** Thank you.

Ms. McLeod, please.

**Mrs. Cathy McLeod:** Thank you. I would like to start with a brief comment.

I noticed our first two presenters did talk about the red tape reduction commission and the importance.... I am a member of that particular commission, and of course we tabled the *What Was Heard Report*, but the more important piece is going to be what we're going to do about it. So the commission is working very actively and we hope to have that presented to cabinet in the next few months. Again, this is just to reassure you that the government puts a high priority in terms of moving forward with that particular initiative.

The questions I'd like to talk about first are actually perhaps both for the Saskatchewan Institute of Applied Science and Technology and the university.

It is interesting. I have children between 20 and 25, and I have always thought the baby boomers would be retiring and the world would be their oyster in terms of job opportunities, and probably in 10 years it will be for the new graduates, whether it be from apprentice programs or from universities. We seem to have a disconnect, and it's going to go on for a few years. Can you talk about whether that is really accurate? Are our students having a bit of a challenge right now in terms of the job market, both the apprentice and the university students? Will it be for a few years? Is

it for 10 years? Maybe you could give your vision on that particular area.

**Dr. Robert McCulloch:** Thank you for the question.

Right now, perhaps Saskatchewan is in a unique situation across the country. Our students are not having any difficulty getting employment. Our graduate employment rate is in the middle 90% within six months of graduation. We recently did a survey. Two years after graduation, 97% of our graduates were employed.

To give you an idea of the positive pressure that students are feeling, we have industries coming in and talking to students, covering their tuition if the student will commit to working for that company. We are perhaps in a unique situation compared to other parts of the country, but in the apprenticeship areas—health, technology—we have 160 programs, and almost without exception the opportunities for our students are tremendous.

**Dr. Karen Chad:** Maybe I'll just quickly add to that.

I would concur with Bob. I don't necessarily see that there is a blip, but rather it's almost a change in our students. Our students are wanting to stay within our educational institutions longer. Why do they want to do that? It is probably for two reasons.

One, unlike many of us when we went through, we did one thing only. They like to mix and match. So many of our students, both for their outside pleasure as well as in terms of the financial viewpoint, are working.

Two, they like to mix and match the different courses and classes they are taking. They like to add on an extra year or two, so we're finding a four-year degree is now five years and six years, and similarly with our graduate students. It is not so much that they can't find the job, but they're really finding the stimulation there.

They are also looking for jobs that provide that mixing and matching in terms of the types of things they want. So one thing I think we need to do a better job of is providing them with those internships, those cooperative opportunities that continue to link the students not in their final months but right from the get-go. Start with our first-year students. Start to really expect more of the experiential learning and our connect with industry, business, etc., a lot earlier.

• (1130)

**Mrs. Cathy McLeod:** What we have is sort of a mobility issue with the students. I believe Alberta is certainly in the same situation. When we talk about youth unemployment, to some degree it sounds like a bit of a mobility....

My next question is to the Saskatchewan Association of Rural Municipalities. We did make some changes to actually facilitate the Navigable Waters Protection Act. Certainly with the stimulus program, I don't think I've ever seen major projects go through so quickly and so well at all levels of government. But we haven't quite got there yet then. Was that some improvement there?

**Mr. David Marit:** Yes, the changes that were made were very important to getting projects done, but the next step now is really to open that act up, redo it, and come out with a clear definition of what a navigable waterway is.

**The Chair:** Thank you, Ms. McLeod.

[Translation]

Mr. Giguère, you have five minutes.

[English]

**Mr. Alain Giguère:** My first question is for Mr. Russell.

Presently, inside of your industry you have the possibility to make an indemnization fund province by province, profession by profession, for all victims of fraud inside your industry. Are you interested in the development of a Canadian indemnization fund to regroup our capacity for the support of victims?

**Mr. Ian Russell:** What we have in the securities industry right now is a national fund, the Canadian Investor Protection Fund, that protects investors in the event of defaults of member firms.

**Mr. Alain Giguère:** Yes, but the indemnization is limited.

**Mr. Ian Russell:** Well, it is limited, but it's comparable, certainly, to the CDIC. It's \$1 million for each account within CIPF in those circumstances.

**Mr. Alain Giguère:** The problem for the victim is.... The indemnization is so limited. It is so limited for the fund and the accessibility.

**Mr. Ian Russell:** What we have in the industry, in addition to the protections in the event of bankruptcy.... Where you're going is consumer redress for victims. Again, there is a national program, the ombudsman for the banking and securities industries. In those circumstances, there is an opportunity for aggrieved clients to seek redress through that mechanism.

I can't speak for others, but it turns out that in our industry certainly there has not been any large-scale malfeasance. There has been in some other industries, but certainly not in the securities industry, and there are very few complaints that actually even come up through the OBSI, and most of them are settled in advance.

I should also add that the OBSI itself has just had a consultant review it, and there are some recommendations to move to a second stage, so if there's an OBSI decision, there can be mandatory remediation with the client.

• (1135)

**Mr. Alain Giguère:** There is just a little problem. Imagine another person who is not a member of your association, but maybe indicates I'm a member of the association. Does the victim of this guy have any protection?

**Mr. Ian Russell:** Well, that's fraud, and you're right, it has happened. But for any bona fide member of our industry, there are protections in—

**Mr. Alain Giguère:** You make the professional protection of your members...but you don't make a professional association for the victim?

**Mr. Ian Russell:** No, but what I have said is that there are mechanisms for victims in our industry to seek redress, and as far as I can see from the evidence, it's working pretty satisfactorily. Now I know there has been some significant malfeasance in particular provinces. Those have happened outside the Canadian investment industry.

**Mr. Alain Giguère:** Thank you very much.

My second question for you is on the pension plan. Do you support the PRPP? My problem is the problem of the financial health of this country.

You don't seem to guarantee a minimum pension for all Canadians with this program. It is a voluntary program; it is not obligatory. It's a partial program, and if you don't make a pension for all Canadians, you create for the future a very important poverty problem.

**Mr. Ian Russell:** I see where you're coming from.

First, we have the CPP, which is a mandatory program. It was overhauled 10 years ago. It's very efficient. That's the core of our pension system.

The other aspects of it are voluntary. But at the same time, there are real incentives through the tax system—the RRSPs, the RRIFs, group RRSPs, and the PRPPs. There's a wide range of different programs that can be accessed by individual Canadians to supplement their retirement. So when you stand back and look at the system, I think it's quite effective.

**The Chair:** Thank you. *Merci.*

We'll go to Mr. Adler.

**Mr. Mark Adler:** Thank you, Chair, and my thanks to all the witnesses for being here today.

Being from Toronto, I'm going to avoid CropLife Canada, Grain Growers of Canada, and the Saskatchewan Association of Rural Municipalities, so you can all take a breather for the next five minutes.

Mr. Russell, it's good to see you again. I'm going to direct my questions to you.

The NDP is correct—credit where credit is due—in that they are in favour of lowering of the small business tax rate by two points. But they also support an increase in corporate tax of 19.5%, which represents a \$3.6 billion corporate tax squeeze.

Going through all the different consultations that we have throughout the country and in Ottawa, and listening to the NDP and how they are in favour of increased taxes, it reminds me of that movie, *Canadian Bacon*, with John Candy, when he stormed the RCMP headquarters to free his friend who had been arrested for crossing the border with firearms. One of the persons in the jail cell, when John Candy asked what he was in for, said, "Well, I'm a corporate executive."

How would an increase in corporate taxes affect your members?

**Mr. Ian Russell:** When I talk about my members, I'm talking about the investment dealers. They're large and small. Many of them are small, almost 200 of them. A rise in corporate taxes at a time when they are under the gun would hurt. Profitability, particularly for small firms, is very weak.

As to the broader question, an increase in the corporate rate for corporate Canada would be a bad move. First, it would amount to a complete reversal in the commitment the government made to bring down taxes to competitive levels. So it would breach the commitment. It would also abrogate this very competitive rate we have, which sends a positive signal to business over and above the actual impact of the rate itself.

Second, the preferred rates, the small corporate rates, are driven by the large rate. So if you bring the large rate down to the 15% level, then you're providing a scaled-down version for small business. This is the wrong time to be looking at imposing a higher tax on any business, but particularly small, struggling businesses.

• (1140)

**Mr. Mark Adler:** In the last budget, the government extended the two-year extension of the accelerated capital cost allowance. Could you discuss how that's been a benefit to your members?

**Mr. Ian Russell:** Extending the capital cost allowance brought the effective corporate rate down for large companies. So it has benefited the large companies, the capital-intensive companies that are the backbone of the economy. That's been positive.

But that in and of itself doesn't provide a large benefit to small companies in the biotech area, the general commercial area, or the resource area. They are more reliant on either lower corporate rates, which they have benefited from to some extent, or from what we believe would be some additional incentive in the capital-raising program for those companies that need capital.

**The Chair:** You still have time.

**Mr. Mark Adler:** Do I? Okay, I have a quick question for Dr. Chad.

Universities are all vying to commercialize their research. Do you see the competition between the universities as a positive, or do you think some kind of coordinated effort would be beneficial?

**Dr. Karen Chad:** Absolutely, a coordinated effort would be.... I think it goes to the earlier question about what it is going to take to get us working together. The university really is the place where that whole culture of creativity and idea generation thrives, but a lot of our faculty are not trained to be able to take ideas and translate them into products and services and technologies. I was delighted to see that one of the top recommendations was to have coordination between industry, government, and the universities in that respect.

**Mr. Mark Adler:** I know in the Toronto area the relationship between MaRS and the University of Toronto is a huge problem.

**The Chair:** Thank you.

Mr. Giguère.

**Mr. Alain Giguère:** Yes. My question is for all members, on the reduction of the red papers. It's very important because in the past, in the United Kingdom, Mrs. Thatcher cut all inspections, *réglementation*, and all possibility for inspection. There was no red paper in England after Mrs. Thatcher.

You had the same problem after that, because there was no more inspection of animal feeding practices, no more agricultural inspections at all, and 10 years later the farmers in the United Kingdom were obliged, three separate times, to destroy their whole herds. They had the *vache folle* two times and *la fièvre aphteuse* once. Reducing red papers has had a significant cost. I understand rejecting red papers is important. If you start reducing the security of the *réglementation*, there can be significant problems.

The question is for everybody or anybody.

• (1145)

**Mr. Ray Orb:** I guess we're not sure exactly what the question is. What did you want to tell us about?

**Mr. Alain Giguère:** Why do you make the argument for the reduction of the red papers and at the same time the preservation of the *réglementation*?

**The Chair:** It's the red tape reduction commission. It's a question about regulation.

**A voice:** Is he talking on the agriculture side, though?

**The Chair:** I think he's talking generally. You could use navigable waters.

**Mr. David Marit:** Mr. Chair, I'm just somewhat confused by the question.

If you're talking about the regulatory regime that we're living under with something like navigable waters, what happens with it is that it delays the process, and that's the concern we have with it. We've had projects in this province that were funded through the federal, provincial, and municipal governments that were actually delayed to the point where they didn't get done.

So I think that's what we're looking for. We don't have to change things within the environment regime. We just have to change things within the regulatory regime to streamline the process and save everybody a lot of money.

**The Chair:** Mr. Prouse, would you like to speak?

**Mr. Dennis Prouse:** In terms of regulation, Mr. Chair, I'd be happy to speak to the issue of food safety.

Canada has one of the safest food supplies in the world. Never once has a food safety issue come up on biotechnology and genetically modified foods. So in terms of where we should place emphasis, food safety in Canada is excellent, largely because we have a science-based regulatory regime. So Canada is well served in that regard.

**Mr. Alain Giguère:** As a last question, currently in education you have a federal program to pay fiscally \$2 billion into the *régime d'épargne-études*. Currently you have a lot of independent documentation, governmental documentation...to indicate that this program has any significant effect on the augmentation of secondary education in the universities.

If you transferred this program of \$2 billion in direct subvention to the universities and colleges, what would be the effect? Would you have a real and immediate effect from the augmentation of \$2 billion?

**Dr. Karen Chad:** Could I just have clarification on which program?

[Translation]

**Mr. Alain Giguère:** It is the registered education savings plan.  
[English]

**Dr. Karen Chad:** So the RESP. Okay, great.

Well, certainly that has been and is one of the effective sources in terms of being able to provide an affordable mechanism for our young people. In terms of the maintenance of that particular program, that would be one of a suite of mechanisms for us.

**Dr. Robert McCulloch:** If I may, I'll just add that access to post-secondary education is key. Anything we can do to support that to allow families to do long-term planning would I think be of great assistance.

**The Chair:** Thank you. Merci.

Ms. Glover's round is next, but she has graciously agreed to give her time to Mr. Hoback—since he's not as efficient as others are.

**Voices:** Oh, oh!

**The Chair:** The clock starts now, Mr. Hoback.

**Mr. Randy Hoback:** Thank you, Chair. I always appreciate the time you do give me to speak. It's never long enough, but it never will be, so I think you understand that.

I'd be remiss if I didn't talk about agriculture issues and talk about the excitement around the agriculture sector right now. I think you can see where I'm going with this.

In rural Canada right now, there's lots of excitement because the long-gun registry is going to be disappearing fairly quick. I have a lot of people who are excited. Of course, the freedom to farm, with the Canadian Wheat Board changes, is bringing about a whole pile of excitement too.

But I think we need to talk about moving forward. These things are going to happen. It's there, it's going to happen, so what we need to talk about now is the environment that we're going to be in once these changes are done. It's not so much the long-gun registry—I think that's pretty simple—but it's the Canadian Wheat Board. That goes into the whole plant breeding and research side of things.

You made the comment on how much money is being spent in canola, beans, and corn, but not a lot of money is being spent in malt barley, barley, feed barley, durum, or wheat. Now, if you talk to a person like Dr. Fowler at the University of Saskatchewan here, a very famous plant breeder in winter wheat...who has more varieties

registered outside of Canada because we wouldn't register them in Canada.

You talked about more funding for public research. What about the regulatory side of things? Do we need to relook at how we go through the approval process for new varieties to come into the market?

Maybe I'll start with you, Todd, and then work our way through.

• (1150)

**Mr. Todd Hames:** Thanks, Randy.

I think the regulatory process is very important to agriculture and to Canada. Obviously, streamlining of regulatory systems around the world, and especially the U.S. and Canada, means the better we can work together. There is so much trade going across the border.

I know the federal Government of Canada can't do this on its own, but we have to push for regulatory approvals that are accepted around the world. CropLife members would certainly agree with this. I mean, they're spending so much money on regulations in every country to do the same thing over and over again to satisfy the small differences in the paper. So I think streamlining regulatory approvals across certainly the U.S. and Canada would be beneficial.

There's also the provinces. We have provincial regulations that are not streamlined either.

The other thing with the regulations is that low-level presence is probably one of the key things hitting agriculture right now. That's a regulatory thing. Zero is not a zero any longer. Zero is too small a number. It can be measured in the billions. A one-billion or two-billion detection level of some kind of a GM event or some other residue or whatnot is really a zero, but other countries in the world have to start recognizing a low-level presence is acceptable so that trade can continue. There's too much money at risk to ship products around the world and get them rejected at a port somewhere because of some small level.

If the government could do anything on regulations, I think it would be to push for international cooperation with the streamlining of regulations, to quit spending this money needlessly around the world reproducing identical results.

And stick to the science. We have to take the political and all that out of it.

**Mr. Randy Hoback:** Dennis, at CropLife, you guys deal with regulations across the border. Do you see us making advances in the recognition of science and the data sets from other countries as we see stuff move forward here in Canada?

**Mr. Dennis Prouse:** I'm glad I have an opportunity to speak to this. We were at the market access meeting that was run by Agriculture and Agri-Food Canada earlier this week, and we were impressed with both the leadership of Minister Ritz and the work being done in the department. But what it all speaks to is the broader acceptance of science-based regulations.

You either accept science-based regulation or you don't. I agree entirely that there needs to be more research. Our members would agree with that. Yet you mention more research on wheat and you get an irrational push-back from a number of sectors. If we're going to feed nine billion people in the world by 2050, we need to do this research. There has to be broader acceptance of science-based regulation. I appreciate the leadership the Government of Canada is showing on this, but there is push-back both internationally and sometimes within our own borders on science-based regulation. To me, that's the broader issue that has to be tackled.

**The Chair:** We'll go to Mr. Van Kesteren.

**Mr. Dave Van Kesteren:** Thank you, Mr. Chair, and my thanks to you all for coming.

I guess I have the mop-up.

Standing at the corner of Idylwild and the Circle—it sounds like an *Eagles* song—with the industry committee, I was just astounded. This was four years ago, and I was watching these trucks just barreling down. It was raw entrepreneurship and it stirred the blood.

I would ask each one of our panel members if you could reinforce what we're doing right, or maybe what you see as being really important. We got the message on the fisheries, and with Mr. Hames on the bridges. I'm from the riding of Chatham-Kent—Essex, and we have the same problems we need to address.

Dr. Chad, maybe you could tell us what we're doing right and what you see that we could improve on.

• (1155)

**Dr. Karen Chad:** I'll frame my remarks around three thematic areas that I think you're doing great on. I've already mentioned HQP in regard to the Canada research chairs program. There is the CERC program. Also, with the Vanier and the Banting, you're bringing high-quality people here—excellent.

As to infrastructure and resources, with things like CFI and the KIP program, you are not only bringing the people and the students, the world leaders, but you're providing the type of infrastructure and environment they need.

That's a great start, but we have to do more.

The third thematic area for me is partnerships. How do we coordinate more between governments, universities, industry, and other sectors of our population? What incentives should we have? You've started things like fellowships and internships and other cooperative things. We have to think more strategically, more innovatively, and more pervasively within the partnership theme.

**Mr. Dave Van Kesteren:** We'll skip the university information now and just go on. I'm sorry. You did wonderfully.

I'll go to the Saskatchewan Association of Rural Municipalities next.

**Mr. David Marit:** I like what I've seen from the government regarding the importance of rural Canada to the growth of the Canadian economy. I think that's important. When you look at the geography and the larger urban centres, they have needs. We know

they do. But it seems that right now in rural Canada we have a voice. I also want to say that I think we've given an opportunity for value-added in agriculture in western Canada. That's important.

Thank you, Mr. Chair.

**Mr. Todd Hames:** The first thing that comes to mind is market access, which is absolutely critical. The government has done a phenomenal job of going around the world and trying to open up markets for agriculture and other businesses in Canada, with free trade agreements. I really appreciate what the government has done there.

I think the government is doing a lot of good things and they're looking at a lot of things in agriculture, like the Growing Forward 2 program, consulting with the farm groups, and trying to determine what the best plan of action is. I think they're doing a great job.

Thank you.

**The Chair:** There is about one minute left.

**Dr. Robert McCulloch:** The support of the federal government for post-secondary education projects was noted with great thanks. Thank you for being involved in post-secondary education, but keep looking to that and challenge us to partner with industry.

**Mr. Dennis Prouse:** I would echo what Todd said on trade and just add the phrase "science-based regulation". We've heard the minister and the government continue to promote that. Canada is now playing a leadership role internationally in promoting science-based regulation and solutions among major agricultural exporting nations. They're getting it absolutely right, and it's greatly appreciated.

**Mr. Ian Russell:** On what this government has done right, you can't underestimate how far sound fiscal management and competitive tax rates have gone. The work being done by the red tape reduction commission is really important in the area of duplication more than anything else.

The minister's crusade for a single securities regulator is really important in improving the efficiency of our markets.

Finally, we will benefit enormously from the structural changes in the agricultural markets. The removal of the Wheat Board is sort of the third of two steps that were previously taken—the elimination of the Crow rate, and the privatization of the cooperatives. Those have made for a much more flexible marketplace in Canada.

• (1200)

**The Chair:** I want to thank all of you for being with us here today. Thank you for the excellent discussion. I hesitate to cut it off, but I do not control time, despite what Mr. Hoback wants me to do.

I want to echo my colleagues and thank the clerks, the analysts, the interpreters, the proceedings and verification officers, and our logistics person for all they do behind the scenes to put this together. On the record, I thank them.

*Merci à tous.*

The meeting is adjourned.











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