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Mr. Massimo Pacetti

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• (1540)

[English]

The Chair (Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.)): Good afternoon. Let us please begin, because we have lots of witnesses.

I want to thank the witnesses for appearing, for coming forward for your time. The time is short—it's only an hour and a half—so we'd like to keep your opening statements to about a five-minute time limit if possible. I want to apologize for being a little late, but we had a remembrance memorial in the House. We appreciate your patience.

I have a list here of who will go in what order. If you don't mind, we'll start with Health Partners International of Canada.

Mr. Kelsall, will you be speaking, or is it Mr. Epp? The floor is yours for five minutes, please.

Hon. Jake Epp (Chairman, Health Partners International of Canada): Mr. Chairman, members of the committee, I'm Jake Epp, chairman of Health Partners International of Canada. With me is John Kelsall, the president of HPIC.

Mr. Chairman, we're here to launch a proposal we previously presented to the standing committee prior to the last election. We did so then at the suggestion of Dr. Bernard Patry. He was the member of Parliament who expressed his enthusiasm for the recommendation we are tabling here today.

Our goal this afternoon is to present to you a tax incentive that achieves a number of public policy objectives, both economic and humanitarian. As we all know, Canada is an important player on the world stage, and we have an enviable reputation. As Canadians we're mindful of our responsibilities in helping those less fortunate around the world meet the most basic of human needs.

HPIC is an innovative and rapidly growing organization. We're pleased and honoured to be part of the solution Canada presents to some of the world's most daunting humanitarian challenges.

Our particular contribution is in the area of health care. Health Partners International receives medicines, vaccines, supplies, and devices donated by Canadian companies, then organizes these in our own facilities before distributing them, as needed, into the hands of hundreds of Canadian physicians and non-government organizations who work tirelessly in the developing world.

Aside from our programs to enable Canadians to bring healing around the world, we also participate in national health care programs in conjunction with CIDA. We want to thank them for their

help. That has included a number of shipments very recently to Afghanistan.

Since 1990, millions of the world's poorest people in 107 countries have been helped or healed thanks to more than \$145 million worth of vital medicines made available through us by the Canadian health care industry. Sadly, as you all know, the need is far greater than our current capacity to provide medicines through philanthropic programs. We readily acknowledge the Canadian health care industry's wonderful support, but we know all too well the extent of suffering that occurs in the world's poorest nations.

That's why we're here today again. We know the Canadian government helps and wants to help these people. Our government, for instance, actively supports development in the poorest parts of the world in order to reduce poverty and contribute to a more secure, equitable, and prosperous world. We know that development is complex. It's a long-term process that involves partners, but the ultimate objective is to work with developing countries and countries in transition to develop the tools to eventually meet their own needs, in health as well as in other fields basic to human existence. We want to bring this activity more into line with this goal by gaining access to greater and more consistent sources of Canadian medical aid products.

Programs to deliver humanitarian aid have become more demanding in recent years. Today countries are requesting assistance and are more specific as to what they need. We must also view Canadian physicians and NGOs that handle the products we deliver as customers, in the sense that they best understand the nature and the needs in the field, so that we could be in a position to respond to their requirements with suitable quantity and reliable quality of these supplies.

Generally, large NGOs fare fairly well. It is the small NGOs that often look to us for help. The current model, which depends entirely on the philanthropic programs of Canadian industries, is clearly not sufficient. Our proposal invites the government to include in its next budget an innovative, cost-effective tax incentive that encourages companies in all sectors of the health care industry to provide, and if necessary manufacture, significant quantities of long-dated medicines that are most urgently required.

I think we all would accept that health care is a key ingredient of any development program, and Canada can play a more dynamic role in the care and treatment of the legions of poor who would otherwise die of preventable or treatable diseases.

In a nutshell, what we propose is this: first, that a tax benefit be given to companies for donations of inventories made to Canadian charities for medical humanitarian activities overseas; second, that parameters be put in place to be met in qualifying for the additional tax deduction.

John Kelsall has more details, Mr. Chairman.

Thank you for your time.

• (1545)

The Chair: Thank you.

You'll have 30 seconds.

Mr. John Kelsall (President, Health Partners International of Canada): Before I begin, it must be noted that there is currently no economic incentive for companies to give gifts-in-kind donations out of inventory, outside of philanthropic motivation. In fact, it is easier, more cost-effective, and less risky for companies to simply destroy surplus, high-quality, in-date medicines than to give them to charity.

The strongest benefit of our proposal, I believe, is that it strongly encourages companies to donate humanitarian aid for use in countries targeted by government programs, while reducing the real cost of medical aid underwritten by the government. Rather than spending money to purchase medicines, government would incur a substantially lower cost made up of the value of the tax relief provided plus CIDA funding for handling and shipping where appropriate. As to the nuts and bolts of our recommendation, the proposed incentive is carefully structured with a view to maximizing impact while minimizing compliance problems and administrative burdens.

Here's how it could work.

The Chair: Mr. Epp, please. It's five minutes per association or its members.

Hon. Jake Epp: Mr. Chairman, we can table those details. People can have them this afternoon.

The Chair: We have the documents here.

Hon. Jake Epp: You have the documents?

The Chair: We would like to leave some room for questions. But if there's somewhere specific you want to point us to where your recommendations are.... We're looking at the proposal on page 7 of the English document. Is that okay?

Mr. John Kelsall: Our basic proposal is really to adopt a similar system to what is in the United States, where companies are allowed to deduct for taxable income not only the cost of inventory, but 50% of the value of the profit that may have been realized in the sale of the asset, with a cap of two times the cost of goods. I can tell you that south of the border the product donations to the health care industry are proportionally far greater than the 10-times-greater population, because of the tax incentive.

The Chair: Okay, thank you; we appreciate it.

Next in line is Project Ploughshares, with Mr. Regehr.

Mr. Ernie Regehr (Director, Institute for Science and International Security, Project Ploughshares): Thanks very much, Mr. Chairman.

I want to focus on Canada's contribution to international peace and security and the spending related to it. Thanks for the opportunity to participate. We've submitted a written brief, and I think it has been circulated, so I'll just go through the main thread of those thoughts.

I think we all understand that when Canada pursues international peace and security measures, both self-interest and self-identity are at play. Our own security is certainly linked to a stable world, but we also understand ourselves as a global actor with both the responsibility and opportunity to make an important contribution to the global drama.

Our place of relative privilege in the world—witness our prosperity and the absence of serious or imminent military threats to our sovereignty and territory—also gives us flexibility in the roles we perform internationally. We're not burdened by extraordinary and costly military security measures at home, so we have a greater range of options. Our toolbox, to switch the metaphor from that of the stage, is not dominated by a single tool.

In fact, Canada is in a particularly good position to take seriously the prominent evidence that for most people around the world who face conditions of acute insecurity, the source of that insecurity is not the threat of attack from external military forces but from unmet basic needs, from political exclusion and the denial of basic rights, from social and political disintegration and the loss of confidence in public institutions, and from the related escalation of criminal and political violence.

A peace and security strategy that's worthy of its name must, as a priority, address and try to remedy those conditions of insecurity. That requires a variety of tools. We've referred to development—that is, policies and resources to address unmet basic needs through poverty eradication efforts—democracy promotion, or in other words, advancing good governance; political inclusion; respect for rights; disarmament, to reduce the availability of weapons, because it is the indiscriminate availability of weapons that is the main means by which social and political conflict is transformed into armed conflict; diplomacy, to advance all of these measures and to pursue peaceful settlement of disputes; and defence, to come to the aid of people in extraordinary peril and support peace operations internationally.

Canada spends money internationally on all of these, but an insecure world requires of us that we do more. Not only do we need a larger toolbox; we need to be especially careful to make better use of the tools that address the distressed economic, social, and governance conditions that are the primary source of insecurity for so many people.

The CCIC will be making a proposal, which you'll hear later, on behalf of the NGO community to make a serious effort over the next decade to reach the official objective of devoting 0.7% of our gross product to poverty eradication through development assistance, as well as a proposal to identify funds specifically for conflict resolution and war prevention. These are key to a more effective Canadian contribution to the security and safety of people beyond our borders.

Security spending needs to give priority to poverty eradication through increased funding for development as well as increased support for other measures directed toward addressing human insecurity as it is experienced in homes and communities. If we do that, we will be sending a strong signal of a Canadian intention and capacity to play a significant role on the world stage.

Thank you.

• (1550)

The Chair: Thank you. That's good timing—very good.

From KAIROS, the Canadian Ecumenical Justice Initiatives, we have Mr. Polanyi.

[*Translation*]

Mr. Micheal Polanyi (Program Coordinator, Canadian Social Development, KAIROS, Canadian Ecumenical Justice Initiatives, KAIROS (Canadian Ecumenical Justice Initiatives)): Good afternoon. I wish to thank you for the opportunity you have given me of saying a few words to you today. I am accompanied by my colleague Joe Gunn, who is Director for Social Affairs with the Canadian Conference of Catholic Bishops as well as Vice-Chair of the Board of directors of KAIROS.

[*English*]

KAIROS is a national coalition of church organizations that supports education and action on peace, human rights, and social and environmental issues.

I've submitted in both languages a written brief with some specific policy recommendations. I'll just make some general comments about it briefly.

One might ask why a religious organization or an organization representing religious groups is at the table today. I think it's fitting that it is, because religion at its best encourages us to reflect on what is important in our lives. Budget making does something similar. It involves determining how to allocate public resources. More deeply, it involves asking what it is that we as citizens owe to one another; and even more deeply, I think it begs the question, what does it mean to be human?

One receives very mixed messages on this question about what it means to be human in today's society. On one hand, one is inundated with messages that to be human is to take care of one's self, to focus on one's self, to seek one's own comfort, one's own success, one's own excitement, one's own acquisition of material possessions.

The message of religions, and I think the message of government, is quite different. It's a message that we become human by giving, not by getting, and that we become most truly ourselves when we

live outside of ourselves—creating, giving, loving, and sharing in society.

I think you on the committee probably understand this, because you work for an institution—government—that seeks collective solutions to problems, that seeks to protect the common good and seeks to support those who are most vulnerable in society.

I think the mission of government ultimately is to create conditions under which citizens can develop into full human beings. What this involves, we believe at KAIROS, is the creation of a just society. That would be a society where resources are fairly distributed, where basic needs are met, where people feel secure and people contribute meaningfully as citizens.

So what we're urging or calling for is that the focus of the upcoming budget be on justice. We're suggesting that this would require five commitments.

First, it would require a commitment to fair taxation, a commitment to a society where people contribute as they are able, and this would involve tackling tax evasion and making income tax more progressive and just.

Second, it would involve allocating resources to those who are most vulnerable in society. We believe those are low-income families, so we're calling on the government to increase the child tax benefit; homeless people, so we're calling on investments in affordable housing; first nations people, so we're calling on adequate resources to deal with the long list of outstanding land claims; and refugees, so we're calling for resources to ensure that refugees to Canada receive fair and due process.

Third, we think a just budget involves international responsibility. ODA, or overseas development assistance, will be mentioned soon, but I'd just like to mention the importance of the cancellation of debt owed to multilateral financial institutions by low-income countries. I think Canada can play a leading role there.

The fourth commitment is to honour future generations and the sacred beauty of our planet by investing and providing tax incentives for sustainable technology and transportation.

And finally, a just budget would involve the process of listening to people and engaging a broad range of Canadian citizens in the development of priorities and actions in the budget. It would be a participatory budget process.

• (1555)

So I know you have a very difficult job, and I think part of the difficulty is that the challenge for you is tapping into and encouraging what is best in Canadians, what is sometimes buried inside us behind our fear, our insecurity, and our selfishness. I think you can create a budget that speaks to the compassion and the generosity that exist in the hearts of all Canadians by clearly articulating and acting on an agenda for a just Canada through a budget that is a just budget, and I hope you'll seize the opportunity.

The Chair: Thank you.

Ms. Vandergrift, from World Vision Canada.

Ms. Kathy Vandergrift (Director of Policy, World Vision Canada): World Vision Canada, as one of Canada's largest non-governmental development organizations, appreciates the opportunity to contribute to your deliberations in advance of the budget. We recognize that you're going to face many pressures to allocate resources for worthy objectives. Throughout your deliberations, we hope you would keep three facts in mind.

First of all, remember that 50,000 people are dying every day from preventable poverty-related diseases, 800 million suffer from hunger, and 1.2 billion live on less than \$1 a day. This is the biggest threat to life, security, and sustainable development in the world, and it's an unnecessary threat. Solutions are known and the global resources are adequate to end this situation. It must be a top priority.

Second, I would ask you to remember that Canada made a commitment through the millennium development goals and needs to do its fair share to contribute resources to their achievement. The goals were adopted in 2001 as reasonable, achievable targets. The examples are things we can relate to: cutting in half the number of people living in hunger; reducing the mortality rate among children; and primary education. These are goals that are achievable, and Canada must contribute its fair share to achieve them.

Third, we would ask you to remember that the Canadian public wants Canada to be a positive influence in the world and that doing our fair share to end global poverty has support across the political spectrum. A recent Environics poll revealed that 60% of Canadians thought we were spending either the right amount or not enough, and when they were informed about what we actually spent, that number increased to 75%. World Vision Canada itself is evidence of the level of Canadian commitment to end poverty. Last year, through this organization alone, more than 430,000 Canadians voluntarily contributed resources to help people in need in more than 80 countries.

So what's reasonable in terms of the budget considerations? We appreciate the commitment of the previous government to an 8% annual increase in the international development assistance envelope, but that falls short of meeting the target of the MDGs—the millennium development goals—and it still leaves us with only 0.28% toward the 0.7% GNI commitment made years ago, reconfirmed with the millennium development goals. I would point out to you that goal is also reconfirmed in Canada's national plan of action for children, which cabinet approved last year. We would argue, and CCIC will confirm this, that a 12% increase in the next budget would set Canada on a path to reach 0.7% of GNI by 2015.

We would submit to you and hope you would consider that we believe if that increase is accompanied by clear targets and clear commitments, there will be broad public support. That's based on the extensive engagement we have with Canadians.

Other countries have responded to global poverty by increasing their budgets for international development assistance, setting an example and leaving Canada further behind by comparison. Several countries are now contributing more than 0.7% of the GNI. We have a table with us, if you would like to see that. Looking through the list, I noted in particular that the Netherlands, which has a per capita wealth comparable to Canada's, is contributing 0.8%. Sweden is proposing to go to 1%. If Canada is concerned about its place in the

world—and I appreciate the title of this session—moving from the 12th spot to join the top rank would be a reasonable goal.

Some members of this committee may be concerned about the effectiveness of Canada's aid program, but I would suggest to you the answer is not to reduce the amount of money but in fact to have clear targets and perhaps parliamentary oversight.

• (1600)

So here are our recommendations, which we hope you will consider.

Number one, reaffirm Canada's commitment to the millennium development goals and the need for Canada to contribute a fair share toward meeting them. Affirm that investing in international development is essential at this time and a good investment from many perspectives: poverty reduction, sustainable development, Canada's reputation in the world, reflecting Canadian values, and ensuring Canada's own long-term economic well-being. Propose a minimum 12% increase for international development assistance in the next budget, with clear targets to reach the long-standing commitment of 0.7% of GNI. Finally, address any concerns about effectiveness and accountability by proposing a clear mandate of poverty reduction and increased parliamentary oversight.

Thank you.

The Chair: Thank you.

We'll have it translated.

Ms. Kathy Vandergrift: I appreciate that.

The Chair: We have Mr. Howard Marsh from the Conference of Defence Associations. Is that correct?

• (1605)

Col Alain Pellerin (Executive Director, Conference of Defence Associations): No, I will be presenting the paper. I'm also from the Conference of Defence Associations. I'm Alain Pellerin.

The Chair: No problem.

[Translation]

Col Alain Pellerin : Mr. Chairman, members of the Standing Committee on Finance,

[English]

this year I wish to respond to, and to apply to the Department of National Defence, your own committee's pre-budget consultation themes of fiscal transparency, accountability, and the allocation of tax dollars.

One of the questions we are most often asked and the one we find the most difficult to answer is, what does Canada get for its defence dollar?

[Translation]

The media, universities and citizens who are interested in defence issues are asking this question because they are having great difficulty understanding budgetary allocations for defence. Many people believe that Canada devotes tremendous amounts of money to defence but gets little back in return. They are therefore asking us to explain why such a situation exists. To this aim, the CDA would like to help Canadians better understand defence appropriations and would therefore ask the committee to consider, as a first step, recommending a reduction in inflationary reporting, and, as a second step, imposing the following criterion for these reports : present-day forces versus future forces. Allow me to explain.

[English]

I will first deal with the issue of inflationary reporting. Under "Departmental Performance—Capability Programs", the 2003 defence estimates, part III, report the spending of some \$12.4 billion on five defence capabilities. However, two other categories of financial accounting, authority and portfolio, are lumped into the capability program and inflate, to their detriment, the cost of defence capabilities. CDA recommends that the authority and portfolio costs be accounted for separately from defence capabilities. Their presence in capability accounting greatly confuses the public and media. For instance, authority spending includes among other things pensions, employee benefits, and grants, a total of \$1.3 billion out of \$12.4 billion.

Second, the defence portfolio includes 10 agencies, the Communications Security Establishment, for instance, youth programs, etc., for \$1.8 billion, making a total of some \$3 billion out of \$12.4 billion.

While agreeing that each one of these agencies is best and most appropriately managed by the Minister of National Defence, their direct contribution to the capability program of the Canadian Forces is difficult to determine. Removing authority and portfolio accounts from the capability program would bring clarity to the actual cost of capabilities and make comparisons, especially for our allies, more meaningful.

Our second recommendation relates to the cost of today's existing force and the yet to be built future force. CDA suggests the adoption of a criterion we call the CF survival ratio criterion. It would bring clarity in respect of the ratio of moneys allocated to the sustainment of the existing force structure and the moneys invested into the future force.

In the last few years CDA and others have expressed concern that the Canadian future force investment allocation has slipped below 15% versus the target of some 25%. Our concern is that at some future date either the taxpayers of Canada will be handed an enormous bill to restore the Canadian Forces or the Canadian Forces will simply fail.

[Translation]

What we need now is clarity in the establishment of the budgets required by the existing forces compared with the needs of future forces. The leadership should then have its say as to the appropriateness of the two budgetary allocations, namely that of today's forces and that for the forces of tomorrow.

[English]

Mr. Chair, ladies and gentlemen, CDA believes that separate accounting of authority and portfolio costs, and the adoption of the CF survival ratio criterion, will increase transparency and accountability in respect of defence allocation, and the understanding of those by Canadians. We seek your support by asking you to consider these suggestions and recommending their adoption.

Thank you.

[Translation]

The Chair: Thank you, Mr. Pellerin.

[English]

From the Canadian Council for International Cooperation, Mr. Barr.

● (1610)

Mr. Gerry Barr (President and CEO, Canadian Council for International Cooperation): Thank you, Mr. Chairman.

Thanks for the opportunity to speak to the committee today on this panel on Canada's place on the world stage.

I'd like to start with a characterization of some of the features of that stage. By the time I reach the end of this sentence, another four people will have died from poverty-related causes. Every minute poverty kills about 34 people. That's more than 2,000 people an hour, about 50,000 people a day every day.

I represent the Canadian Council for International Cooperation, Canada's coalition to end global poverty. I could talk about many reasons why it's important to increase funding for foreign aid and official development assistance, I could argue it's a moral obligation, I could argue it's in our own best interests to do so, but today I want to argue simply that we should increase ODA, official development assistance, because it is the only way to live up to our international commitments. Canada, like other nations, has assumed binding obligations under international human rights covenants to reach the millennium development goals, or MDGs. World Vision has already characterized these goals and the measure of public support that is available around Canada's efforts to reduce and eradicate poverty internationally.

The MDGs set clear benchmarks leading to the year 2015 that are exceptionally modest. Yet, unless we increase the political will for action, we will not achieve even these very modest targets. We have to keep moving forward on improving both the quantity and quality of our aid.

I want to acknowledge that the Government of Canada has worked to live up to its commitments to achieve the millennium development goals. There are some positive indicators. The government has agreed to increase foreign aid spending by 8% per year, doubling spending overall by the end of the decade. The Canadian International Development Agency is retooling its policies to improve aid effectiveness, and Prime Minister Martin has put his personal stamp on the fight to end global poverty.

Recently, at the United Nations, the Prime Minister said that unless we act collectively on the basis of our common humanity, the rich will become richer and the poor will become poorer. Ending poverty, he said, is the most pressing challenge we have in the 21st century.

All these positive indicators of progress towards the MDGs are honestly not enough. If we stay the current course, Canada will fall dramatically short of its international obligations to meet the MDGs. We need another course of action.

CCIC and its members are proposing a plan that is both reasonable and doable. Instead of an 8% increase to ODA over the next three years, we want to see 12% increases. In dollar terms, this will require an investment of \$2.6 billion over the next three years, which is \$1 billion more than the currently planned expenditure. To put it another way, the government has committed to add \$250 million to the aid budget for the next fiscal year. We are seeking at least \$385 million next year as part of this long-range plan. It may sound like a large jump, but you should know that in the past few years government has, in real spending terms, increased ODA along these lines, and that quite regularly.

The government should look even further ahead. As we all know, Canada has long committed to achieving the UN target of meeting 0.7% of gross national income in its aid spending. This has already been referred to by my colleague. The government's 8% increases, however, will not even get us halfway to that target by 2007.

Mr. Chairman, I really feel we're running out of time on this one. We need decisive action that can cement Canada's role as a leader on the international stage. Other countries, like the United Kingdom, have already announced specific plans to reach their UN target. We should do no less than that.

In budget 2005, the government should commit to an affordable and specific plan to achieve the UN target by increasing ODA by 15% each year between 2008 and 2015. With these increases, we'll achieve our fair share of the MDGs by 2013, and by maintaining our commitment for another two years we'll go beyond that, and that's what leadership is.

•(1615)

As Canada redefines its role on the international stage, ending global poverty needs to be at the centre of our foreign policy. It's time to end global poverty, time to accept our responsibilities as members of the global community with the MDG targets. We have a plan to do it; it's time to act on it.

Mr. Chairman, I've charted these proposals and goals in a brief, which I've given to the committee research staff, and copies are available for members of the committee.

Thank you very much.

The Chair: Thank you, Mr. Barr.

We're going to go to questions, and I'll remind members that the first round is a seven-minute round.

Witnesses, when you're asked a question, you don't have to touch the microphones. They'll go on by themselves.

And I'd ask the members to say who they want to answer the question specifically, so the cameramen can point the cameras.

Mr. Pallister.

Mr. Brian Pallister (Portage—Lisgar, CPC): Merci, monsieur.

Thank you, all. Welcome today, and thank you all for your forced brief presentations. They're very much appreciated, and we appreciate the time you've taken to prepare them.

First of all, a number of presenters alluded to a common theme, obviously today. That's the nature of our gathering here. But I wanted to get right to a specific idea that was raised that may do something to address the horrifying statistics that a couple of other presenters alluded to. So I'll ask Mr. Kelsall and Mr. Epp to respond in a bit more detail than you were allowed by your time limits, gentlemen.

I'm very interested in this tax incentive proposal that you raise for the donation of inventories. If I understand this correctly, you're talking about an idea that has been adopted by the United States already. Is that correct?

Hon. Jake Epp: Correct.

Mr. Brian Pallister: Which would make deductible the cost of inventory in the production of certain medical products or medical goods that might be donated, and therefore some tax incentive would be there to encourage a partnering of private sector companies with the volunteer sector, something all of us have talked about but we have done precious little to achieve. Is this basically what the suggestion says?

Hon. Jake Epp: Mr. Pallister, let me put it as simply as I know how.

Today, when a company destroys one dollar worth of product, wholesale pricing, it is a neutral fact on its balance sheet for tax purposes. If it donates that one dollar of product to us, or anybody, there's no different incentive. They obviously have some cost, but they do it and we appreciate it.

What we are recommending—and last year when we presented to the committee, we presented this idea—is that if you raise this to \$1.25 for every dollar, you would now have an incentive, and we would think from the statistics we see in the United States that this would dramatically increase the donation.

I'll go even further as chairman of HPIC. I appreciate with a little bit of experience that there's always worry about tax bleed, revenue bleed, and I understand that. What you could consider is over a five-year period, or a three-year period, to phase it in. That would be one.

Second, what you could also do is cap it and go back to 0.7% GNI. We've looked at this very carefully. If you went to 0.7% of GNI on today's cost—in other words, you compare them to the companies—you would be out about \$45 million. That's another way to cap.

A third way that you could look at it—and I believe the government has a right and should consider this—is this. If these contributions come from the tax side, as we get into partnerships, should they be equated against the 0.3%, roughly speaking, of present GNI contribution with ODA?

So there are different ways of combining this, but in simple terms, Mr. Pallister, for every dollar they give today, whether they bury it in the ground, burn it in the incinerator, or give it to the poor, it's the same deal. We're saying there has to be an incentive.

Mr. Brian Pallister: It would seem that if there is, and there certainly is, a glaring need for medical treatment and medical product to be available in the third world, it would be a shame not to create an environment where it's something other than buried or destroyed.

I think I'll get into minutiae a little bit and ask how you see the efficiencies of linking the need with the specific product being achieved; for example, AIDS-related initiatives lately—

• (1620)

Hon. Jake Epp: I'll ask John that. Good point.

Mr. Brian Pallister: How do you see us making the most efficient use of this type of tax deduction?

Mr. John Kelsall: Right. The old model that really existed throughout the western world was to give surplus product; if product couldn't be sold or if product perhaps had a change in formulation but was still acceptable for use overseas, it would then be sent overseas. With the World Health Organization guidelines for drug donations, you only send what is needed, you only send what is specified, and you only send what can be used by the local doctors properly.

Essentially, the aid agencies such as ours are almost turning into... where we receive the demand for medicines required overseas. So we then go to the companies. For instance, we just shipped two 53-foot trailers of medical aid to Afghanistan; we flew it over. In fact, I'm going to Afghanistan next week to audit it. The World Health Organization and the Afghan ministry of health said that was what they wanted specifically. We were assisted by CIDA, which covered some of our direct costs and so forth. But there is a complete detailed list as to what is required. We then have to take that to the companies and say, "Can you provide that product?"

It's no longer just surpluses; it's now asking the companies for specific product for specific countries. And also, we supply medicines to hundreds of Canadian doctors who go overseas, and they're saying this is what they want specifically.

So the old model of surplus product is not working. We now have to go to the companies, and they almost need to see the NGOs as customers and to place a requirement for medicines needed overseas. We're saying that under this model there ought to be a tax incentive—and we think the response would be fantastic in Canada. For instance, one of the products we're shipping to Afghanistan just next week is \$208,000 worth of Vermox given to us by Janssen-Ortho, dated July 31, 2009. This is not surplus product, but it was manufactured specifically for us. They are short in their own stock, but it is being given without any tax incentive to help the poor in Afghanistan.

So the model has changed. Specific medicines are now being requested from us, and the old model of surplus product is just not working.

Mr. Brian Pallister: Thank you very much.

The Chair: Monsieur Côté.

[*Translation*]

Mr. Guy Côté (Portneuf—Jacques-Cartier, BQ) : I would like to begin by thanking all our guests for their presentations.

I believe that we are, all of us around this table, more or less in agreement in saying that with a little bit of political will, the government could probably quite quickly increase its contribution to at least 12%, given the amounts available at this time. A good friend of mine used to say that instead of giving people fish, it was better to teach them how to fish so that they might help themselves from that point on. Unfortunately, the very nature of the media is such that we too often see the crisis situation without necessarily seeing the results of the assistance offered these countries in difficulty by the various organizations and the government.

I ask myself the question and I do not have an answer. We often have the impression that aid is sprinkled about here and there and everywhere. I am aware of the fact that there are tremendous needs throughout the world and in very specific regions. I however wonder if it would not at times be more effective to limit this international assistance and take massive action in a given area of the world in an attempt to remedy one situation. Mr. Gunn might have an answer to this question I keep asking myself.

Le président : Mr. Côté, who is your question for?

Mr. Guy Côté : Mr. Gunn or Ms. Vandergrift, one or the other.

• (1625)

Mr. Joe Gunn (Director, Social Affairs Office, Canadian Conference of Catholic Bishops, Canadian Council of Churches (The)) : Several times now, the Canadian International Development Agency has tried to see how Canada might give priority to development assistance. You are perhaps aware that the agency has chosen a few countries to target. In the past, there were campaigns launched in several countries. I would like to add that this is a policy that as politicians you are in a position to judge.

In the case of the NGOs, the Catholic Church of Canada and churches working together oecumenically within the KAIROS framework, we set that priority some time ago already, because we have monies given to us by the public, but we did not get the same response from the government. Given what we have, we are unable to do everything. For example, the Canadian Catholic Organization for Development and Peace was forced to cut back its programs in several South American countries in order to give priority to a few countries so as to be more effective in its work. That is our reality.

I would now like to call upon Gerry. Given that he represents all of the NGOs, he could most probably share other interesting experiences with you.

Mr. Guy Côté : Yes, please.

Mr. Gerry Barr : Mr. Côté, I believe you are right. It is not just a matter of dispensing international assistance. This assistance must also be effective.

At the Canadian Council for International Cooperation, we proposed a bill aimed at creating a framework within which it would be possible to use international assistance, and more particularly Canada's contributions, in a more effective way. How? By setting clear objectives aimed at eradicating world poverty. We believe that the citizens of Canada would be prepared to support an objective such as that.

Mr. Guy Côté : I am happy to know that it would be more effective and that this has already begun.

With regard to security, Mr. Pellerin, in my riding of Portneuf—Jacques-Cartier, there is a military base, the Valcartier military base.

Col Alain Pellerin : That I am very familiar with.

Mr. Guy Côté : Unfortunately, I get a good number of calls from veterans facing situations that are not always easy ones. It is their belief that they are not receiving all of the support they might be entitled to. Or else, if they do get help, it is often only after a battle or very drawn out discussions.

How might the government send a clear signal in order for access to the various services be facilitated for these people who are only going to get older?

Col Alain Pellerin : There are two parts to your question. The same problem existed for today's serving military. You might remember that a few years ago, the Standing Committee on Defence released a report on the quality of life. There were serious problems with salary levels, with the military not receiving the grants it required, etc. I believe that overall this file has been given due consideration by the Department of National Defence over the last three or four years. It is the same situation in the case of veterans.

There however still remains a lot to be done and it is a constant battle, especially at Veterans Affairs. I nevertheless believe that the department is more and more aware of the situation. We must ensure that a lobby group is constantly out there seeking to move the issue forward. In the case of our veterans, it is mainly the Legion that works on their behalf and it does an excellent job.

If you are seeing these kinds of problems, they must be brought to the attention of the Legion, which will relay the message to the regional centre for Quebec, which will in turn call upon the national centre, here. The Legion does excellent work with the Department of Veterans Affairs, but there will always be problems that slip through the cracks.

Mr. Guy Côté : You talked earlier about the increase in spending and the need to update the equipment used by Canadian Forces.

Naturally, since the government has not tabled a defence policy for several years now, equipment purchases are rather hit and miss, so to speak. I will obviously not discuss the submarine episode, but we might talk about the helicopters and certain ships. A lot of military personnel are wondering what their role is at present. As we speak, they are not getting a clear signal from the Liberal government.

According to your organization, what should the role of the Canadian Forces be at the present time?

•(1630)

Col Alain Pellerin : You clearly bring up an important point. I know that your colleague, Mr. Bachand, with whom we do a lot of work, favours a review of the defence policy. That has been his position for several years, and ours as well.

The defence policy dates back to 1994. Much has changed since 1994. I am thinking in particular of the terrorist attacks in the United States and their consequences for the armed forces and for the peacekeeping forces, which are constantly deployed. There is also a lack of overall planning on the part of the government, which you have mentioned.

In the speech he delivered at the Gagetown base, the Prime Minister announced the purchase of certain equipment, but he is making these announcements of future purchases—I would remind you that no contract has yet been signed—without having an overall policy. Unfortunately, the issue is constantly being put off. It had been stated that the defence policy review, foreign policy and international assistance issues would be taken up in the course of the month of November. Here we are in November and the rumours we are hearing are that these announcements will come in the Spring.

Unfortunately, this whole defence policy review issue is constantly being put off. You have brought up an excellent point, and it is something that your colleague Mr. Bachand, is constantly pushing for.

The Chair: Thank you, Mr. Côté.

Mr. McKay.

[English]

Hon. John McKay (Scarborough—Guildwood, Lib.): Thank you for your presentations today. They were all excellent.

I must say, Mr. Chair, that the presentations to date on this budget process have been uniformly excellent.

I have a number of questions that are more of a clarifying nature.

To Mr. Epp and to Mr. Kelsall, on page 7 of your proposal, you talk about the “Canadian Fair Market Value usually defined as Average Selling Price at the time of the donation”. I don't understand how that squares with your presentation.

The product, these long-dated medicines—I think that's what you called them—are essentially going to be shipped out the back door of the factory and destroyed. I would have thought, at that point, they have no market value. If they have no market value, then how would one calculate a tax receipt in circumstances where those medicines have no market value?

Mr. John Kelsall: I can tell you that the matter of the valuation of product is quite standard in Canada. There are provincial formularies that tie a wholesale price or an average selling price to every product. When we receive a shipment from the company, they are required to value it at wholesale value. We then vet that price against provincial formularies to ensure that a proper valuation is made.

On the question of whether the product has any value, for instance, as I mentioned, we are receiving requests for medicines that the companies are taking out of their long-term inventory and having to replace or are manufacturing specifically for us. So this product has value; it has value. The appropriate value is the average selling price of the wholesale value price.

Hon. John McKay: So the choice isn't that this product will be donated or destroyed. The choice really is that this product in Canada has less market value and, therefore, we could still use it in another situation.

Mr. John Kelsall: Exactly.

Hon. John McKay: Okay. I just wanted to clarify that point in your presentation.

To Mr. Barr and Ms. Vandergrift, who's to disagree on these kinds of goals? At this point the Government of Canada is increasing its aid budget by twice the rate of the economy. You're proposing it effectively increase it to three times the rate of the economy—12% annually. That's somewhere close to what you're saying. Again, who's to argue that we should be up to the 0.7%? I don't know that those are arguable, or anything other than laudable goals.

However, the person looking at all of the moneys that are going out under CIDA's name and under the Government of Canada's name generally...are not universally useful. So I'd be interested in whether you have any thoughts about programs that should sunset and moneys that should be reprofiled to more useful uses?

I'd be interested in your thoughts as to whether we are spread too thin. My recollection is that we are in 168 countries. That seems to be ridiculously high; I may be wrong on the number, but it is a significant number of countries.

Would a proposal such as Mr. Epp's for a tax receipt count toward the 0.7%? You know, Canadians give in a variety of ways other than mere money.

Perhaps you could respond to those three questions.

•(1635)

The Chair: Mr. Barr.

Mr. Gerry Barr: Just to start on the information questions, typically contributions from non-governmental organizations and institutions do not count in ODA contributions. ODA tracks government contributions specifically, and therefore it's unlikely it would be counted. My level of certainty on this is increasing as I look at my colleague in the audience, who is shaking his head.

Secondly, the question of absence of resources to support good aid programming is more prominent than the question of whether or not there is aid programming that needs to be cut. You have mentioned the issue about country concentration. On this point, CIDA, following a review of effective aid practices, has reduced its countries of concentration to nine, which is quite a sharp reduction. It's overly sharp, from our point of view, but as you can see, it's quite significantly different from 160.

CIDA's main contributions—even in the past, if you think about bilateral aid flows—were to about 30 countries overall. While one can get frightened at the idea of 100-plus countries, in fact the level of contribution is very modest in that large number of countries. The

concentration is quite marked, and has been for some years at CIDA, but is growing even more marked as countries of concentration and policies relative to those countries come into play.

I think the commitment of the government to allocate half of if its increased aid spending to Africa is a well-placed emphasis. It focuses on the question of the eradication of global poverty and aiming dollars in places where its poverty eradication value can be best found.

Perhaps I'll leave it there...only to say you've mentioned that we're asking for an aid increase that is out of sync with the rate of growth of the economy. That's absolutely true. But I would say, simply in defence of the position and to recommend it even more strongly to you, that the force of the recommendation is based on the need that has been created by more than a decade of calamitous decline in aid spending.

We have pledged in international fora, quite consciously and openly, to pay our share of the cost of the millennium development goals. I have the resolution here in front of me. This was in 2000. In an eight-page document they used the phrase "countries will spare no effort" six times. I will just put to you—though I acknowledge your point about the dissymmetry in growth—what is the meaning of "spare no effort" in a circumstance where the government has seen a \$9.1 billion surplus, has an economy that seems not to be stopping, and has a Prime Minister that has championed this question and issue? It seems to me the government is aimed at this, and it ought to take the leadership.

•(1640)

The Chair: Thank you.

Ms. Kathy Vandergrift: I'll try to be brief.

I agree with Gerry in the sense that we are really playing catch-up. I guess I would also highlight those other economies that have made significant commitments in recent years, and I don't know that it's hurt them. There is a growing sense that this is also a matter of investment in our own economic well-being in the future. So interests and a moral imperative do come together on that one.

In terms of your question about concentration, as Gerry said, CIDA has already moved to country concentration. Based on our own experience in NGOs, however, we would argue there's not a lot of evidence that massive investment in one place is necessarily the most effective approach.

We do need to be very strategic. We do need to monitor effectiveness of the resources. Yes, I think there can be improvements, as always, but I don't think one can argue we shouldn't put more money forward because of that question. We could get into details about how to be more effective, but I don't think it's a substitute for putting more money into place.

World Vision is a large player in this goods-in-kind business and certainly appreciates the proposals in that regard. There are certain tax rules in place now. There is a need for careful management of them, and I guess I would highlight that's one dimension also to think about. So I appreciate their emphasis on the rules. They would need to be developed.

We do see some examples of where medicines can replace other regional products and the like, and we need to be very careful that we aren't making people dependent on more expensive imports. Transportation is an issue; we bump into it all the time.

So you might want to investigate the goods-in-kind business in detail. It is a complicated business, but we do a lot of it, and we appreciate working with them.

The Chair: So much for doing well on time.

Ms. Kathy Vandergrift: Sorry.

The Chair: Ms. Wasylycia-Leis, for seven minutes, please.

Ms. Judy Wasylycia-Leis (Winnipeg North, NDP): Let me actually follow up on this line of discussion.

John asked the question, who is to argue with the kind of recommendations you're all making? I guess I put the question to you, who is to say Canada couldn't do more? Who is to say Canada couldn't achieve the target of 0.7% on a planned basis between now and 2015?

I think the message was struck home today by the newspaper article from the *Vancouver Sun* saying "Canada attacked by the UN as a foreign-aid miser", which suggested that we were spending less than many smaller nations are spending, that our foreign aid is less than that of Spain and Greece. The article goes on to suggest that we're at a pretty low rate compared to other countries.

So the question I have for all of you today is, how do we get there? How do we get to the 0.7% on a planned basis by the targeted year of 2015?

As I understand it, Gerry, you've presented a concrete plan to the Canadian Council for International Co-operation that Alexa McDonough, who was just here, says is a good plan. It sets out targets and timetables. I understand that World Vision—and perhaps everyone here—supports the plan.

I'd like to hear, first of all, is it a realistic plan; second, do you agree with it; and third, does Canada have the capacity to meet this kind of plan and timetable?

• (1645)

Mr. Gerry Barr: Thank you very much for the question. I'll start off. I think others might want to say a word about this.

On the question of realism and whether or not Canada has the resources necessary to meet these obligations, I think the best way to go about this is to go to where the evidence drives us.

Canada budgeted, of course, the 8% increases, but in real spending terms, in the last three years Canada's year-on-year increases have been roughly in the order not of 8%, but of 13%, 14%, and 12%, going backwards here.

So I think we simply need to look at ourselves and determine whether or not we are yet in crisis, and if not, we ought to conclude that there are reasonable grounds for believing that we can afford this level of increase in aid spending.

I think one should say that these levels of increased spending over the last three years are not, of course, rolled into the floor of Canada's international assistance envelope and so didn't contribute to

ongoing increases. Nevertheless, they were real enough and, of course, very welcome. But the main point is that it's affordable.

What we've proposed is 12% annually, going forward for the next three years. The costs are quite clearly charted here, and I think you'd find that it is a doable and reasonable strategy for meeting our aid obligations.

At one time Canada was sixth as a donor nation, in the early 1990s, and then there were these calamitous declines in aid spending that I've spoken about. Now it's time to get back. We have pledged it, we have done it out loud in public fora around the world, and the Prime Minister has spoken in public and frequently on this question. Add to that, I think, that global poverty is the world's most dangerous scourge. It takes a toll like no other dilemma or challenge on the planet, and Canada needs to respond to this, as indeed do all the donor nations, in a serious and earnest fashion.

The way for Canada to respond in a serious and earnest fashion is to be earnest about its pledges and to build a realistic ladder for reaching them.

Ms. Kathy Vandergrift: My answer would be—to pull in the comments also from Mr. Regehr—that I think we cannot afford not to do this.

One of the areas I work in a lot is children in conflict situations. Think of it: the developing countries largely have populations where 40% or more are under 18 years of age, and we are seeing young people getting involved in rebel forces, that kind of thing. The millennium goal, specifically under item 9, referred to creating decent jobs and livelihoods for young people. If we don't do that, we are going to see more at least low-level conflict, the kinds of things that require response. We're going to get a response.

So my argument would be, we cannot afford not to do this. We will pay, one way or another. Let's do it positively and create, then, potentially, nations that become our trading partners.

But just think about that population. We forget that. Our population is aging. These are countries with 40% or more young people. Now is the time to invest in those populations for the future.

The Chair: Mr. Regehr.

Mr. Ernie Regehr: I'd just briefly reinforce that with the understanding that this is really a preventive intervention. This is a kind of preemptive, preventive work that needs to be done. If you look at the way in which the current crisis in Darfur emerged, there's a traceable, knowable history of resource scarcity and brewing conflict there that, through neglect, produced the current crisis. One of the mixtures—which is why I emphasize the need to increase international support for disarmament efforts—is that when you have conditions of extraordinary competition over resources, a high level of grievance of population against their governments, combined with the easy availability of small arms and young men available to use them, you have the formula for prolonged, ongoing conflict.

In addition to development assistance, Canada has no established fund or capacity to respond on disarmament questions, and we have not only Darfur, but southern Sudan and Somalia. These are places that are reaching peace agreements and reaching the possibility of some measure of stability, but there will be no stability if there's not an urgent and quick response to the collection of guns, for example.

That's an expensive proposition. It's a tiny cost compared to the cost of intervention with military forces, and there are circumstances when that's absolutely essential for the benefit and to come to the safety of people, but the cost of early collection of these weapons and dealing with those grievances is far smaller. So prevention is a much more efficient way to go than allowing it to build.

• (1650)

The Chair: Thank you, Mr. Regehr.

Mr. Bell.

Mr. Don Bell (North Vancouver, Lib.): Following up on that question, and it goes back to something that I think maybe Kathy said, the issue of goods versus cash as aid, and going back to the question of whether it's pharmaceuticals or food that we send, as opposed to....

I've heard some things on Darfur, where there's money coming from the oil in Sudan, but it looks like it's being diverted directly into the military conflict. I guess even goods can be sold for cash, unless there's good on-the-ground distribution.

Are there any comments specifically on that?

Hon. Jake Epp: A former minister could answer that one.

I'm trying to be practical. I think the larger policy issues have been raised by others around the table. For us, it's very specific. I'll just give you an example.

From time to time, CIDA has to and does buy international pharmaceuticals, and there are reasons why they do that—transportation, availability, you name it. But if we really want to be very practical and say, how do we boost this 0.3% to something higher, I think there are Canadian organizations that, along with government, can do this.

If I can be so bold, I think the government might want to re-examine how it measures some of the contributions that both it and Canadians make relative to GNI.

Mr. Don Bell: One of the reasons I asked that question is that I recall years ago when I was in the business world—I was with a food company, a large food retailer—I know that when there were earthslides or landslides in Peru or Mexico and other places, sometimes we would contribute. We would find also one of the issues that came back—not necessarily from what we were doing in the company I was with—was that the wrong thing was being sent down. People would assume there was a need for cornflakes when in fact what they needed was medical supplies or something like that. The wrong thing would arrive, even though there was a company.

It was the issue of the policy, and I didn't hear it raised when you talked about the percentage—is it the percentage in the value? Some of that money can then go through the various agencies to buy what is needed, whether it's foreign goods or local goods, because I also heard the issue of the goods versus transport costs.

Ms. Kathy Vandergrift: My response would be to say it's not an either/or, but it is an area where you really do need to think through all the implications, the implications on local and regional markets of similar products. We're certainly rethinking food aid in many areas of the world in terms of how we also support the agricultural

industry in that portion of the world. Sometimes food aid can harm it.

My caution was just to think through those implications. It's not an either/or. Sometimes goods-in-kind aid is the most appropriate form of aid we can help with; sometimes it's not. I just wanted to mention that. It has its place, but it isn't a panacea, and sometimes you need to think through the implications. We're certainly learning that more and more.

• (1655)

Mr. Don Bell: Thank you.

The Chair: Mr. Pallister, three minutes.

Mr. Brian Pallister: Thank you very much.

I'm going to pull back, if I may just for a second, from the specific aspects of all your fine presentations to make an observation. How many of you are charitable organizations? Okay.

I have a real concern that Canada is losing out through the archaic nature of the regulations or rules we use to govern our charitable organizations in respect of the severe limits we place on advocacy. I would emphasize that we are talking about 400-year-old rules that we are using here to severely limit the degree of input you as charitable organizations can provide to us and to your fellow Canadians. I think we're losing out as a society. That will be my advertisement.

Suffice it to say I'm not alone in this. In fact, this committee made recommendations that we look at this issue back two years ago, and previous panels have done this repeatedly.

I invite you to put on the record whether you agree or disagree with this. Either way, I think it's a matter of some urgency for us as a society to make sure we do everything to include those who have a stake in the issues in the debate, more than to limit their involvement as we currently do.

The Chair: Mr. Barr.

Mr. Brian Pallister: I'll give Madam Vandergrift the first opportunity, and then please—

The Chair: Mr. Barr also wanted to speak.

Let's keep them brief, please.

Ms. Kathy Vandergrift: I am sure we could have another session of debate on this one. I would say the cost spent by the revenue service policing this law is ridiculous. I think our charities law is way behind the times and is due for a big overhaul. There was a proposal at one time for a large overhaul, and it was felt maybe it was too large. But a large overhaul there could save a lot of costs that could be directed much more productively. Part of it is the advocacy, but part of it is the other kinds of regulations. There is a whole body of regulations.

If this committee wanted to recommend reform of the charities law, you would find a great hurrah in the community.

Relative to the aid budget, I'm going to mention one other thing. We think Canada has a tradition of strong development agencies and organizations. I think we need to see their place in the long-term plan for development assistance also reinforced. Anything that can be done to strengthen that sector of the Canadian population would be much appreciated.

The Chair: Mr. Barr, quickly please.

Mr. Gerry Barr: I second all that. You would have enormous support, certainly among NGOs that work in international development, if you were to move in this direction.

It might be worth noting that the private sector can engage in significant advocacy and write the cost of that advocacy off as a cost of doing business. Yet if you turn to charities whose main preoccupation is eradication of global poverty, we are limited in our advocacy related to the causes of global poverty to 10% of the revenues we raise. It is just plain madness. It's archaic. It is part of a Victorian vision of charity that ought to be reformed. Alas, it's a complex job of reform, and for that reason it might be difficult and time-consuming, but it is enormously important to get that job done.

Increasingly, as there is a greater and greater competency in the developing world to address development problems, the role of charities in the north is one both of raising money and of engendering solidarity and engagement in the Canadian population—to speak about Canada—and to build bridges of support between citizens in Canada and citizens in developing-country economies. That involves a lot of talking, a lot of policy accompaniment, a lot of sharing of values and messages. Quite frequently, our partners in the south—

The Chair: Mr. Barr, thank you.

Mr. Gerry Barr:—say the most important thing you can do is talk to government.

The Chair: Ms. Minna has a quick question.

Go ahead, Ms. Minna—quickly, please.

• (1700)

Hon. Maria Minna (Beaches—East York, Lib.): There's a whole lot of things I want to talk about, but I'll do it another time. Concerning the education part, the Canadian public's understanding of what we do in development, and what it means, and the engagement Canada has, is not that great. What I always would like to know is, what are your organizations, in partnership with CIDA and anyone else, doing to work with the high schools, the elementary schools, the public in general to raise the understanding and the knowledge of aid and what it means: that aid isn't just giving emergency food but is really a long-term developmental capacity building that is sustainable?

The Chair: Mr. Gunn.

Hon. Maria Minna: I just wondered if you can tell me what's changed in that area over the last couple of years.

The Chair: Mr. Gunn, take just 30 seconds, please.

Mr. Joe Gunn: Especially with regard to the Canadian churches working together on a lot of these programs, there is some money provided from the federal government to do it. This is the kind of situation, when you have people in a church basement and people want to respond to a crisis—some want to give something right

away, and some want to learn about the situation—that raises the question, is that a charitable activity? For some of the churches it's an activity that's the bread and butter of what they do: how you respond to brothers and sisters around the world. Churches want to be able to do it and have the capacity to do it.

You may recall the 470,000 signatures signed around debt relief for the jubilee. The churches were able to do that. Most recently in this last year, 30,000 people from churches signed petitions around the definition of what true security would be. We talked about debt relief for poor countries, increasing the overseas development systems to 0.7% as what security is, and a range of other things—child programs in Canada to end child poverty, and so on. I think those education programs are absolutely important, and we will try to do them even without government support, but they are things that are definitely deserving of it.

The Chair: Thank you, Mr. Gunn.

I have a quick question before I adjourn, for Mr. Epp and for Health Partners International. Is there a possibility we can get your proposal costed somehow? Is there any possibility of getting a number and submitting it to the clerk?

Mr. John Kelsall: Yes.

The Chair: For some of the other organizations—because I don't have World Vision's brief—if there are any numbers we can get costed.... This is the finance committee, so if we can, we need to get some costing numbers.

One of the questions we asked is the aid question. I'm going to ask one person here—I guess it would be you, Mr. Barr, but please answer quickly. You're asking us to increase the amount of help on the international level. Where do you expect us to get the money? If you don't have the answer, I would appreciate that.

It's just an opinion I'm requesting. Nobody's listening.

Mr. Gerry Barr: The member beside me is saying a \$9.1-billion surplus. I'll leave you with that.

The Chair: Thank you.

Yes, quickly.

Mr. John Kelsall: I have just one quick point.

Back to Mr. Bell's point, the days of dumping surplus medicines and vaccines around the world are over. They're over. That's not the way it's operated. We operate on the basis of filling gaps.

The Chair: I want to thank everybody for their time. I'm sorry about going over the time. The next group is up.

For the members, we're going to start in two minutes.

The meeting is suspended.

Thank you again.

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• (1715)

The Chair: We're ready to reconvene.

I want to thank everybody for being here, for taking time out of your day to come before the committee. From what I understand, most of you have an opening statement. Each association will have five minutes. Please keep it to five minutes so we have time for the members to ask questions.

The order that I have here is the Sierra Club, Mr. Stensil. Go ahead.

Mr. Shawn-Patrick Stensil (Director, Atmosphere and Energy, Sierra Club of Canada): Hello. Bonjour. My name is Shawn-Patrick Stensil. I am the director of atmosphere and energy with the Sierra Club of Canada.

I work on climate change and energy issues. In the brief time that I have with you today, I'd like to speak about one thing specifically, and that is Canada's ongoing subsidies to the nuclear industry, as well as nuclear liabilities, that is, the cost of liabilities for 50 years of nuclear development.

Canada has invested over \$17.5 billion in Atomic Energy of Canada, the crown corporation that has designed and marketed CANDU reactors since it was founded in 1952. Since the time of AECL's founding, however, the dream of nuclear power has soured. High costs, poor performance, and serious environmental and safety concerns have characterized the industry. What's more, Canada still has no plans for how to deal with the waste over the long term. Globally, the world has basically stopped building nuclear reactors since Three Mile Island and Chernobyl. In North America, no new reactor has been ordered since 1974.

What am I saying here? Nuclear power is in decline globally. There are some countries that are choosing to change their policy framework around this and shift their funding from nuclear to renewables and energy efficiency. Canada, however, continues to pour money into Atomic Energy of Canada. The government made a commitment in 1996 to capping AECL subsidies at \$100 million, but it has never been able to do it.

The Sierra Club of Canada believes that the federal government should phase out government subsidies to AECL and shift them toward renewables and energy efficiency.

I would urge the finance committee on this point to review the use of supplementary estimates. They have been used over the past number of years to top up AECL's subsidy year after year without parliamentary debate. Subsidies have routinely been increased through supplementary estimates. In 2001, for example, the government increased AECL's subsidy by 40%, pushing it to \$211 million. In 2003, the federal government gave AECL another \$46 million to design a new reactor. This is, again, without any parliamentary debate and in spite of the 1996 commitment to cap it at \$100 million.

I would remind you that nuclear power is not in our Kyoto plan, so we should be looking at this as a way of reprioritizing our spending on energy. We should be putting it to what is in our Kyoto plan, such as renewables and energy efficiency.

I would like to turn now to liabilities. This is something we haven't talked about as much. We've paid for the past 50 years to try to develop this energy form, and now we're going to get hit with the back-end cost. AECL has laboratories at Chalk River, which is just

north of Ottawa. Since the 1950s there's been waste piling up there. In the 1950s a lot of this waste was actually very poorly stored. AECL has estimated it will cost \$2.2 billion to clean this up. However, this number is for the 100 to 300 years that they would take to undertake this cleanup, which is probably a way of shielding themselves from a full and transparent accounting of what those costs are. I would say to you, given the industry's history of cost overruns, this number is probably much higher.

In 2002, the Auditor General noted that there is no consensus between AECL and the federal government on how best to manage these wastes. While the federal government has recently acknowledged that it is liable for the waste at Chalk River—it is a part I crown corporation, I believe, so it is liable—it hasn't said how it's going to pay for this. These are large numbers.

I think we need to look at this. We have a toxic site that is under a crown corporation, but I don't think the government has looked yet at how we will manage toxic sites that fall under crown corporations, and that's exactly what we have here. It's on our books, but AECL is actually hiding the full cost that will be borne by the government, because it's writing it off over 300 years.

We would recommend to you that the federal government look at developing a separate fund for this cleanup cost, and that we have a public and accountable discussion on how long it will take to clean up Chalk River. To the communities that live downstream from Chalk River, 300 years should not be acceptable.

In summary, we believe we should be reprioritizing our funding on energy. AECL is not in our climate change plan, nor is it any solution to climate change, so we should be looking at shifting that toward renewables and we should also be having an honest assessment of how we're going to pay for the cleanup.

• (1720)

Thank you. I'll be happy to take any questions.

The Chair: Thank you, Mr. Stensil.

Do you have a brief prepared that you can submit to the research people?

Mr. Shawn-Patrick Stensil: Yes.

The Chair: Thank you.

From the Green Budget Coalition, Mr. Sadik.

Mr. Pierre Sadik (Program Manager, Green Budget Coalition): Thank you, Mr. Chair.

I'd like to thank the committee for inviting us here today. The Green Budget Coalition is a coalition of 20 national environmental and conservation groups. Because the coalition's proposal to the committee today is fairly straightforward, I will be fairly brief.

One problem that has plagued federal budgets for a very long time is the policy of providing environmentally harmful subsidies to polluters. Polluter subsidies come in various forms, though most commonly in the form of tax breaks or tax expenditures. Two of the most environmentally harmful sectors of the economy, fossil fuel and mining, have historically been two of the largest recipients of polluter subsidies. According to the Auditor General's office, over the course of the last three decades the fossil fuel industry has received \$40 billion in federal subsidies in the form of tax breaks and direct payments. Current annual subsidies to the oil industry still measure in the hundreds of millions of dollars every year.

The Green Budget Coalition submits, and I believe many Canadians would agree, that enormous government subsidies to a sector that not only routinely experiences record profits but threatens our health and the health of our children are not warranted. Furthermore, purely in terms of government policy, these subsidies fly in the face of what the federal government has committed to achieving under the Kyoto Protocol.

Regardless of what any of us may think of Kyoto, it has been adopted as official Government of Canada policy and will impose a binding international treaty obligation on Canada in the very near future, now that Russia has ratified the treaty. This presumably is why the federal government has committed more than \$4.7 billion to climate change measures over the course of the last five budgets. Yet, by continuing to subsidize the fossil fuel sector the government at the same time stimulates and accelerates greenhouse gas emissions. In essence, therefore, the government is working at cross-purposes with itself.

The other scenario, arguably even worse from a taxpayer perspective, is that the federal subsidies are simply padding the bottom line of oil companies, what's commonly referred to as corporate welfare. For example, last year Minister of Finance John Manley introduced a substantial tax break for the petroleum and mining sectors through what was then known as Bill C-48. In the *The Globe and Mail* on July 18 of last year, there was a report under the headline "Nexen profits from new tax break". I quote from *The Globe and Mail*: "An unexpected gain from lower corporate tax rates helped to send Nexen Inc.'s second-quarter profit soaring, as the senior oil and gas producer became the first company to benefit from a new tax break in the resource sector. ...Nexen said the reduction in tax rates bolstered its profits by 61 cents a share or \$76-million." Even before the introduction of this tax break, the corporate tax rate in Canada was already lower than that in the United States. This is according to Finance Canada and the Canadian Council of Chief Executives.

The mining industry also receives substantial polluter subsidies from the federal government. Current annual federal subsidies to the mining sector are more than \$400 million per year. Sadly, such subsidies encourage the use of virgin minerals over the use of recycled metals. This is particularly regrettable because most metals are especially good candidates for recycling. Unlike other materials that society uses, metals do not lose their mechanical or metallurgical properties when recycled, while retaining their economic value. As a result, metals can be reused and recycled through the economy almost without limit.

Both the Canadian Council of Ministers of the Environment and the British Institute for Fiscal Studies found that Canada's tax system significantly favours the use of virgin materials over recycled materials in the case of metals. The environmental and health consequences of mining in Canada are devastating, although the data on pollutant releases by the mining sector are currently incomplete. The gap in pollutant data exists because the mining sector was granted a special exemption from reporting to the National Pollutant Release Inventory, which is Canada's national database of pollutants released into the environment.

• (1725)

It is noteworthy that when the mining sector database exemption was lifted in the United States in 1998, mining emerged as the single largest source of reported environmental pollutants. It was disclosed that mining constitutes 51.2% of all pollutant releases in the U.S. The figures in Canada, if we ever are to learn them, would probably be somewhat analogous.

In closing, I refer back to one of the questions the committee posed for today's presenters. Question three asks, what is the estimated cost of your proposal before the committee? Our proposal to phase out polluter subsidies costs nothing. On the contrary, it would generate a net saving for the federal treasury and it would pay dividends in terms of savings in health care costs and the enhancement of the quality of life for all Canadians.

Thank you very much.

The Chair: Thank you.

Next we have, from the Canadian Foundation for Climate and Atmospheric Sciences, Mr. McBean, five minutes.

Dr. Gordon McBean (Chairman, Board of Trustees, Canadian Foundation for Climate and Atmospheric Sciences): Thank you, Mr. Chairman.

I'm Gordon McBean, the chair of the board of trustees of the Canadian Foundation for Climate and Atmospheric Sciences, and with me is Dawn Conway, the executive director. We are pleased to be here to speak to you.

We'd like to note that Canadians and our economy have been impacted by weather, climate, and air quality events with increasing frequency over the past few decades. Wild fires in the west, floods across the country, snowstorms in the east, and Hurricane Juan in Halifax are just some of the events.

The costs to the Canadian economy are doubling about every five to seven years. Multimillion-dollar events are now commonplace, while the eastern Canada ice storm resulted in costs of more than \$5 billion to the Canadian economy. Through the disaster financial assistance arrangements, the federal government ends up paying for most of these costs.

Although the economic costs are very large, the direct impacts on human health are also very large. The Canadian Medical Association estimates that thousands of Canadians prematurely die due to air pollution. Tornadoes have killed many Canadians over the past decade.

Scientists are now realizing that human-induced climate change is inevitable. Heat waves, floods, droughts, fires, and extreme weather events leading to significant economic losses, and the loss of life, will increase in a warmer world.

In the Speech from the Throne in this past February it was noted: "There is no role more fundamental for government than the protection of its citizens."

With its ratification by Russia, the Kyoto Protocol will enter into force in the next few months, and Canadian obligations to reduce emissions will become binding. Further, under both the protocol and the Delhi Ministerial Declaration on Climate Change and Sustainable Development, adaptation to the adverse effects of climate change is of high priority for all countries.

Canada is now part of the worldwide process to negotiate the next round of emission reductions, the next Kyoto. Our negotiators need information on how much will climate change impact on Canada, what will be the impacts on our economy, will our forests and soils absorb more greenhouse gases, and other things, in order to negotiate the next Kyoto fully consistent with Canada's needs, concerns, and capacities.

Canadian governments and individual citizens need information in order to take action to reduce the impacts of weather, climate, and air quality events on their health, their socio-economic activities, and their property, and to take advantage of such opportunities that do occur with such events.

The atmospheric, climate, weather, air quality, and marine system science that is supported by the Canadian Foundation for Climate and Atmospheric Sciences provides a basis for that information. The CFCAS-supported academic scientists are now working with scientists in federal, provincial, and private sector laboratories in 12 research networks. Eighty-seven smaller projects fill gaps and cover special issues. These scientific projects are not only providing information now, but are also training the next generation of scientists so that we will have the needed capacity in the future.

The CFCAS is funded and able to make commitments for projects in the next few years. However, climate and atmospheric science is big, long-term science. Results do not come overnight, and longer-term commitments are needed.

Federal budgetary measures, including the proposed climate change plan, as discussed in the debate on the Speech from the Throne, are needed to ensure that a strong economy must include providing the support for developing this information base.

An economy that is always using valuable resources to recover from unnecessary natural disasters is neither productive nor innovative. An economy that plans on the basis of outdated information is not effective.

The benefits of the investments proposed in the CFCAS brief will greatly exceed the costs. These investments include extending the

CFCAS mandate and funding through until 2015 so they can plan and implement the long-term research that is needed.

This is an additional \$50-million investment. Climate and atmospheric science is a global enterprise. Canada needs to be, must be, a player in these. An additional \$5 million per year would raise our international profile with resulting benefits to Canada.

The academic scientists work in close collaboration with government scientists and use major government facilities in joint research activities. The capacity of government laboratories and the quality of those facilities is deteriorating, and this trend needs to be reversed.

● (1730)

The details of these points are elaborated in our brief. We thank you for your attention.

The Chair: Thank you.

For the Clean Air Renewable Energy Coalition, Mr. Rudolph.

Mr. Mark Rudolph (Coordinator, Clean Air Renewable Energy Coalition): May I inquire, Mr. Chair, whether the clerk has had the opportunity to distribute the colour PowerPoint presentation? It would make it a lot easier for the members and the translators to follow it.

The Chair: We have a problem with it. It's only in English and we require bilingual submissions.

Mr. Mark Rudolph: I understand that, but for those who might be able to follow in English, it would make it easier to follow the presentation.

The Chair: I have no objection. If somebody has an objection...

Mr. Mark Rudolph: I'm sorry I wasn't able to translate it in a timely fashion.

[Translation]

Le président : Mr. Bigras?

Mr. Bernard Bigras (Rosemont—La Petite-Patrie, BQ) : No, Mr. Chairman.

[English]

The Chair: No.

Sorry, we can't do it.

In warning to anybody else who is on the panel, if you submit the presentations prior to coming here, we'll translate your submissions for you. You don't have to do it; we can do it for you.

I know it's an unfortunate—

Mr. Mark Rudolph: No, I understand, and I apologize to the members that I wasn't able to do it in time.

● (1735)

The Chair: I understand that it would be easier to follow if we had it in front of us, but the translators have it.

Mr. Mark Rudolph: Let me first thank the committee for allowing us to present today and tell you a little, quickly, about the Clean Air Renewable Energy Coalition. The coalition was formed in December 2000 by Suncor Energy Inc. and the Pembina Institute. In a nutshell, we bring together what we call a counter-intuitive group of strange bedfellows. We aren't the usual suspects. We're laser-focused on advancing the cause of green power in Canada and we have one rule, which is that when members get together we check our biases at the door.

Under "who we are", there are a number of different groups and organizations the members should know about. Amongst our INGO members we include Pollution Probe, Pembina, Friends of the Earth; representing municipalities is the Federation of Canadian Municipalities; and we have a number of large corporations such as Suncor, Shell, BP, Enbridge, BC Hydro, Ontario Power Generation, and Axor from Montreal.

We have one key vision, which is to have low-impact renewable energy account for a minimum of 7% of Canada's electricity production by the year 2010 and 15% by the year 2020.

How do we get there? We feel it's important to develop a national renewable energy strategy, and to that end we were encouraged by what we read in the throne speech of October 5, where it said the government "will engage stakeholders in developing comprehensive approaches to encourage increased production and use of clean, renewable energy". To develop such a strategy, obviously we need to engage the federal, provincial, and territorial governments, as well as a range of key stakeholders.

If and when a strategy is developed, there are a number of elements we see as important to that strategy. A number of those elements, indeed, are part of the presentation that the Green Budget Coalition has put together. There are seven key items.

We believe the wind power production incentive should be expanded from 1,000 to 4,000 megawatts. Indeed, that was already noted in the throne speech. It should be at a level not less than one cent per kilowatt hour.

We also believe you should create a green power production incentive, GPPI, to incent other non-wind, low-impact, renewable technology such as small hydro, biomass, geothermal, wave, and tidal, because at the end of the day this issue is not just about wind.

There's something called the market incentive program, or MIP, run by Environment Canada and NRCan. It's designed to give utilities some money to market green power. At \$5 million a year over five years, we think this is a pretty small amount from an advertising outreach point of view, and we recommend expanding it.

We also believe the federal government should increase its green power procurement program. Right now it's at 20%. We think it should go to 30% by the year 2010, and to 80% by 2020.

We believe you could create a \$100,000 solar roof program through a government buy-down program that restores 30% of the purchasing cost.

We also think, in addition to just assessing the wind capabilities of the country, we need to do a renewable energy resource assessment.

We also need to enhance our R and D.

In some supplementary documents the members will receive later, we've done a costing on all of this from the year 2005 to 2020. It's in 2004 dollars and is adjusted for inflation at 2% per year. When you look at the total, the amount on average per year comes out to \$130 million.

What I'd like to remind the committee members is that this country has a history of supporting emerging energy in Canada, an example being AECL. When AECL was created over 50 years ago, I don't think people thought the taxpayers would be subsidizing it 52 years later. I would remind them, as Patrick has reminded us, that as recently as 2001 the parliamentary appropriations to AECL, at \$211 million, far exceeded the \$130 million we're looking at.

You'll also find in the documentation an employment study we've done. In essence we're creating a new industry here that could create 20,000 jobs by the year 2015, which, based on the amount of electricity we would produce, exceeds the number of jobs created by a similar amount of electricity produced by either coal or natural gas.

At the end of the day, when you look at the benefits, we are indeed trying to create a whole new industry in Canada. There are investments in innovative, sustainable, and renewable energy technologies; diversification of Canada's energy supply; support for what Minister Dion calls the new industrial revolution; a "made in Canada" manufacturing facility; regional economic development; new capital investment and job creation; competitiveness; and from an environmental perspective, clean air and a reduction in GHG emissions.

• (1740)

In conclusion, I would like to submit that green power or low-impact renewable energy should no longer be seen to be a niche, but should become the new norm. There are great benefits to Canadian society and the environment. The public is demanding cleaner, more sustainable energy, and making it happen requires a national renewable energy strategy.

Thank you kindly.

The Chair: Thank you, Mr. Rudolph.

From the David Suzuki Foundation, we have Mr. Boston, I believe.

Ms. Heather Deal (Marine Strategist, David Suzuki Foundation): We are both here in Mr. Boston's stead.

My name is Heather Deal, and I'm the marine strategist with the David Suzuki Foundation. With me is Dale Marshall, who is our climate change policy analyst. I'm based in Vancouver, and Dale is based here in Ottawa.

At the David Suzuki Foundation, we have a vision for a sustainable Canada that we feel is entirely achievable. We're here today to talk to you about the measures we feel will get us to that goal. We need this goal because a recent study by the Organization for Economic Cooperation and Development countries' environmental records puts us at 28 out of 29 countries that belong to that organization in terms of our environmental record. That's a shame. We have every opportunity to be number one. We're 28th out of 29.

The OECD itself has found Canada relies too heavily on voluntary programs and incentives and not enough on regulations and economic instruments. We're here to recommend some of those economic instruments that we think will make us successful.

As a comparison, Sweden spends 3% of its GDP on protection of natural capital. Here in Canada, we spend 1% of our GDP on protection of our natural capital. We have improvements to make.

Finally, as introduction, the Minister of the Environment, Stéphane Dion, has said we need a green budget. We're here to help form that budget.

Mr. Dale Marshall (Climate Change Policy Analyst, David Suzuki Foundation): There are a number of policies in our brief that we handed out. The first one has to do with a national sustainability plan, which Heather alluded to.

The federal government should develop and adopt a national sustainability plan during this parliamentary session. This plan must have a time-specific objective for sustainability with measurable milestones. The Department of Finance should be on a committee along with Environment, Natural Resources, Industry, Infrastructure and Communities, and Health. Also, there is some internal capacity needed in order to develop that plan.

[Translation]

The government must also establish a federal strategy for investment in public transit and sustainable communities. A portion of the gas tax, which is already in place, should be transferred to the municipalities. This is money that has already been promised by the government.

There should be specific criteria requiring that the projects that receive funding set aside some of it—we are suggesting an amount of 1.5 billion dollars per year—for human health and the sustainable development of our communities.

[English]

Another policy has to do with a national renewable energy strategy. This has a number of prongs. The two main ones are an extension of the wind power production incentive—expanding it from 1,000 megawatts to 4,000 megawatts—as well as to expand it to other low-impact renewable technologies, such as solar, wave, tidal, hydro, and biogas energy.

We also suggest that there are a couple of ways for the government to actually procure funds for its environmental work. We suggest a pollution dividend for health care in a 21st century economy. This essentially means we should adjust the fuel excise tax so that it relates to the health impacts of various fuel uses. Presently we have a 10-cent fuel excise tax on gasoline. That should be established as a benchmark for setting excise taxes on other fuel

sources. As an example, coal presently has no federal fuel excise tax and diesel has only a four-cent excise tax, even though its impact on human health is higher than that of gasoline.

Finally, the federal government should establish a sustainable energy trust with the complete money the federal government would be making by selling its shares in Petro-Canada. Some have suggested that's approximately \$2.6 billion, others have suggested it's actually higher. Alternatively, it could also be used to fund that national renewable energy strategy I alluded to earlier.

• (1745)

Ms. Heather Deal: Our final plank of our sustainable Canada platform is protection of natural capital. We have enormous natural capital in this country, and there's an emerging science of assessing ecosystem services by their true value. We feel we have a long way to go here in promoting human health and quality of life, using our natural resources and protecting them.

Underneath this, we have several items, including an effective Species at Risk Act. We're deeply involved in the brand new Species at Risk Act, but it's not funded. We don't have the resources to catch up with the backlog of need for recovery plans and to fill the scientific knowledge gaps being exposed by this act. For it to be effective, those gaps need to be filled. We need to do our Species at Risk Act on an ecosystem basis, not species by species. It will be more efficient and save us money in the long run.

In terrestrial protected areas, we need to fulfill our commitment to implement a federal protected areas strategy. There are bits and pieces of work being done in the marine area; there is not yet a comprehensive federal policy that also extends into our terrestrial areas.

As part of this, we also need to develop terrestrial-ecosystem-based management tools. We're taking some baby steps in that direction, but we have a long way to go. We believe there should be bilateral agreements between federal and provincial governments and between those governments and first nations to achieve these goals. All of these things will help us realize our commitment to the biodiversity strategy.

Finally, we need to enhance our marine and freshwater protection programs. The ocean strategy has been put in place—it's a lovely document; you've seen it, it's the glossy—but there is no funding to implement that strategy. We need to fund that program adequately to make it have any resonance at all.

DFO has been cut and cut and cut, and it has been tasked with saving and protecting our fish and their habitat. They can't do that with the cuts they are currently undertaking. We need to reallocate the resources away from aquaculture subsidies and back to protecting our wild fish. That will include putting some money back into marine use planning, marine protected areas, and a national marine wildlife area for the Scott Islands in B.C. And we need to establish indicators for marine health. All of these are things that can be achieved through reallocation of funds that used to be there in DFO. They're being starved to death out there.

We also need to again increase our funding for DFO for enforcement and compliance. That is not happening.

Finally, we need to develop a national freshwater conservation strategy. We need to focus on eliminating our industrial and human activities that harming our freshwater for both drinking and for other uses. We need to lower our average water consumption and we need to elevate the level of sewage treatments throughout the country to tertiary or something equivalent.

You can find details on all of these programs in the brief we handed out.

We thank you very much for your attention.

The Chair: Thank you.

Next is Go for Green, and Mr. Grundy and Madame Godin.

[*Translation*]

Mrs. Francine Godin (Executive Director, Go for Green) : Good evening. My name is Francine Godin and I am Executive Director of Go for Green. We thank you for giving us the opportunity to appear before the committee.

Unfortunately, we only learned yesterday that our documents should be in French and English. We do however have a summary of the document which, it, is translated. We could give you a copy of it if you wish.

[*English*]

Go for Green is a non-profit organization. We promote outdoor physical activity while respecting the environment. One of our programs is called active transportation. What we mean by active transportation is any type of active mode of transportation, like walking or biking to work, or those types of programs.

Go for Green is known as a world leader in active transportation. As a matter of fact, we've been sitting in committees in the United States that have taken our approach and have since put about \$300 million on an active transportation program. It's ironic, because it has been about ten years in Canada that we've been trying to push the same thing, yet in the United States they've invested \$300 million in two years. Due to that, we created this document called the *The Business Case for Active Transportation*. It shows that with a modest increase, the economic benefit to Canada would be about \$7 billion.

I'll pass it on to Steve Grundy, who is going to present the need for active transportation and the business case.

Thank you.

Mr. Steve Grundy (Director of Development, Go for Green): Go for Green has done its homework on this one, and we have developed a business case that shows a \$7-billion annual benefit for small increases in active transportation. It is a real opportunity for us to change a number of agendas within our society, and those relate to transportation, health, and sustainable communities.

Two in three of all Canadians live within a 30-minute walk of a routine destination in Canada, and eight in ten live within a short cycle of a routine destination in our communities. For healthy individuals these are nearly all trips that can be done by walking or cycling. Currently one-fourth of all trips people make are one mile or less, but three in four of those trips are made by automobile. These can be replaced. But we need infrastructure for that change.

If Canada is to build healthier, more competitive cities, it must address traffic congestion and infrastructure design that currently values cars more than people. As an example, traffic fatalities are the leading cause of death in Canada for children over the age of one year, because we design for cars rather than for people.

But active transportation values people first. However, rather than being viewed as a solely recreational activity, it must be valued and supported as a legitimate mode of transportation if we are to encourage Canadians to act on their good intentions and change their transportation behaviours.

Governments at all levels must commit to the development of a systems approach to transportation issues, in which active transportation is treated as an essential element. Active forms of transportation should be recognized and promoted as consistent with the history and culture of Canadian society and form a vision for the future that avoids the devastation of the American Los Angeles-style freeway system.

There is room to change. Every workday almost 10 million Canadians, or 80% of the total working population, travel each way to and from work by private automobile, whether that be truck, van, or car, and this translates into a total of some 5 billion passenger trips each year that are dependent on private automobiles.

Only 7% of the working population walk to and from work on an average basis, as compared to 10%, for example, who use public transit. We know that it is possible to use active modes of transportation in this country. We have cities that do it. Rates of use of active transportation are as high as 15% in Victoria, and if you think that's just because of the weather, you can think again, because in Europe, where there is infrastructure for walking and cycling, commuting modes in countries such as Sweden are as high as 40% using active transportation. So there is room for change.

If the total working population across Canada shifted from the current usage of around 8% walking or cycling to and from work to levels similar to those in Ottawa, for example, at 10%, the total number of vehicle-dependent passenger trips in Canada would drop by 100 million annually. For every person you get out of a car to use active transportation, you achieve fully two-thirds of the one tonne challenge that Environment Canada is proposing right now—two-thirds achievable through this one action.

Less than half of children in Canada now walk to school. If you want to see where the future is going, 10% of American children walk to school. That's where we're headed if we don't do something.

Two in three of all Canadians live within a 30-minute walk of a routine destination—leisure, shopping, or school.

Active transportation is a healthy change. If Canada is to have a health care reform that addresses not only disease but also the prevention of illness, it is clear that Canadians will have to be encouraged to adopt the 30 to 60 minutes of physical activity that's recommended.

From 1994-95 to 2000-02, the number of obese Canadians aged 20 to 64 grew by 24% to almost 2.8 million Canadians, and these individuals represent about 15% of the adult population. If we move to the U.S. and look at where we're heading, fully 25% of the population is now overweight.

Thirty per cent of children aged 2 to 11 are overweight and 18% are classified as obese. By taking one initiative to encourage children, for example, to walk to school if they're within walking distance, they would achieve the full amount of the recommended physical activity for the day by that one action. There are other things they need to do.

Am I running out of time?

• (1750)

The Chair: Time is over, if you could just quickly sum up.

Mr. Steve Grundy: I'll just summarize then.

We have three very quick recommendations that we think you should consider. One is that Canada needs an active transportation strategy. This can begin by the establishment of a national clearing house on active transportation with an investment of about \$250,000 annually in that.

Moving towards a centre of excellence in active transportation within one to three years—that would require an investment of about \$10 million annually.

The other recommendation that we think should be considered, which is cost neutral, is that the federal government establish a national requirement that 7% of all infrastructure funding allocated to urban transit, road, and other transportation construction be set aside for active transportation infrastructure, including things like bike lanes, sidewalks, trails, traffic-calming measures, and so on.

Thank you.

The Chair: Thank you.

Ms. Silver, from Nature Conservancy of Canada.

• (1755)

Ms. Thea Silver (Director of Government and External Relations, Nature Conservancy Canada): Thank you.

I'm Thea Silver and I'm with the Nature Conservancy of Canada. With me is Barry Turner from Ducks Unlimited Canada.

First of all, Mr. Chairman, we'd like to congratulate you on your recent new capacity as chairman of this committee. We'd also like to thank you and the committee for enabling us to address something that is fundamental to the identity of our country, and that is our natural heritage.

Canada must commit itself to being a world leader in the conservation of our natural heritage. Doing so will ensure that our natural systems sustain the high quality of life that we have for present and future citizens, that we continue to enjoy the economic benefits of our unique wealth of natural resources, and that we fulfill our responsibility as guardians of globally important natural systems.

In his first official speech as Minister of the Environment, the Honourable Stéphane Dion stated:

...creating the conditions of success requires the contribution of everyone: governments, industry, science, NGOs, the whole public. We will succeed if we build a broad coalition working toward the same goal: a competitive economy anchored by a sustainable environment.

We at the Nature Conservancy Canada, Ducks Unlimited Canada, and many others in Canada's non-government community agree with this. We further agree that the case for nature conservation in Canada is more than simply environmental, spiritual, or aesthetic; it is increasingly economic, and there are examples to show this.

A report released in the year 2000 showed that spending on nature-related activities in this country contributed over \$12.1 billion to Canada's GDP in 1996 and helped to create 215,000 jobs. Natural systems perform ecosystem services, including air and water purification, erosion and flood control, biodiversity and genetic resources. Increasingly, these services can be valued.

In fact, preliminary research has shown that the value of a natural area conversion is much less than the value of the habitat that remains intact. To give an example, officials in New York, faced with a price tag of \$6 billion to \$8 billion for a new water filtration plant, instead decided to invest in watersheds. They invested \$1.5 million, a fraction of the cost that would have been required for the new plant.

Recognizing that, it is time in Canada to move forward on setting an innovative and cost-effective agenda to address our conservation challenges. In that vein, we are proposing two economic-based approaches, one involving leverage and the other involving incentives. Neither of these recommendations is new, and many members of this committee may have heard them before, but they remain timely and relevant.

First, we are proposing the establishment of a leveraged national conservation fund with an initial investment of \$250 million. This would be a results-oriented fund that would support on a project-by-project basis priority initiatives identified in the emerging environmental policy framework. To address Canada's challenges, funding should be made available in broad categories, including the conservation of natural capital, science to inform environmental decision-making, and environmental education. Non-government organizations would access this fund through a minimum leverage of 2:1, and priority could be given to those organizations that bring forward multi-year commitments.

This proposal is consistent with recommendations put forward by the National Round Table on the Environment and the Economy, and also the Green Budget Coalition, whom we have previously heard from. Organizations such as the Nature Conservancy of Canada, Ducks Unlimited, World Wildlife Fund, Nature Canada, and a host of others are ready, willing, and able and have the capacity to bring partners and resources to the table and deliver results on the ground.

Second, to complement this, we want to ensure that the tax system fully incents the conservation of ecologically significant private lands. Over 50% of Canada's species at risk are found on these lands, and they are under increasing pressure and disappearing at an alarming rate. Further, private lands are essential to maintain the ecological integrity of our national parks, a commitment that was reiterated recently in the Speech from the Throne.

The government has taken important steps to address the tax system through the development of the ecological gifts program. Capital gains tax on gifts has been reduced by half, and we are now able to do what's called split-receipting. This committee has helped us realize those changes, and we thank you. However, there are three further measures that could be done to ensure that we maximize incentives for land conservation.

• (1800)

First, it's time to remove completely the capital gains tax from gifts of ecologically significant lands. Ten years ago, a task force established by the ministers of finance and environment recommended complete exemption from capital gains for gifts of land. This would put gifts of land on par with cultural gifts. It's time to realize that and make it happen.

Second, we must include donations of ecologically significant lands that are held by businesses as inventory in the ecological gifts program. Right now, lands such as those held by developers around areas like the Oak Ridges Moraine, for example, do not qualify under the ecological gifts program. There's a disincentive to having those conserved.

Finally, we are recommending exemption from GST of sales of ecologically significant lands to qualified conservation organizations. Currently if lands are held for commercial purposes, a non-government organization must pay GST on a property transaction. This applies to ranch lands, farm lands, and others that are used for business. This can add a sizable cost to the non-government organization, funds that could otherwise be put to conserving lands on the ground.

I just want to conclude by repeating the words spoken by Minister Dion, that creating the conditions of success requires the contribution of everyone. We hope that these recommendations will facilitate that kind of contribution.

Thank you.

The Chair: Thank you.

Members, we have about half an hour. We're going to start with rounds of six minutes and then go to four minutes.

Mr. Pallister.

Mr. Brian Pallister: Thank you, Mr. Chairman.

I'd like to thank you all for your presentations; much appreciated. And we all appreciate the limits of time that we put you under when we ask you to do these presentations in such a short period of time, so I'll try to keep my questions very brief and allow you the maximum time to respond.

First of all, Madam Silver, are you saying that I can give a painting, donate a painting, and pay no tax, but I can't donate my land to the projects you advocate for? Is that true?

Ms. Thea Silver: You could donate a painting of a beautiful, ecologically significant landscape and there would be no capital gains tax as a result of that gift. If you actually donated the landscape, there would be a capital gains tax. Now, it is lower than it was years ago—it is 25% through the ecological gifts program—but there are many owners of land who have stewarded their land for a

long time and who are land rich and cash poor. That still is an impact and a disincentive for them to move forward with those types of gifts, yes.

Mr. Brian Pallister: That's most interesting. I represent a predominantly farming riding, and probably the best environmental stewards I know are the farmers in that area, frankly. So this is an interesting semi-deterrent, and I find it hard to believe it continues to exist.

Ms. Thea Silver: So do we.

Mr. Brian Pallister: To the Go for Green people, I couldn't help but find a tremendous amount of sympathy for your presentation. As we sit here, constantly, gaining weight, and our society becomes increasingly an obese one—

Hon. John McKay: [*Inaudible—Editor*]

Mr. Brian Pallister: Yes, well, you're...and this is a slender example, but there are few of them here, too few of them.

In any case, childhood obesity is such an epidemic. You cited some statistics. I'll give you the opportunity to just outline what kind of work you're doing specifically with regard to youth. I'm a parent, as I'm sure many here are, of teenage children. Should we impose a tax on Nintendo...?

Would you outline some of the work you're doing in that respect and any further suggestions you have? I give you this opportunity to raise those ideas.

Mrs. Francine Godin: One of our programs is called Active and Safe Routes to School.

[*Translation*]

In Quebec, we call this program Active and Safe Routes to School.

[*English*]

With this program, we want to encourage parents to walk their children to school. It's safe that way, because children are with a parent. One of the things we want to do is try to reduce the alarming growth of diabetes type 2 among children. Fifteen years ago, there were no children with diabetes type 2.

One of the other programs we have is the walking school bus. A mom or someone else goes with the children to school. That's why we call it a walking school bus. There are different types of programs. We know that most parents work, both of them, and it's hard to walk every day. Sometimes there can be a rotation of people in the community or on the street in order to take the children to school.

Another one is the new idling zone. What we're trying to do is that with the school bus...but then again, we have to deal with the district school boards. We stop the school bus about three blocks earlier, and with the teacher we bring the children to school. This way there is no idling in front of the school, reducing the emission of gas in the air, for example.

We've included a walking tour map of Canada program in the curriculum. Teachers told us, if you want us to be active, it will have to be integrated in our own program. In this program, children are walking; they follow a province, and as they finish a province they have all kinds of information that they can click on, with kind of a history about each of the provinces. As they go along it creates kind of a puzzle.

Those are the types of things we have for youth under Active and Safe Routes to School. We have others. One of them is the outdoor rinks. We're trying to have outdoor rinks across Canada as much as possible. This way, all the children can skate without having to go to an arena.

We also have a gardening for life program, but it's not so much for youth. It's trying to use non-motorized machines in order to garden. And there are other programs.

● (1805)

Mr. Brian Pallister: This is good. We want young people to have tremendous affinity for the real environment, not just the virtual environment.

Mrs. Francine Godin: Yes.

Mr. Brian Pallister: I think I have a minute left, and I want to give Mr. Rudolph an opportunity to talk about an issue that is of interest to all of us, I think, this tradeable permits idea.

I don't know if you're the right man to ask.

Mr. Mark Rudolph: I'll try to answer.

Mr. Brian Pallister: I'm interested in your thoughts on this system, on the appropriate design for a tradeable permits scheme.

I invite any of the other panel members to respond as well.

Mr. Mark Rudolph: There are others at the table who are probably as well versed or much more versed than I am, but in very simply concept, if you have a cap and trade system—it was done on acid rain in the U.S. and it can be done on climate change—in essence you set a cap. There are certain companies who in a very cost-effective way can be below the cap. There are other companies who are not as technologically capable or financially able to buy the technologies, and they will be above the cap. It then becomes economically efficient for those companies who can't afford to reduce their emissions to buy credits from those who have been able to do it. Net-net, you have the same result to the environment, but economically it's much more efficient.

That's it in a nutshell.

Mr. Dale Marshall: Perhaps I could add to that. The David Suzuki Foundation and others have advocated that eventually those permits end up being auctioned off, with the cap being reduced. That money can then be used for a variety of purposes. It could be recycled back to the same industry members or it could be used for other environmentally beneficial programs.

Mr. Brian Pallister: Thank you very much.

The Chair: Thank you.

Monsieur Bigras.

[*Translation*]

Mr. Bernard Bigras : Mr. Chairman, it would indeed probably be a good idea to hold a few meetings devoted exclusively to the emissions exchange system in Canada, since we are at present very far from our target.

Let me begin by thanking you for your presence here. I would like to discuss the issue of climate change and of the means we might take to reach our Kyoto Protocol target of a reduction of 6% of greenhouse gas emissions.

First of all, I am in full agreement with Mr. Stensil and the others when they say that over the last few years we have invested or rather spent disproportionately in sectors such as nuclear energy, an approach which is far from being recognized under the Kyoto Protocol. It is the same thing for the oil and gas sector. Furthermore, in my view, these measures are a move away from the strategic environmental assessment that Canada should recognize and apply.

That being said, Canada has chosen three means to reach the Kyoto targets. First of all, we fund the work of foundations over which, as the auditor general often tells us, Parliament has no jurisdiction. I know that Mr. McBean is here and I am mostly thinking of Sustainable Development Technologies. We also have fiscal incentives as well as targeted measures.

How should we divvy up federal investment and monies between these three mechanisms, namely the foundations, fiscal incentives and targeted measures? For example, should we place greater emphasis on fiscal incentives through the establishment of an environmental fiscal policy or rather on the foundations? That is my first question.

● (1810)

The Chair : Mr. Bigras, could you please identify to whom your question is addressed?

Mr. Bernard Bigras : I believe Mr. McBean wishes to answer, but I would also like to hear the people from the David Suzuki Foundation.

[*English*]

The Chair: Mr. McBean.

Dr. Gordon McBean: Thank you.

Let me say, first of all, on the question of being an independent foundation, it's true. We do, though, report to the Minister of the Environment, or at least keep the minister informed. The minister also recommends members for our board of trustees. As a foundation, we have adopted the principles of bilingualism, access to information, and all other appropriate roles. I think we are very open in our way of dealing with issues, as a foundation that does receive money from the federal Parliament.

I don't think it's appropriate to try to decide between these things. I think one needs a balanced approach between both supporting science, whether it's supporting science to the foundation or science done within government laboratories.... I think those things need to work together. We do need to know better how our climate is going to change. We also need to take action to reduce emissions so that we can at least reduce to some extent the rate of the change that will happen.

I would note that I was actually a member of the Canadian delegation to Kyoto, and I fully support it, but unfortunately the reality is that the world commitments to Kyoto are only a first very small step in the right direction—but still an important one. We are going to see climate change over the decades to come. We have to know in Canada how much, how fast, when, where, what its characteristics are; and we also have a scientific basis for our strategy to push the next round of Kyotos.

I don't think it's an either/or situation, but it's a balance of approach of emission reductions, science, and other activities.

Thank you.

[Translation]

Mr. Dale Marshall : The unfortunate thing is that Canada is counting too much on voluntary greenhouse gas reduction programs. According to the OECD, Canada should turn much more to the targets and fiscal instruments you mentioned.

In the area of targets, we would suggest the establishment of policies aimed at improving the fuel efficiency of vehicles. There should also be a program for big polluters. We also suggest an increase of the tax on those fuels that pollute more.

Lastly, there are three sectors where we see an increase in greenhouse gas emissions. These are the oil sector, motor vehicles and the electricity sector.

The electricity sector comes under provincial jurisdiction, but the federal government might do something about the other two. We should therefore be making greater use of the targets and fiscal instruments you suggested.

Mr. Bernard Bigras : Let us take the example of the sale of Petro-Canada shares. What do you think of that sale?

Rather than funding foundations that will study which technology might be put in place to combat climate change, we could very well use the proceeds from this sale to improve fiscal incentives so as to bring about a real reduction in greenhouse gases. It seems to me that the technology exists. However, we need fiscal incentives in order for this technology to be applied concretely.

M. Dale Marshall : In our presentation, we suggested that the proceeds from the sale of Petro-Canada shares be applied to the establishment of a renewable energy strategy, aimed not only at studying technologies that are not yet on the market, but also at broadening the Wind Power Production Incentive so as to include other technologies. It is not just a matter of studying technologies but also of ensuring production.

We are therefore in agreement with your suggestion.

• (1815)

[English]

The Chair: Merci, Monsieur Marshall.

Mr. Bell, Mr. Cullen, and then Mrs. Minna.

Mr. Don Bell: Thank you.

I had a question, first of all, for either Francine or Steve. Your booklet is called *The Business Case for...*?

Mrs. Francine Godin: *The Business Case for Active Transportation*—economic benefits.

Mr. Don Bell: You show a \$7-billion benefit. Can you define that benefit a little more for me?

Mr. Steve Grundy: The benefit takes a scenario where we use current active transportation use, which is about 10% for commuting to and from work. It projects what the benefit would be if we were able to move the population from that 10% level to 15%, which is what Victoria is right now. Again, it is realistic and within world standards—very realistic.

It looks at the economic benefits related to the environmental impacts, the health impacts of getting people more active, and the reduction in congestion costs associated with a more productive society. It even looks at tourism and the bicycle industry. It's very comprehensive in its approach.

We can certainly share that document with you.

Mr. Don Bell: You mentioned in your discussion that infrastructure would be needed. What's the cost of the infrastructure to gain the benefit?

Mr. Steve Grundy: What we're saying on the infrastructure side is to advocate for a fair-share allotment of the current spending on transportation infrastructure. So if we're building roads already, let's make sure that at least 7% of the money being used to build transportation infrastructure or roads is going toward walking and cycling facilities as part of that infrastructure. So we're not suggesting more spending, but a fair-share allotment to those people who choose to walk and cycle.

We know that in communities with that infrastructure, the rates of walking and cycling increase significantly.

Mr. Don Bell: You made a reference to some European cities getting 40% use of mass public transit. To what do you attribute that large increase? The concentration of population in an area?

Mr. Steve Grundy: Actually, if you've been to cities in Denmark, for example, it's attributable to infrastructure specifically designed for bicycles. As an example, they have stoplights for bicycles next to the stoplights for cars. That kind of infrastructure, or safe places for people to choose to walk and cycle, has actually got the use of active transportation—not public transit—up to rates of 40% for commuting to and from work.

Mr. Don Bell: By active transportation you're referring to things that require energy...?

Mr. Steve Grundy: People-powered energy

Mr. Don Bell: People-powered energy, okay.

Mr. Steve Grundy: But not the other kind of energy.

Mr. Don Bell: As opposed to mass public transportation.

So you're saying 40% active transportation in Europe or public transportation?

Mr. Steve Grundy: Active transportation in many countries in Europe. Coincidentally, those same countries have the opposite trend in obesity.

Mr. Don Bell: Would active transportation in that case include walking, from your point of view?

Mr. Steve Grundy: Absolutely. Walking and cycling would be the primary modes, but it could include things like in-line skating, for example.

Mr. Don Bell: The reason I ask is that as a former municipal and regional politician, I've looked at ways to try to increase either cycling or public transit through TransLink. The big problems are convenience, particularly in areas with inclement weather, and cost to some degree. The other issue, I presume, is the function of density—which is why I asked that question—in bringing people closer to their place of work so that it's practical to walk.

Mr. Steve Grundy: Those are very real issues. You've nailed them in terms of what Canadians tell us and what their practices are. That's why things like trying to influence the spending from the infrastructure funds, for example, becomes keenly important. If we can influence that spending slightly, then issues of sustainable communities and density issues tie very nicely together to build communities that support active transportation.

Mr. Don Bell: I just want you to know that I'm doing my bit for active transportation; my accommodation in Ottawa is a 15-minute walk every morning, or 11 blocks. I've counted them.

I'm very pleased with your presentation. I'd like to get copies, particularly of the book you referred to.

Thank you.

The Chair: Mr. Cullen, for six minutes.

• (1820)

Mr. Nathan Cullen (Skeena—Bulkley Valley, NDP): Six minutes for a world of questions.

I'd also like to thank you all for the portions I've heard since coming in.

I have one small question with respect to active transportation, and one slightly larger one on the Kyoto file.

I'm wondering if you can speculate on why, as we enter into another fiscal regime and the call is out for billions more in health care spending and promises are being made in the \$30 billion and \$40 billion mark, there's such apparent resistance to preventive health care costs and so much attention toward illness care, as opposed to health care, within our society right now, particularly coming down from the federal government.

Mr. Steve Grundy: We're wondering about the same thing. We've been pushing the issue on the preventive side for a long time. Chronic disease in this country is skyrocketing, and physical inactivity is one of the primary risk factors for it.

I can't specifically answer why there's a lack of action on this. I can tell you that if it's not addressed, we're going to have an epidemic in obesity and diabetes in this country that will put our health care costs over the top—and they're already starting to.

Mrs. Francine Godin: What is important in that also is that we make it easy. If it's easy, people are going to take it. That's the reason they were pushing so much for the infrastructure, because sometimes just doing a little reroute would be easy. And yes, people can do it and it's safe.

Mr. Nathan Cullen: Just to jump in quickly—

Mr. Dale Marshall: We also talked a lot about health, because health maintenance also involves environmental quality. So a lot of the movement toward renewable energy, which a lot of people are advocating here, a move away from dirty fuels, means better air quality in our cities, better health for our citizens. And it's never mentioned when ministers get together and talk about health care spending, the health maintenance aspect of it and the ties, not only active transportation but also environmental quality.

Mr. Nathan Cullen: Thank you.

I represent a rural and predominantly native riding. I'd say we already are in the midst of an epidemic with respect to type 2 diabetes.

With respect to Kyoto—which remains a four-letter word in parts of our country—Mr. Bigras mentioned the Petro-Canada sale and the available moneys. I'm wondering how we're going to position ourselves in the global market to take advantage of the coming energy needs, particularly in the east but also on a global scale, to position Canada in such a way that we become the leaders in the newer edge of technology. Particularly, as this is a finance committee, the top two—and I'm addressing it down toward this end of the table—financial reforms that we need to enact within the next year to two years that you think will allow Canada to...

We've run the argument, and I've heard the numbers of how much potential money our economy could glean from a strong climate change policy. What specific things would this committee need to consider over the next 365 days, let's say?

Mr. Mark Rudolph: If you're looking specifically at—

The Chair: Mr. Cullen, just address your question to a specific person.

Mr. Nathan Cullen: Yes, my question is for Mr. Rudolph.

Mr. Mark Rudolph: If you're looking at the benefits on GHG emissions from green power, and we're talking there specifically about electricity, there is the wind power production incentive that's in place now. The throne speech talks about quadrupling the size. We're recommending they stay at 1¢ per kilowatt hour if you do that. We also recommend you put into place a green power production incentive in order to cover renewable technologies other than wind. Your investment would not be a large investment over time. The reductions of emissions, the increased employment opportunities, would be....

You're creating a new industry and reducing GHG emissions and cleaning the air at the same time. You're also improving children's health. The benefits are enormous. For instance, I think the fact that I'm here at this committee relates to the fact that our coalition name is the Clean Air Renewable Energy Coalition. I presume you people are also meeting with people involved in the energy industry. I could have come to that. You're probably meeting with people from the corporate sector. I could have been here representing the corporate sector or jobs or children's health or whatever.

The fact of the matter is that renewable energy as an industry has so many benefits and co-benefits. This isn't just about Kyoto; this is about, as Minister Dion has talked about, a new industrial revolution, putting Canada in the 21st century. GHG emission reduction is a very nice co-benefit, but that's not the only reason we're promoting renewable energy here. Financially, it makes a lot of sense for the country.

The Chair: You have one minute.

Mr. Nathan Cullen: Just before you go ahead, Mr. Marshall, are there any concerns from you or anyone in this group around the minister stepping away from...? There's been some discussion of moving away from targets, that we need to stop focusing on them, that they're diverting attention. Is there any concern within the work you do for that type of discussion?

Mr. Dale Marshall: Go ahead. I think he's asking you.

Mr. Mark Rudolph: I personally don't.

I'm very big on action; I think we should just get on with it. If we spend time talking about targets and timetables forever, we're going to be beyond the first commitment period. I'd like to see a WPPI and a green car production incentive in place in my lifetime, and I'd like to see a lot of renewable energy across the country.

• (1825)

Mr. Dale Marshall: That being said, targets and timelines do focus attention, and when we don't have them, it's really easy to... there's no accountability there.

To answer your other question, a lot of the policies that we talk about fall generally within a full cost accounting framework. If you include the full cost of all the different energy sources, what it means is that you get rid of subsidies to nuclear energy, you get rid of subsidies to mining, you get rid of subsidies to the oil and gas industry. For example, the fuel excise tax that I'm talking about would fully incorporate the health and environmental externalities that are there, which we're paying for and, in many cases, the federal government is paying for through health care transfers.

Many of the policies we talk about have to do with a full cost accounting framework that finance is completely able to implement if they have the political will to do it.

The Chair: Thank you, Mr. Cullen.

Mr. Stensil, you had a comment?

Mr. Shawn-Patrick Stensil: Yes, two things.

Again on targets, we shouldn't be just looking at a 2010 target; we should be looking at a 2030 target as well. One of the problems we have with our Kyoto plan right now is that it's made to get us just to that 2010 line—and just. We should be aiming now to start building momentum through these industries to launch us past that. If you look at other countries, like the United Kingdom and Germany, they've set long-term targets. By 2040 they want to reduce GHG by 40%, 50%. What that does is send a really strong message to industry to start adjusting their business plans.

So we need to start thinking about that momentum, as well.

A second thing that I would intervene in on energy is let's not forget the word "efficiency". We should be looking at that on par

almost with developing new sources. New Brunswick just set up an energy efficiency secretariat. They're going to mine energy efficiency, 150 megawatts, over the next five years or so.

These are programs that work. I know it's not politically sexy because there's not a megaproject there, but they are programs that work. Quebec as well has just stated that it will invest a billion dollars, I believe, into energy efficiency.

So those are other aspects that we need to work into the plan.

The Chair: Thank you, Mr. Stensil.

Quickly.

Dr. Gordon McBean: Thank you.

I just wanted to quickly comment. I certainly agree with my colleague here that the idea of focusing on Kyoto in 2010 is very shortsighted. I would say 2050, at least. We need to look at a major change.

I also wanted to comment that although we're not an agency to fund technology development, we are doing things that are directly related to greenhouse gas questions. One of our research networks is led at the Université Laval, which is investigating the capacity of our forest and agricultural ecosystems to absorb carbon. Does this source-sinks part of Kyoto actually make any sense? So we'll actually have some science base when we go into this the next time.

We have another project on climate modelling, which is supporting Hydro Québec and Manitoba Hydro, led at Université du Québec à Montréal, to figure out how much hydroelectric power we will actually be able to generate in 2015 or 2020 as the climate changes and the water cycle changes.

Thank you.

The Chair: Thank you.

Are the witnesses available for an extra five minutes? I have two more, four minutes each.

Mrs. Minna, and Monsieur Loubier, *quatre minutes*, four minutes.

Thank you.

Hon. Maria Minna: Thank you, Mr. Chairman. I'll try to be quick.

Firstly, I want to say that on the active transportation, I was quite familiar with what you were doing. I was reading a bit of stuff on it a couple of months back, and I was very impressed. I just wanted to ask you very quickly, the Nordic countries are doing a very good job too, right?

Mrs. Francine Godin: The what?

Hon. Maria Minna: The Nordic countries in Europe. In the same report on children, it says their children are doing far better than our children, in the child care level group. Our kids don't get outdoors at all. Our child care kids stay indoors all the time. They don't actually go outside for walks. This is very sad, even though.... They play outside; here, when it's cold everybody goes in.

I just wanted to ask a question on ethanol. We've had a great deal of discussion in caucus on the issue of using ethanol as part of the environmental....

Who would be...I'm not sure, would it be Mr. Marshall?

Mr. Dale Marshall: I can try.

Hon. Maria Minna: Are we going down the wrong trail, are we wasting time on that, or is it really a beneficial thing, really going to help?

Mr. Dale Marshall: There are benefits to having ethanol in gasoline. It means cleaner burning, fewer emissions, and lower carbon dioxide emissions—to a certain extent only. It depends on where the ethanol is coming from. If it's coming from grain-based ethanol, there are problems with it, because the energy that's required and the CO₂ that's emitted in the production of that ethanol is very close to what you'd actually get just from burning gasoline. With cellulose-based ethanol, you get CO₂ emissions that are much lower.

Unfortunately, the technology is close to commercialization but it is not at the same stage of commercialization. All of the ethanol that we see in Canada, and especially in the U.S., is grain based.

• (1830)

Hon. Maria Minna: Okay.

Mr. Barry Turner (Director of Government Relations, Ducks Unlimited Canada, Nature Conservancy Canada): May I jump in on the ethanol question, Mr. Chairman?

Ms. Minna, ethanol is now produced in Ottawa by a company called Iogen, out at the Ottawa airport. They've developed an enzyme that can convert wheat stalks into a fuel source. Prime Minister Martin was there in May when they produced the first commercial truckload of cellulose-based ethanol from an enzyme that they've developed over the last 10 years. The potential for that in Canada and the benefits to agriculture or producers once they take the wheat, the barley, or the oats off and they have this stalk that they normally burn or recycle into the earth.... If they could use that as a feedstock to produce ethanol, the potential is phenomenal for the agricultural community in Canada.

Hon. Maria Minna: A huge industry and a huge benefit to the environment, as well, to get the cellulose.

Mr. Barry Turner: Absolutely.

Hon. Maria Minna: With respect to cars and transportation, do any of you know what the car industry is doing? Is there any real research going on in the car industry, whether it's ethanol or electric cars and new efficiency or moving away from gas as much as possible? I know there's some stuff, but I mean really aggressive stuff. I'd like to really put some demand on the industry. I think they know the solution, if they really are pushed to it. Maybe I'm biased. I just don't believe we haven't been able to come up with an electric car that really works and can be commercialized and produced at a reasonable cost. Am I wrong?

Mr. Barry Turner: There are hybrid vehicles now that are functioning quite effectively.

Hon. Maria Minna: Right.

Mr. Barry Turner: But the industry needs incentive to convert to that kind of automobile.

Hon. Maria Minna: Quite a bit of incentive. Tax incentive?

Mr. Barry Turner: In California they're doing it by law. They're saying, that's it, there's no more fooling around, no more burning

gas, produce a car that will live off hydrogen—a Ballard cell—or electricity or solar panels. They're making a law in California. With 30 million people in a very small state, they have to. It's too easy here in Canada. Our industry is just lazy and it hasn't been forced by the stick of the federal government to say in 2010 there will be no more automobiles produced that are propelled by gasoline. You'd have a war on your hands if you did that.

The Chair: Mr. Stensil.

Mr. Shawn-Patrick Stensil: On that topic, it's brought up another theme that is common. We're not talking about necessarily far in the future technologies. All these technologies are on the shelf.

Hon. Maria Minna: That was my sense. They're here. They're not being used.

Mr. Shawn-Patrick Stensil: There are government studies. The federal government has a study showing that car makers for 2010 could improve the efficiency of their vehicles by 33%. Car makers frankly just have a history—they refused to do seat belts, they refused to do airbags—in actually implementing new technologies. The point that Barry brought up is very good. What we need in our policy package is actually a regulation. We can help them along with other incentives to get those cars on the road for the short-term target. Those technologies are there, and we just need an assertive policy like the one in California, which has passed regulations forcing car makers to reduce greenhouse emissions by 30% by 2015.

The Chair: Thank you.

Thank you, Ms. Minna.

[Translation]

Mr. Loubier, please.

Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ) : After hearing the question asked by my illustrious colleague from Rosemont—La Petite-Patrie, who is probably the member present who best understands environmental issues, another question for Mr. McBean came to me.

What worries me is the public funds management issue. You tell me that you are a private foundation but that you receive public funds. As a matter of fact, last year you received 50 million dollars from the federal government. Another foundation, Sustainable Development Technologies, received 250 million dollars.

When you add together all of the amounts that have been invested and that are now on the books of the foundations the federal government has set up, you arrive at a total of 10 billion dollars, not just for the environment, but for a little bit of everything. These 10 billion dollars do not fall under the purview of Parliament, of the auditor general or in fact of anyone. You have complete autonomy in the management and distribution of this money.

Mr. McBean, I am putting to you the following question, out of respect for taxpayers who want to know where their money is going : would you be prepared to open your books to the auditor general in order for her to carry out a proper audit? As a matter of fact, she has often denounced the fact that she was unable to carry out such an audit. Would your foundation be prepared to open its books tomorrow morning and to give a fuller account of the use it makes of public monies?

•(1835)

[English]

Dr. Gordon McBean: The short answer, Mr. Loubier, is yes. We in fact have provided information to the Auditor General at their request. We have our books audited. That is a very open process. It is on our website, if anyone wishes to look at it. They are invited to in both languages. We'd be quite happy to have the Auditor General or any other credible organization look at our books. We feel that we are an effective organization. I am a former bureaucrat in the federal government. I think this method of providing foundations with funding is meeting with mixed success.

[Translation]

Mr. Yvan Loubier : Given the tremendous open-mindedness you have just shown, would you agree, in the context of a complementary and very democratic process, to having the heads of these foundations appear annually before the Standing Committee on Finance or the Standing Committee on Public Accounts to table their financial statements and explain their accomplishments and the cost-benefit analyses of their endeavours? That would show the public and parliamentarians representing Canadians that the funds we provide you with are being used appropriately and that the people are getting their money's worth.

[English]

Dr. Gordon McBean: The short answer is yes, I'd be quite happy to appear before the public accounts committee if invited. I would be very pleased because I am very comfortable that we have done a very good job with taxpayers' money.

[Translation]

Mr. Yvan Loubier : You are very kind. Thank you very much.

[English]

The Chair: Thank you.

I'm not sure it's a pertinent question for this committee, but I know there are some foundations that have appeared before other committees when asked. I think it's the government operations committee. So I'm not sure it's a fair question.

I want to thank everybody for appearing.

I have one quick question. The proposals by everybody here are quite substantial. If the finance minister does decide to give the money, should it be done through the finance department, or should it be done through the Minister of the Environment and then he decides where the money should go?

It's a quick question. I'll just go around the table for a quick answer.

Mr. Marshall and Mr. Sadik, you didn't get a chance to speak. Do you think that's the way it should be done? Should the programs be implemented by the finance minister, or should the finance minister give a closed envelope to the Minister of the Environment and say, here's \$20 billion and you decide?

Mr. Dale Marshall: It depends what policy you're talking about. There are some where it's more appropriately Finance, and there are some where it's more appropriately Environment, but in the end, a lot of these policies that we have proposed we just want implemented.

The Chair: Thank you.

Mr. Sadik.

Mr. Pierre Sadik: In the first instance, what the Green Budget Coalition is proposing here today will save money for the federal government. So that can rest entirely with the Department of Finance. The finance department knows what sorts of subsidies are going out to the various sectors.

Apart from that, it probably makes sense, as I understand is often the case, for Environment Canada to describe a program in detail, cost it, bring it to the finance department, the finance department looks at it and costs it as well, and then sends the money to Environment Canada, if in fact the program has government approval.

The Chair: Mr. Stensil, quickly. No? Fine.

Mr. Turner.

Mr. Barry Turner: Mr. Chairman, your question is a good one, but—

The Chair: The answer has to be short.

Mr. Barry Turner: The greatest single policy statement of the Government of Canada annually is the federal budget. We collectively have given you all a message here today that the federal government can and should be doing more to protect the environment. Frankly, I don't think we care how it's done; just do it.

The Chair: Madame Godin.

Mrs. Francine Godin: The short answer is that it should be in three departments—transport, environment, and health—but it should have stipulations.

With Transport Canada, we're trying and trying to have something for active transportation, and they are not even responding. So as long as there are stipulations....

The Chair: Thank you for your patience and thank you for your time.

The meeting is adjourned.

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