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Chair

Mr. Massimo Pacetti

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• (0935)

[*English*]

The Chair (Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.)): Good morning, everyone. If we could get started, I'd like to thank all the witnesses for appearing. We've been trying to stay to a strict five minutes for interventions or opening remarks by all the associations or witnesses. That's preferable. This morning we have seven, and I think you're all here at present, so if you could respect the five-minute time limit, I would appreciate it, because then we have members who will ask questions.

Let's get started. I'm going to go by the list I have here, starting with the Canadian Manufacturers and Exporters, Mr. Myers.

Mr. Jayson Myers (Senior Vice-President and Chief Economist, Canadian Manufacturers and Exporters): Thank you very much, Mr. Chairman.

Canada's manufacturers and exporters are the businesses that create the wealth and employ the people who make the investments that pay for our social programs and health care in Canada. They make a very significant contribution to the Canadian economy, together representing directly 25% of total economic activity in the country, employing 2.5 million Canadians. That doesn't account for all of the jobs created in the sectors that are dependent on manufacturing and exporting. For every job in those sectors, there are two jobs elsewhere in the Canadian economy that directly depend on a prosperous manufacturing and exporting sector.

The sector is changing very rapidly and it's changing as a result of five major factors. One is the accelerated pace of technology and the intensification of competition from low-cost, very highly sophisticated manufacturing countries like China, India, Brazil, and Mexico.

The second, and partially a reflection of the first factor, is a profit squeeze the industry is facing as a result of intense competition that's pressing down prices while at the same time facing business costs that are rising right across the board. Margins are extremely tight in most sectors, especially in final goods production in Canadian industry. That is creating a significant amount of financial stress, particularly for smaller suppliers in Canada. It's that money that companies require to invest and grow. I think when we're looking ahead at the cost of mandatory overhead that these companies face in the form of taxation or regulatory compliance costs, it's certainly a priority for government to try to reduce those types of costs.

The third factor is continuing globalization of business. The fact is, companies are not only trading, they're investing and opening operations around the world. That means we have to be globally competitive in terms of the returns on investment and the tax structure and the type of infrastructure we provide industry in this country today.

Of course, demographic change is a factor. We're rapidly facing an aging workforce. There's more and more of a requirement for highly skilled, highly qualified personnel, and that's also an issue that's changing the nature of this business.

Finally, of course, just on the returns on investment, we're facing a situation today where even if nominal tax rates are competitive with those of the United States, they're not going to remain that way for long. Effective tax rates for manufacturers in Canada are much higher than those in the United States, as a result of better treatment for depreciation, better treatment on the capital tax side, and better treatment on state sales taxes for inputs into industry. We're facing a significant tax disadvantage in Canada in relation to the United States, and that says nothing about the incentives that are being offered in other jurisdictions in the world to attract Canadian investment and to attract manufacturing investment into those jurisdictions.

In our view, Canada requires a strategic approach to economic and fiscal policy, an approach that looks at every expenditure and at the economic impacts of those expenditures. We need a strategic approach that is directed at wealth creation, as well as the distribution of income. In fact, without the wealth creation, we don't have the resources to make an effective distribution of income in this country.

We recommend a six-stage approach, six priorities for fiscal policy. The first stage is to make sure we have the fundamentals right. Continue to ensure that the budgets are balanced, that there are adequate contingency reserves to offset economic downturns, and that the unspent reserves go to paying down the federal debt.

Second, we have to improve the efficiency of Canada's tax and regulatory systems in order to reduce the unnecessary costs borne by taxpayers. We recommend, first of all, accelerating the elimination of the federal capital tax; second, improving the administration of the R and D tax credit system; and third, restructuring the governance of the unemployment insurance fund so it's run more on an independent basis, more on insurance principles.

Next, we have to make a concerted effort to negotiate the reciprocal elimination of withholding taxes on interest with the United States and then move on to the withholding taxes on dividends and royalties.

We have to ensure that the government's smart regulation policies, the smart regulation initiative, which is highly important, is actually implemented.

● (0940)

We've had 12 regulatory reviews over the past 15 years in this country. All had good objectives, but frankly, nothing in the smart regulation initiative is different from existing regulatory policy. The question has always been the implementation of that policy; we don't have very effective implementation.

Finally, I want to thank this committee for the support you've given to Bill C-212, the User Fees Act. I think this was an extraordinary bill. Thank you for your support, as this achieved royal assent earlier this year. Now we have to make departments live up to the commitments they have under the bill to actually publish their service standards and to implement effective dispute resolution systems.

The final part of our strategy is three-pronged. First, to accelerate write-offs for capital equipment; then to move beyond that to reduce corporate income tax rates to 17%; and even beyond that, if we really want to be competitive today in the global environment and attract that investment we're talking about, we have to consider the introduction of an investment tax credit of at least 15% on investments in productive technologies.

These are some of the issues we've been discussing across the country in a series of 75 meetings that manufacturers and exporters have been convening, involving 1,500 manufacturers and community leaders. We'll be coming back to this committee in early February with the recommendations and the report of those meetings. As I said, the feeling in the community right now is that although this year has been extremely strong, I'm not nearly as optimistic as the Governor of the Bank of Canada that next year is going to be as strong. We have to be looking not only at the short term, but also at a long-term strategy that puts the emphasis on investment and on growing business and successful business in Canada.

Thank you.

The Chair: Thank you, Mr. Myers.

I just have a quick comment. I think you have six steps and in just one of the steps, the second step, you have six recommendations. So I think in total you have about 20,000 recommendations—

Mr. Jayson Myers: Well, probably there are a lot more than 30 recommendations in those six steps.

Some hon. members: Oh, oh!

Mr. Jayson Myers: I was trying to keep the six steps within five minutes.

The Chair: Next on the list I have the Canadian Federation of Independent Business. Mr. Whyte, will you be...?

Ms. Swift.

Ms. Catherine Swift (President and Chief Executive Officer, Canadian Federation of Independent Business): Thank you, Mr. Chair.

Thanks very much for the opportunity to make this presentation to you. We also plan to widely distribute the materials we've distributed to this committee, as well to meet with Ralph Goodale, the finance minister, on a number of these key issues.

We're representing currently approximately 105,000 small and medium-sized businesses across Canada who are CFIB members.

[*Translation*]

It is a serious concern to SMEs that the priorities to date of this government are focused on the spending side, while there does not seem to be any cohesive plan to promote growth in the sectors that generate government revenue, including the SME sector. History suggests that minority governments are big-spending governments, more focused on the short term, neglecting long-term implications of their actions.

Many of our recommendations today are phased in over several years, to provide certainty to the small business job creators and to ensure our economy can remain robust into the future, and not merely be dominated by short-term considerations arising from election promises. We will also be presenting to the committee fresh data that address some of the questions posed by the committee.

● (0945)

[*English*]

In the material we distributed to you today we've included two documents. One is our pre-budget brief itself and the other is a copy of a letter we sent after the election to all party leaders. The purpose of the letter was to point to policy areas that all parties could support—particularly important in the context of a minority government. The letter also contained results of a survey we conducted with each party before the election.

The survey showed that small business policy was an area that enjoyed broad support for all political parties. I just want to highlight some of the key areas where there was support from all parties. It included such things as mandatory debt reduction, which has been a priority of small business for as long as I can remember. We found consistently that our members actually valued debt reduction over tax reduction, which might surprise some.

The second issue, which Jay mentioned earlier, was the regulatory and compliance burden. All parties agreed that needed work. There has been an awful lot of good work done in the past, but very little action, regrettably.

A third area was shortage of labour and training-related issues, as well as further movement on the small business income tax threshold, which will reach $300,000 next year but really should be increased to $400,000. A number of provinces—Alberta, Ontario, New Brunswick, and soon Manitoba—have already made this move, so it would be consistent with provincial policy.

Another area of agreement was that our members have long believed we need more competition in the financial sector as a precondition to permitting bank mergers. Our members have consistently opposed mergers, without seeing an improvement in the competitive climate.

I just want to briefly highlight some fiscal and spending priorities. We are soon coming to the close of the ongoing five-year tax plan that was announced in 2000. Our members very strongly believe we need to look at an additional tax plan. It helps in business planning and gives some confidence to what's happening down the road, and especially in light of recent U.S. election results, there's going to be further pressure for tax reductions. So we're not finished on that file.

In the tax area, personal and corporate income taxes, as well as payroll taxes, notably EI, need to be reduced further. I'll echo the manufacturers' recommendation on the EI system. Currently, there's a notional $45-billion surplus—moneys that have been used for purposes other than EI. We definitely need a much more transparent system, a true EI fund that can't just be used for whatever purposes seem attractive at the time, with a real surplus so that we'll never see an increase in premiums again, given that $45 billion has already been taken out of that system.

In the public sector we've done considerable research, as have others, showing that on average, public sector workers enjoy a significant advantage over private sector workers in terms of wages and benefits. Holding the line in those areas is extremely important.

In the insurance area, a lot of the more severe horror stories on insurance may seem to have blown over, but recent surveys we've done show our members still consider it one of the top two issues in terms of measures inhibiting their businesses. We're not talking just about auto insurance, but rather business-related property and casualty. We recommend—and this committee would be an excellent place to hold it—a national inquiry into insurance.

The worst may be over for the moment, but we want to ensure that we never face that kind of crisis again. Premiums were doubling and tripling—even more for some—and some businesses could not even obtain insurance coverage and therefore had to either fly by the seat of their pants with no insurance or actually shut down their businesses, which is pretty unacceptable.

On the whole area of paper burden, regulation, and cost recovery, as I mentioned earlier, lots of good research has been done. What we need to see is some action. British Columbia has actually proven it has done some very good work, which the federal government could emulate very effectively.

I have a couple of final items on the tax side. The lifetime capital gains exemption of $500,000 for small businesses and farmers has not been changed since 1987. Inflation alone would suggest this exemption should be increased. We recommend $1 million. It could be done in phases over time.

Finally, we're facing an awful lot of succession issues in the small business sector, as we're seeing across all sectors of the economy. Given that the small business sector in Canada represents roughly half of GDP and employment and about three quarters of net job creation on average over time, we believe that some kind of more preferential treatment on capital gains when a business is being transferred within a family would be very welcome at this time. This would prevent some drastic negative impacts on the economy as a result of the number of business owners currently planning to pass on their businesses in one way or another.

Finally, the confidence level of small and medium-sized firms in Canada is essential to Canada's progress and job creation. We find our members currently are cautiously optimistic about the future, but there's no question that such things as a further five-year tax reduction plan/debt repayment plan would be very welcome and could further boost the confidence and therefore the job-creating and wealth-creating capacity of that sector.

Thank you.

● (0950)

The Chair: Thank you, Ms. Swift.

I have a quick question. If I follow the order of preference in this booklet, is that your order of preference?

Ms. Catherine Swift: No. They're not ordered in any priority way.

The Chair: They're not prioritized.

Thank you very much.

[*Translation*]

We will now hear Mr. Taillon, from the Conseil du patronat du Québec.

Mr. Gilles Taillon (President, Conseil du patronat du Québec): Thank you very much, Mr. Chairman.

The Conseil du patronat is happy to have been invited to share its priorities for action with the government, and thanks the Standing Committee on Finance for its invitation. We are going to summarize our presentation and attempt to reply to the main questions your staff submitted to us.

Firstly, what should be the program spending, taxation and other priorities of the federal government in the next budget?

Right from the outset, I wish to point out that the CPQ has no new program expenditures to propose. It considers, rather, that some budget strictures would be in order and that the leeway that would result from such rigour could be advantageously used to reduce personal and corporate taxes, and to provide financial support to the provinces in the areas of health, education and skills development, as well as for the renovation of collective infrastructures.

However, being rigorous does not necessarily mean that the federal government cannot show some creativity in its budget policy. To that effect, the main principles that should guide the federal government's budget policy are: continue to exercise fiscal prudence by setting aside budget surpluses for the contingency fund, in the interest of economic prudence; adopt realistic hypotheses in budget planning, so as not to discredit the budgetary caution exercise; review program expenditures in order to focus on essential spending; for the next few years, plan increases in program expenditures that keep pace with inflation; use personal and corporate income tax to stimulate economic growth, and monitor it to ensure that it remains competitive and effective.

Secondly, what federal budgetary measures are needed to ensure a strong economy?

To achieve this, we urge the federal government to use all the means at its disposal to further improve the productivity of businesses, in order to catch up with our American competitors.

To become more productive, businesses must invest in order to constantly modernize their machines and equipment. Corporate income tax is a powerful tool that the government can use to encourage new private investment.

In this regard, we recommend to the committee and to the government that it immediately abolish the federal capital tax, thus doing so sooner than expected; that it further reduce the tax on corporate profits to 17% in, so as to create a net comparative advantage for the businesses here; that it adopt accelerated amortization tax measures for new investments, so that we can better compete with the Americans.

We view very favourably the pursuit of new labour agreements with the provinces, funded by the employment insurance program. Those agreements could be improved both quantitatively and qualitatively. We agree entirely with Catherine and Jayson as to the need to review the employment insurance system to develop a more independent fund and management with greater participation by employers and employees.

Thirdly, how do we propose that our recommendations be financed?

To finance our recommendations, we suggest that you respect the following principle: freeze expenditures in real terms, that is to say do not increase them except to keep pace with inflation, and use the major part of surpluses derived from economic growth to fund the proposed tax measures, it being understood that the sums set aside in the interest of fiscal prudence will be applied to debt reimbursement.

The CPQ also believes that the federal government can, within its current budgetary envelopes, find monies to reallocate to priority needs. We entirely support the review the government is undertaking with a view to reducing its expenditures by $12 billion.

As for personal income tax, we urge the government to put forward a new five-year plan to reduce personal income tax. We believe that the federal government can do this. We have seen over the past five years that a plan to massively reduce income tax could be implemented without affecting the government's tax revenues, which increased by 20 per cent.

Our two proposed personal income tax reduction targets over five years are the following: reduce the top marginal tax rates to encourage the knowledge economy, and broaden the tax thresholds —I refer you to the presentation, page 9 of the document—to help the middle class and stimulate the desire to work.

Finally, how can the fiscal imbalance be redressed?

● (0955)

We propose that the federal government explore the following avenues in order to lessen the financial pressures felt by the provinces and the territories. Firstly, the government should as much as possible reduce the tax burden on individuals and businesses in the ways we have recommended, which will free up a larger tax base for the provinces. Secondly, insofar as health is concerned, the government must implement the agreement between the federal government and the provinces, and for Quebec, ensure that the federal contribution is on a par with 1988 levels. This would appear satisfactory to us at this time. Finally, it would be important to review the equalization program to ensure greater stability of provincial revenues.

Mr. Chairman, those were the main recommendations we wanted to make to the standing committee this morning.

The Chair: Thank you, Mr. Taillon.

[*English*]

Prior to appearing, you and the other people can submit your briefs in one language and we'll have them translated.

[*Translation*]

Your brief is not available in English.

Mr. Gilles Taillon: I submitted the brief.

The Chair: It would have been preferable that it be submitted prior to your appearance before the committee.

[*English*]

It's the same with the others. We offer the translation services for people...in the future when you appear. It's better, so that the members will have it. It's easier to follow for everybody.

[*Translation*]

It is better for everyone.

Mr. Gilles Taillon: For our next invitation, we will do that.

The Chair: This was very interesting. Thank you.

[*English*]

The next association I have here is the Canadian Council of Chief Executives, Mr. Stewart-Patterson.

[*Translation*]

Mr. David Stewart-Patterson (Executive Vice-President, Canadian Council of Chief Executives): Thank you, Mr. Chairman. I have provided you with our detailed brief in both languages.

Thank you for the opportunity once again to appear before this committee and to offer the views of the Canadian Council of Chief Executives.

The difficult choices Canadian men and women had to make in the 1990s were successful in that we saw strong growth in employment and record revenues for governments. The current period of healthy economic growth is thus an important window. While continuing to hope for the best, the government must take active measures and plan for the worst.

[*English*]

In short, after years of unexpectedly large surpluses, the next fiscal surprises could be ugly. The three biggest risks to the global outlook are high oil prices, huge government deficits in the United States, and the massive American current account deficit. Each of these could lead to slower growth and falling demand in the market that buys 80% of Canada's exports. It could also lead to a further plunge in the American dollar.

To address these risks and to keep Canada on a path of sustainable growth, the government's strategy has to include four elements. First, the government must maintain prudence in fiscal planning. Why? It's because we don't want to follow the United States back into the path of deficits, rising inflation, and high interest rates, and because paying off more debt frees up more money that's now spent on interest payments, which has to be the least useful use of taxpayers' dollars.

Second, the government must go beyond the current $12 billion reallocation exercise and make rigorous spending review an essential part of every year's budget cycle. Why? It's because the needs of Canadians change over time and because the government has a duty to look constantly for ways to make better use of taxpayers' money.

Third, the time has come for a second major round of tax cuts, this one with an initial focus, we would suggest, on corporate taxation. Why? It's because the government is depending on a strong economy to sustain the huge commitments it's making on social programs. Dollar for dollar, no fiscal measure can do more to drive growth than cuts in corporate tax.

Fourth, the government has to act quickly and decisively on the recommendations of the external advisory committee on smart regulation. Why? It's because smart regulatory reform can make a real difference in improving the business environment without adding to the burden on taxpayers.

Within this list I'd like to emphasize the importance of a new round of tax cuts, with the focus on corporate taxation. The sharp rise in the Canadian dollar is putting immense pressure on Canadian exporters, especially in the manufacturing sector. The sheer speed of this rise is squeezing profits just when manufacturers need to invest most in the new machinery and equipment that would raise their productivity and competitiveness. The choices Canada makes on corporate tax policy—let's be clear—will have a huge impact on how quickly Canadian enterprises can react and adapt to a higher dollar and on the extent to which their responses maintain and add to jobs in Canadian communities.

Canada's corporate tax rate is now slightly lower than the United States' statutory rate, but we need to go further for three reasons. First, while Canada's statutory corporate rate is now marginally lower than that of the United States, the effective tax rate, as others have pointed out, is higher. Second, further tax cuts are certainly on the agenda of re-elected President George W. Bush for his second term. Third, to compete with the United States, to attract investments and operations that are going to service customers across North America, we've got to counter their natural economic gravity and offer some pretty compelling reasons that go straight to the bottom line.

In today's world, high corporate taxes simply don't pay. According to the IMD World Competitiveness Yearbook, Canada has the fourth-highest corporate tax rate out of the 60 countries it compares, and yet we rank only 33rd in the amount of corporate income tax revenue collected. Australia, with a corporate tax rate seven percentage points lower than ours, collects 45% more, as a share of its economy, in corporate income tax revenue. Ireland, with the lowest rate in the group at 12.5%, collects 25% more of its GDP in corporate income tax revenue than Canada does. And for that matter, when Canada cut its corporate tax rate by two percentage points at the beginning of 2003, corporate income tax revenue in the next fiscal year was up by 23%, or more than $5 billion.

Low corporate tax rates do more than just accelerate growth by encouraging investment. They also attract more companies that make more money and ultimately generate more revenue for governments. Smart corporate tax policy, we're suggesting, should therefore be front and centre in the next federal budget.

● (1000)

[*Translation*]

Ten years ago, a crisis forced Canada to arrive at a new consensus, which required painful choices and years of effort before culminating in the healthy economy we are enjoying today. This time, Canadians should opt for a better approach. Rather than waiting for the next crisis, we have to take advantage of the tax flexibility we currently enjoy. We should act now in order to ensure sustained growth of the Canadian economy, which will allow us to maintain a good standard of living in spite of the constant pressure of competition and the inevitable ups and downs we will have to face in the world of tomorrow.

Thank you, Mr. Chairman.

[*English*]

The Chair: Thank you.

The next group I have here is the Business Tax Reform Coalition. Mr. Larson.

Mr. Roger Larson (President, Canadian Fertilizer Institute, Business Tax Reform Coalition): Thank you, Mr. Chairman. With me today is my colleague, Paul Lansbergen, from the forest products industry. I work for the Canadian Fertilizer Institute. We are two of 11 associations that are members of the Business Tax Reform Coalition. This coalition includes the resource extraction, upgrading, and conversion into high-value-added products and the hi-tech sector.

We represent over 10% of Canada's GDP. Our industries export some $200 billion, which is roughly half of Canada's total exports. Canada's export industries are facing increasing competitive pressures that are in part due to the rising Canadian dollar. Whether you work for a fertilizer plant in Saskatchewan or Alberta, or a pulp and paper mill in northern Quebec or in B.C., or the hi-tech sector in Kanata, many of the high-skilled, high-paying jobs in Canada are part of our coalition, jobs that Canada needs in the 21st century to sustain our living standard and to be part of keeping Canada on the front line of emerging technologies and values.

Collectively, the Business Tax Reform Coalition is concerned that Canada, by every measuring stick, is lagging in attracting new investment compared to our NAFTA partners, compared to OECD countries, and compared to the global average. We are attracting a dwindling share of foreign direct investment.

Our coalition has identified three priorities: debt reduction—we need to continue to pay down the federal debt; spending restraint—public spending should increase at no more than the rate of growth of the GDP; and tax competitiveness—the U.S. has already acted to keep its business community competitive on taxes.

I will turn this over to my colleague, Paul Lansbergen, to outline our key points on taxation.

● (1005)

Mr. Paul Lansbergen (Director, Taxation and Business Issues, Business Tax Reform Coalition): As Roger mentioned, the coalition is focusing on the corporate income tax structure. We have three recommendations for the committee. The first is to set out a plan to bring the federal corporate rate down from 21% to 17%, to open up a clear Canadian advantage, as other witnesses have already mentioned.

Further, we need immediate elimination of the large corporation tax and also the federal corporate surtax. No phasing on these two elements. We feel it is very important to move on these two elements now and that there is room in the federal budget for movement on these two. As well, we believe the federal government should assess the fiscal and economic development benefits of a two-year accelerated write-off for new capital investments.

In conclusion, I would like to suggest or reiterate that as far as the current budget surpluses, there is room in the fiscal plan to increase social spending, pay down the debt, and bring in a more competitive corporate tax structure.

We look forward to answering any questions you may have. Thank you.

The Chair: Thank you. That was very good—in terms of time.

Voices: Oh, oh!

The Chair: All the presentations have been good up to now.

The next group is the Canadian Chemical Producers' Association. Mr. Arnold.

Mr. John Arnold (Senior Income Tax Advisor, Imperial Oil Ltd., Products and Chemical Division, Canadian Chemical Producers' Association): Thank you, Mr. Chairman.

The CCPA represents Canada's chemical producers. The business of chemistry is a $21-billion-a-year enterprise for CCPA's industrial chemical manufacturers, through which they provide the basis for the broader $42-billion-a-year chemical and chemical products sector. CCPA members export 60% of their production, and 80% of those exports go to the U.S. We are keeper to services and technological innovation in this economy. Our newest and best technologies continuously improve our environmental and economic performance. Our responsible care efforts support sustainable development, and we are working toward global triple bottom-line reporting of social, economic, and environmental corporate performance.

In the last seven years we have invested over $10 billion in the latest technologies. As a consequence, we have higher productivity than our counterparts in the U.S. and Europe. Over the past ten years members have reduced all emissions by over 72% and toxic emissions by 79%. Since 1992 we have reduced greenhouse gases by 25% while increasing output by over 50%.

Canada does not present to external investors a clear competitive advantage. There is no compelling case that Canada needs to be home to the next round of new investments in the latest and best technologies for our sector. Fiscal and tax policy can play a key role in establishing and maintaining our global competitiveness and attractiveness. That is why we are here today.

Canada's chemical producers would like to alert this committee to a disturbing trend that will affect Canada's economy, in particular its manufacturing and resource industries, and that will have profound implications for public policy and tax policy. Notwithstanding the good performance of the Canadian economy, there are strong trends indicating that investment and growth are shifting from North America and Canada to Far East locations, particularly China and India.

Some committee members may already know that Ireland has now surpassed Canada as the largest exporter of chemicals to the United States. The major reason for the growth of their industry, as has been mentioned before, is the low Irish tax rate of 12.5%.

To respond to this challenge, maintain our prosperity, and provide new, well-paying jobs for new graduates, Canada needs to ensure that it has the best possible investment environment for industry. This means that Canada must maintain balanced budgets, focus on improving our performance in areas such as smart regulation, and make further strides to create a very competitive tax system. In addition, we need better government policies on a national basis in areas such as energy that ensure that we are able to produce products at a reasonable price in the context of the world market.

The U.S. has just passed the American Jobs Creation Act for 2004. The corporate tax cuts in that legislation will result in further erosion of our tax competitiveness, undermining our ability to win new investments and jobs. Capital investments in new environmentally friendly manufacturing processing equipment are needed, and Canada needs to improve its share of foreign direct investment, which has slipped in recent years.

The CCPA urges that care be taken to keep spending increases to no more than GDP growth as a long-term goal. Spending level increases over the past several years are not sustainable. Debt reduction should continue to be a priority. Canada should focus on policy areas such as energy policy and smart regulation, which can improve Canada's competitiveness.

The corporate tax burden in Canada is still too high, and as others have suggested, the corporate income tax rate for manufacturing and processing should be further reduced to 17%. The time has come to eliminate the federal corporate surtax, which was originally introduced to help combat the deficit. I think it's time to acknowledge a job well done. Capital tax, acknowledged by all as a bad tax and in the process of being phased out, should be eliminated with this budget, effective January 1, 2005.

● (1010)

The CCPA urges this committee to recommend a broad review of capital cost allowance categories and rates and suggests a return to a two-year write-off for manufacturing and processing equipment to clearly advantage Canada as a place for new investments. Accelerated capital cost allowance would also encourage more investment in environmental technologies in response to concerns about climate change and air quality.

Thank you for the opportunity to appear before the committee. We look forward to any questions you might have.

The Chair: Thank you, Mr. Arnold.

Next on the list I have the Canadian Chamber of Commerce. Mr. Murphy.

Mr. Michael Murphy (Senior Vice-President, Policy, Canadian Chamber of Commerce): Thank you very much, Mr. Chairman. I appreciate the opportunity to be here on behalf of our members across the country.

Let me begin by briefly acknowledging and applauding the progress the federal government has made on the fiscal front in recent years: the record of seven years of balanced budgets, a debt-to-GDP ratio at a 20-year low, and the additional actions to institute a new management culture, including a fundamental review of programs and expenditures, which the chamber wholeheartedly supports.

However significant these achievements may be—and they are—this should not give any of us the impression that somehow all is well and nothing more needs to be done. Indeed, there is still much more to be done.

[*Translation*]

International economic integration and the efficiency of communication and information technologies intensify competitive pressures. Individuals, businesses and capital are becoming increasingly mobile. Demographic changes also are raising some serious issues. The aging of the population will have some serious budget consequences in almost all OECD countries, Canada among these.

[*English*]

If we want additional resources in the future, we must grow Canada's economy on a long-term basis. In order to fuel the long-term expansion of the economy, we must increase productivity. To help us achieve this, the government must put in place policies that create the conditions for better growth and higher incomes for all Canadians.

Today I will focus on fiscal policy. In this regard, we are pleased to see the creation of a new cabinet committee on expenditure review to conduct a fundamental review of all programs, with the goal of generating savings every year. Our submission further details the Canadian chamber's recommendations on how program spending must be controlled by imposing an annual cap on spending.

In general, the chamber suggests that growth in government program spending should never outstrip growth in the economy—that is, nominal GDP. The chamber, however, goes one step further and recommends a spending cap or an upper limit on growth of 3% per year, based on anticipated growth in population plus inflation. Newer growing needs must be accommodated within this budget constraint and by reallocation.

The chamber also believes we must continue to focus on reducing debt. It is important that the government continue to allocate the contingency fund, if unused, to debt reduction, and if the economy performs as forecast, the reserve for economic prudence should also be committed to debt reduction—as well, of course, as any unanticipated surplus arising at year-end. Cost savings realized from lower interest payments would make room for budget initiatives that can improve the standard of living of Canadians.

The decline in net public debt has already resulted in ongoing savings of debt interest payments of about $3 billion every year. We need to continue to reduce our debt load to prepare for the fiscal strains of the future.

[*Translation*]

As we mentioned previously, these past years, the federal government has taken steps to reduce personal and corporate income tax levels. The Canadian Chamber of Commerce feels that those measures should only be the beginning of a series of tax changes. This is an opportune time for new initiatives.

● (1015)

[*English*]

From a tax policy perspective, easing the burden of personal taxes is a chamber top priority for Budget 2005. First and foremost, we must reduce the marginal personal income tax rates for low- and modest-income earners, especially families earning between $25,000 and $35,000 annually. These taxpayers see many of the public transfers they receive clawed back as income rises.

We also believe there should be downward movement for the top marginal personal income tax rate. Within a decade, 100% of Canada's net labour force growth will come from immigration. In order to attract and retain highly skilled and talented workers, the federal government should in the next budget raise to $150,000 the threshold at which the top marginal personal income tax rate kicks in.

The second area that requires fixing is Canada's employment insurance program. The government needs to ensure that it is conducive to fostering productivity and, in turn, economic growth. Specific recommendations on lowering EI premiums and managing EI as a true insurance program are contained in our submission, which you have.

The third area on our tax front that is particularly problematic and does require attention is Canada's effective tax rates on capital, which incorporate corporate income tax, capital taxes, sales taxes on capital inputs, and depreciation allowances, all of which directly affect capital investment. Canada's effective corporate tax rate on capital for medium- and large-sized companies now stands at 31.7% compared to 25.8% in the United States. It is also urgent to ensure that corporate dividends and business capital gains are taxed at the same rate under the personal income tax scheme.

Last but not least, in the next budget the federal government should eliminate withholding taxes on arm's-length interest payments under domestic legislation. It should immediately commence negotiations of tax treaty changes with the U.S. to eliminate withholding tax on interest on non-arm's-length transactions on a bilateral basis. Withholding taxes impede cross-border flows and constrain the availability of capital in Canada.

[*Translation*]

The 2005 budget provides the government with an opportunity to put tax matters on its agenda again and to clearly define its objectives in this area. The Chamber of Commerce of Canada feels that the government could in time implement some considerable tax reductions and implement all of our recommendations.

[*English*]

By implementing the recommendations that we've outlined here today and in our submission, Canadians will enjoy a higher standard of living in the future and Canada will become more competitive in the international arena—in essence, a place to be, both for individuals and businesses.

Thank you very much, Mr. Chairman.

The Chair: Thank you, Mr. Murphy.

We're going to start with the members in seven-minute rounds: Mr. Penson, Monsieur Côté, and Mr. Carr.

Mr. Charlie Penson (Peace River, CPC): Thank you, Mr. Chair.

I'd like to welcome this panel here today. It's very informative and it stimulates some good discussion. I would like to pick up on it, though. There are two areas I would like to explore in the limited time we have. The first is the evidence that simply won't go away about the connection between lower taxes and more revenue for governments.

Mr. Stewart-Patterson, I know you talked about it. There are all kinds of jurisdictions that have shown that as corporate tax levels are lowered, governments actually increase their revenue. That's the first thing I'd like to pick up on.

The second thing, and I think they're hooked together, is the alarming nature of some people's acceptance of these big surpluses that we're running, or in the budgetary process—and I think Mr. Taillon referred to it—that it's a great thing that we have these unexpected surpluses every year.

Mr. Taillon, you talked about the need to not discredit the budgetary process. I agree with you wholeheartedly, but further than that—to the panel—I'd like you to talk about when we have a budgetary process that doesn't allow the kind of discussion we need to have, a debate about whether taxes can be lower.

In connection with that, if we're going to have rates of spending—and a number of people have talked about it—by the federal government that exceed normal inflation levels plus population growth, in some cases exceeding it almost two to one, how does that all work with being able to stimulate the economy and make the kinds of investments we need to reverse the trend in our low productivity and our competitiveness, which needs to be improved? I would like the panel to have a go at that.

The Chair: I would like the member to ask specifically the person he'd like to have answer the question. I think a show of hands would be appreciated.

● (1020)

Mr. Charlie Penson: I'll start with Mr. David Stewart-Patterson because he introduced this.

Mr. Murphy also talked about the need to reduce or restrict government spending. So we'll see where it goes from there.

The Chair: I'd like to remind everyone that it's seven minutes for the question and answer for the member, so keep the length of the interventions to a minimum as well. Thank you.

Mr. David Stewart-Patterson: Mr. Chairman, I will try to keep it brief.

I think I've given you some examples of the impact of lower tax rates, often raising revenue. Frankly, this leads into the question about how to read the unexpectedly large surpluses.

One of the points that's important to make is that out of the $9.1 billion surplus that was reported in the last fiscal year, $5 billion of that came from an increase in corporate income tax revenue in a year where the rates went down by two percentage points. Either you believe the lower rate had some form of impact on that increase in revenue or you're saying the increase in revenue came purely from factors beyond Canada's control—high growth and strong demand in the U.S.—in which case, Canada is very much at risk from those same international factors that we can't do anything about and we'd better not be counting on that revenue repeating year after year as a basis for funding more programs.

I think it's important to note that it doesn't matter which side of the argument you want to take; it still says be very careful on the spending side and be prudent in your forecasting going forward.

The other comment, just picking up on your question about competitiveness, is that I think one of the things that's highlighted is getting beyond the question of where the statutory corporate income tax rate would be. There are lots of ways to reduce the effective rate, and some of them have been talked about here—improving depreciation rates, and so on—but I think one of the most telling things is that Canada seems to tax excessively investments in new machinery and equipment. That's something we all agree is important if we're going to increase productivity, increase our competitiveness. It just makes no sense to me, and I don't think it makes sense to many of you, to have an effective tax rate on investment and machinery, for instance, that's 15 percentage points higher than on investment in land.

Mr. Charlie Penson: Mr. Stewart-Patterson, I'm sorry to interrupt you, but my time is limited here.

Mr. David Stewart-Patterson: Sorry, sir.

Mr. Charlie Penson: Picking up on that, there have been a number of suggestions made that we could increase the rate of the capital cost allowance depreciation. There's also been another one on investment tax credits. Would you favour that?

Mr. David Stewart-Patterson: Again, anything that reduces the effective tax rate is going to help drive future economic growth. I think if you want to be more targeted in reducing taxes and focus particularly on companies that need to make investments in new machinery and equipment to cope with the sharp rise in the dollar and to aim at that short-term piece—anything that essentially improves the effective after-tax return on such investments is going to be useful. There's more than one way to skin that cat.

Mr. Charlie Penson: But which is the quickest way to stimulate it?

Mr. David Stewart-Patterson: Again, the more targeted you get, the more impact you can have for any given dollar. On the other hand, you want to be careful about introducing too much distortion. I think the focus should be on reducing the amount of distortion within the current structure.

[*Translation*]

The Chair: Mr. Taillon.

Mr. Gilles Taillon: My comment is addressed to Mr. Penson. First, we have seen a perfect demonstration that together with a tax reduction, such as the one the government implemented between 2000 and 2004 when it reduced income tax by $100 billion, there can be an increase in tax revenues. During that period, tax revenues increased from $158 billion to $189 billion. So income tax was reduced while revenue increased.

You have to continue. It is better to have a surplus rather than a deficit at the end of the year. Over the course of the past 30 years, the Canadian government ran several deficits, and experience has taught us that surpluses may indeed be better than deficits. However, when the surpluses announced year after year are unpredictable, the government demonstrates that it is overtaxing its citizens. That is a sign that the time has come to provide them with some relief.

[*English*]

The Chair: Mr. Whyte, go ahead. Then Mr. Murphy and Mr. Myers.

Mr. Garth Whyte (Executive Vice-President, National Affairs, Canadian Federation of Independent Business): They've made the point: lower taxes, more revenue.

I want to quickly mention that the priorities our members have identified for productivity improvement would be to reduce the payroll tax—the tax on jobs—reduce income tax, and pay down the federal debt.

On page 9 we also identify priorities on government spending. In one area, like the general public, they mention health care, education, and infrastructure development as key priorities, but where we may break from the pack is that our members really give a low priority to grants and subsidies to business. That's an area you could start looking at and review. You may get some money.

They say there's a connection, that if you lower taxes you're going to take away from government spending. But if we look at the history of government spending—and that's on page 9 and it's based on your reports—in the changes in government spending from 1998 to 2004, total expenditures went up 22% and debt servicing went down by 15%, but personnel spending, spending on government salaries and benefits, went up 42%. So there's a disconnect. We say, oh, we cut taxes and then we're going to cut programs.

Actually, the spending isn't going to programs. It's going to raising that gap on government salaries and wages and benefits. That's why we've really been a stickler for focusing on that side of it. There's an assumption that if you give money to health care it's going to health care programs; it may be going to health care salaries.

A voice: It is.

● (1025)

Mr. Garth Whyte: I think it's a major point.

The other point we mention is that if you have some money sloshing around, it's going to be spent. That's why we want this multi-year tax plan. It gives confidence to the business community, and it can incorporate corporate income tax, personal income tax, and payroll tax. But when you have that multi-year tax plan, it puts a cap on the revenues that are generated.

The Chair: Mr. Murphy and then Mr. Myers. Quickly, please.

Mr. Michael Murphy: I'll be very brief, Mr. Chairman. I'll just pick up on the one element of the question on the spending side, which dealt with the kind of general principle that I think we have in the country today.

I think the first comment is very positive, the idea that we have balanced budgets now ingrained as a general principle in terms of managing ourselves as an economy. I think there's no disagreement there. Most importantly, I think the Canadian public believes that's important. So we start on that general principle, and it's the right one.

Now you have to look inside that system itself and look at the balance that either existed or didn't exist. It's been skewed the last several years on the spending side. Program spending has been up, on average, 6.5% or so for the last several years.

In and of itself, I don't think that's sustainable. What it also has done is taken the tax agenda right off the radar screen. I think the message today is to try to achieve some sort of a balance under the general rubric of balancing budgets, and bring some of that balance back into the equation.

I'll leave it at that.

The Chair: Mr. Myers, quickly.

Mr. Jayson Myers: I have four quick points. First, there is enough analysis of corporate tax changes in other jurisdictions around the world, but by now the evidence here in Canada is replicated in other jurisdictions as well, and it's just time to take that analysis seriously in our tax planning.

Second, the benefits are not only as a result of higher corporate taxes paid; it's also as a result of lower spending by government. Government doesn't have to be spending in terms of income support because there are more people employed as a result of this investment.

Third, I think if we're moving forward and having to—

Mr. Charlie Penson: Mr. Myers, I'm sorry, can I just interrupt you there?

Your point is that you get a double hit there: government is getting more revenue and spending less because there is lower unemployment and there is more participation in the labour market. Is that right?

Mr. Jayson Myers: That's right. If we had a competitive corporate tax system we wouldn't have to have the ad hoc assistance to business to compete against all the incentives provided in other jurisdictions around the world. We'd have the investment coming in. We'd have the employment being created. Therefore, our draw on the unemployment system wouldn't be nearly as high. So there are these other benefits on the spending side as well.

But if we're moving strategically here, and looking at fiscal policy as a whole, let's recognize that the demands that are going to be placed on the fiscal policy of this government over the next several years for spending are going to be quite high because of the aging population. So we have to look at investment in economic growth in order to provide the resources to cover those demands.

And finally, on the tax credit system, not only is it targeted, but there are two other things. Number one, it rewards performance. You only get the tax credit after you've made the investment. Number two, since we're trying to stimulate economic growth, that depends on investment. So what we should be doing is taking a strategic approach to growing investment in this country.

That's what creates the wealth, and why we can't do it.... Every other single jurisdiction in North America is trying to do exactly that. The Koreans are doing it, the Chinese are doing it, and the Europeans are doing it. Let's not be naive. This is competition for the industrial base here. If we're going to continue to create that wealth, we have to be competitive as well.

● (1030)

The Chair: Thank you.

Monsieur Côté.

[*Translation*]

Mr. Guy Côté (Portneuf—Jacques-Cartier, BQ): Thank you for your presentations, and welcome.

In the presentations we have just heard, overall, two elements seemed of particular interest to me. It seems that there is a consensus around the fact that the federal government's very inaccurate projections deprived us from an essential debate on the use that will be made of our tax dollars. By the same token, the abusive use of the employment insurance fund is outrageous in my opinion, and we really need an in-depth reform of the management of that fund.

In the mid-1990s I was in charge of market development for two manufacturing firms, in the United States in particular. At that time one of our competitive advantages, aside from the quality of our products, was the low value of the Canadian dollar, which allowed us to offer our clients some very competitive prices. Over the past few months we have seen the Canadian dollar increase in value. As we speak, this increase has not had any overtly adverse effects on exports. I may be mistaken, but I know that this is something that worries people.

My question is addressed mostly to Mr. Myers and Mr. Taillon. The Bank of Canada's objective is to control inflation. In your opinion, is the Bank of Canada's objective still a good one or should it also work to ensure that the value of the Canadian dollar drops a little so that we can continue to see exports expand?

[*English*]

Mr. Jayson Myers: Thank you, Mr. Côté.

I don't think it's really correct to say that the appreciating Canadian dollar has had no impact on exports or manufacturing. Overall averages show that our export performance or manufacturing shipment performance is extremely strong. But this is a reflection of the fact that pricing, especially in the commodity sector as well as output here, is going up. We've seen some pretty significant price increases in some sectors.

But in many sectors, and particularly in final goods production, prices continue to fall, and the appreciation of the Canadian dollar is like a 23% price cut on export sales. Particularly for smaller suppliers to those sectors, there is tremendous fiscal stress as a result of that. The general averages don't give an accurate picture of what's actually going on in particular sectors.

Having said that, I think the Bank of Canada's target on inflation is not necessarily the wrong target. The Canadian dollar is climbing because of the weakness of the U.S. dollar. I think the Bank of Canada has to take that into account and look at the deflationary pressures caused by an appreciating Canadian dollar. I think the Bank of Canada has overestimated inflation a number of times over the last several months and should be extremely cautious in continuing to increase interest rates. I think the objective is right, but my concern is that I think we may be a little surprised as a result of the impact of the appreciation of the Canadian dollar. Wait until next year when prices begin to fall.

[*Translation*]

The Chair: Mr. Taillon wants to answer.

[*English*]

I have Mr. Stewart-Patterson and Mr. Lansbergen, so just a quick point.

[*Translation*]

Mr. Gilles Taillon: Mr. Côté, on the topic of increasing the value of the Canadian dollar, I think that the dollar will probably stabilize in a fairly permanent way at its current value, because of the American deficit. This encourages businesses to be more productive. Several have in fact become more productive. This is what explains the fact that we have not seen any major drop. Basically, this has given the signal that we had to be more productive, which is an inherently good thing. A strong Canadian dollar allows people to purchase supplies and equipment at a better price, which improves productivity in an advantageous manner.

Concerning the Bank of Canada, what is important insofar as monetary policy is concerned is that the bank monitor increases and interest rates with an eagle eye, so as to avoid an overly rapid increase in interest rates, or an abrupt one. We would then really have a monetary policy that would hinder economic growth. The mandate of the Bank of Canada is to monitor the situation and be very prudent with regard to increases in interest rates.

[*English*]

Mr. David Stewart-Patterson: I would say that the real issue isn't the level of the dollar; it's the speed with which it's gone up and the amount by which it's gone up. The fact is we've seen a rise, on average, of 1% a month for almost three years since early 2002. Frankly, it's not due to what the Bank of Canada is doing. What we're really seeing is a plunge in the U.S. dollar against almost everybody else, including us.

You asked how much of an impact it is having, and, yes, you're right, the export figures of the past year have stayed surprisingly high. But I would suggest that's not because Canadian manufacturers and exporters are having a great time competing; it's because demand in the U.S. stayed strong. One of the things I'm suggesting to you is don't count on that, because there are a lot of factors out there that suggest the U.S. could be headed for a fall, and perhaps surprisingly soon.

The other thing I'd note is that the impact of the dollar is not evenly spread. For a resource exporter and for an energy exporter, yes, they've taken a hit from the high dollar, but they're getting higher prices as well, and in some cases that more than offsets. For manufacturers, though, it depends on how much of their inputs come from the U.S. as opposed to from within Canada or elsewhere, and in some cases that can be pretty devastating.

We've been talking to our members a fair bit over the recent weeks. One example we got was an operation that was started by a member company, which bought assets at a bankruptcy in 1996 and built up this specialty manufacturer to a point where it had 50% of the North American market in its very specialized product, egg cartons, industrial size. In 2003 alone, that company in Swift Current, Saskatchewan, with 65 employees, lost an amount from the currency shift that was equal to 10% of its sales and 90% of its pre-tax profit. Clearly, that's going to have an impact. For starters, it ain't growing any more, and the real question is, what happens next? What happens with the further increase we've seen this year? I think you'll see that across small companies and large.

Essentially, companies are looking at today's equation and they're saying, first, can I afford to grow at all? Can I afford to grow here, or am I going to shrink? If I can't grow here, do I grow somewhere else? Do I invest somewhere else in my next facilities? Alternatively, if I don't want to invest abroad, do I buy more from the United States or other places? So the fact that the export numbers don't look so bad so far...don't let that give you too much assurance.

● (1035)

Mr. Paul Lansbergen: Yes. I'd just like to share our consensus on some of the views that have already been mentioned but also try to give more concrete examples of the impacts.

In a lot of the industries we represent, the prices are set globally and denominated in U.S. dollars, so there is a definite impact when the exchange rate moves very quickly. Demand can have regional differences, particularly the strong demand from China on many products. If that starts to weaken, you'll see a much greater impact than what the data has shown thus far.

In the U.S. market, as my colleagues have said, the performance, particularly over the next year, is at risk. Certainly on the forestry side, when you look at housing starts, they're at record levels but are expected to drop as interest rates rise.

For the forestry industry, every time the exchange rate goes up a penny, the industry loses $500 million in sales revenue. This has a huge impact across the country, and it comes at a very bad time with the softwood dispute, which is continuing to drag on with the extraordinary challenge. Many companies were looking to a recovery from the low business cycle, but that remains very weak at the moment. Commodity prices have actually started to dip over the last few weeks, so it's very tenuous.

The Chair: Thank you, Mr. Larson.

Mr. Carr.

Mr. Gary Carr (Halton, Lib.): Thank you very much to all of you for your presentations.

I want to particularly thank Jayson and Catherine, who I know from my previous experience in Ontario. We used to spend February together because they did their pre-budgets in February. I think I was on that committee for five years, and we used to meet every February with various people. It's nice to see you again. I've actually called on you for some advice as well, so thank you. I'll aim this to Jayson as the economist.

As you know, you've all talked about balancing the budgets, which I think is an admirable goal, but you've also talked about cutting taxes. Having come from Ontario, as you will know, the auditor after the last election...I was actually Speaker for the last four years, so the auditor reported through the Speaker. Erik Peters, who I think was auditor for about 10 years and is very renowned, said the deficit was about $5.7 billion.

Ontario, just like the U.S., tried the experience of cutting taxes—cutting spending, in fairness, because I don't think there are too many people who think Mike Harris didn't cut spending as well—but the legacy of the Ernie Eves-Mike Harris government was a $5.7 billion deficit. These were the guys who were going to come in...and I was a part of that right up front. The legacy of both cutting taxes and trying to balance the budgets in Ontario—and I would submit to you it's the same thing in the U.S. as well—is that it doesn't work.

In fairness to them, they did hit some things like SARS, like the blackout, that weren't their fault and would have happened if it was an NDP or a Liberal government. I agree with you that we need to balance budgets, but at the same time we have increased pressures for health care. How in the heck can you argue for cutting taxes and balancing budgets when I would submit to you that the proof in Ontario is that it doesn't work?

● (1040)

Mr. Jayson Myers: Thank you, Mr. Carr, for that easy question.

Let me say, first of all, that I'm not so sure that all tax cuts are equal, that the impact is equal. Although it's very nice to talk about lower personal income tax rates—and I think all of us around the table would like that, as well as all the spending that goes along with that—looking at the impact that type of approach has on generating economic growth, that type of tax cut doesn't have as much of a direct impact as a measure that would stimulate investment in business and job creation.

I think we just need a much more strategic approach to tax reduction, one that looks at the economic impact. If the analysis shows that corporate tax reduction and more investment does not lead to economic growth, then I'd be willing to stand back and say, let's reassess that. But all of the analysis I've seen shows a very direct correlation between profit, first of all, and then reinvestment and job creation. I think that's the type of priority in terms of tax reduction we should be looking at. When we have the economic growth, when we have the resources, then it's the time to look at perhaps other tax reductions or other types of spending that go along with that.

I think we have to take a much more strategic approach in this, not an across-the-board reduction in taxes. We have to be very specific in the type of tax plan we put in place. It has to be again strategic and focused on generating that economic growth. If the economic growth does not take place as a result of that, then we don't have the resources to be able to cut taxes elsewhere or to invest in health care or education, or anything else that goes along with it.

Mr. Gary Carr: The difficulty, Jayson, as you know, with governments is the revenue is going along. Then they cut taxes and they cut the spending. What happens is the revenue drops very quickly. It's not unlike a business. For whatever reason, you can lose an account, and you lose it.

What happened in Ontario was they were ticking along very fine—and again, in fairness to that government, SARS and the blackout wasn't their fault—but there wasn't a cushion. I talked to the Prime Minister last week, and when he was finance minister he had enough of a cushion. They didn't have it. My argument is, if you're going to stimulate the economy, do it on the sales tax. Reduce it, so that there's consumption. Don't do it on personal income tax at the higher level, so that the Frank Stronachs of the world get tax cuts.

The difficulty for governments is the revenue is ticking along, but it goes down very quickly. That's not unlike a business. Our challenge—and that's one of the things that happened when we got the criticism over the huge deficit—is we need to be prudent, because if not, what you get is that cycle.

We all lived through the NDP $11 billion deficit. That government came in and got it down, but then at the end of the day they left, because they cut the revenue too much. I would much rather be prudent in our tax cuts and not do them, so we balance the budget.

I'll throw it open. I think Catherine was itching to talk. I don't know if we have any more time. To my good friend, Catherine.

● (1045)

Ms. Catherine Swift: I have to dispute your facts, Gary, because revenues did increase in Ontario after we saw—

The Chair: Let me just interject one second, because I have four people who want to intervene and I have about a minute, so if we can keep it to 30 seconds....

I have Ms. Swift, Mr. Stewart-Patterson, Mr. Podruzny, and Mr. Taillon, please, for 30 seconds each.

Ms. Catherine Swift: Revenues did increase with the tax reductions, and spending increased dramatically, especially on things like health care. So I think we need to review those budget documents over the last number of years. There's no question that cuts in different kinds of taxes do have different kinds of results, but the fact that we have very high income taxes in Canada and that we're running significant surpluses at the federal level shows that Canadians are currently being overtaxed at the federal level.

We can debate spending issues that happened in the Ontario case, but you cannot conclude from that evidence and other evidence around the world that tax cuts did not increase revenues, because they did.

Mr. Garth Whyte: Also, Canada had a multi-year tax plan. The federal government did a multi-year tax plan. So to say you can't do it—

The Chair: Mr. Stewart-Patterson.

Mr. David Stewart-Patterson: I just want to make one point briefly, and that has to do with the tax mix. It's not just a matter of how much you tax; it's what you tax. Frankly, the economic evidence would suggest the opposite to what you're suggesting.

If you look at the countries that manage to compete with higher overall levels of taxation—in Europe, for instance—they actually have much higher consumption taxes and lower taxes on corporate income and on investment income. If you want the economy to grow, you have to focus on taxing less of what you want and taxing more what you don't want. I think if you want growth, you have to make sure your tax system reflects that.

The fact is we're looking at a demographic situation that means we're going to have more older people. We're going to have fewer people working to sustain those social programs. If we don't generate the product, if we don't generate the growth, the problems we're having meeting our health care needs today are going to pale beside what we're going to face tomorrow.

Mr. David Podruzny (Senior Manager, Business and Economics, Canadian Chemical Producers' Association): Thank you.

I believe there is a prudence factor built into the process in the federal case that leaves considerable space. I also believe we are competing globally and need to take account of that. The $5 billion increase in corporate taxes collected in the last year compared to the two-point drop is part of the evidence, there is the example in Ireland, and there are a few other examples that were raised by my colleagues.

It's also important to cost out what some of these things might represent. If we were to look at immediately eliminating the capital tax and limiting corporate surtax, that's about $1.5 billion in cost to the economy. So there is a cost. You have to have some comfort level that there's going to be a commensurate and representative increase in revenues.

The other thing is that on the corporate income tax rate applied to all manufacturing and processing, the reduction to 17% would represent about another $1.5 billion. So there are reductions in revenues.

We've seen consistently an underestimation of what the actual income is going to be. The $9.1 billion last year as opposed to $1.9 billion is one good example. We think the need for corporate competitiveness and the ability to attract new investment and new technologies is sufficient that we should go ahead with that move.

The Chair: Mr. Podruzny, just quickly, you said there's some costing in your analysis. We didn't see it. If you could just indicate to us...not right now but after. We didn't see the costing in your brief.

Mr. David Podruzny: I'm sorry, the costing wasn't in the brief. We had some conversations with the federal department. I would actually recommend, rather than my numbers, that the corporate tax specialists in the Department of Finance who have all the models—

The Chair: We're not having the Department of Finance as witnesses. We'd like to have some of your numbers, if we can. It's up to your discretion.

Monsieur Taillon.

[*Translation*]

Mr. Gilles Taillon: When we examine the nature of the drop in income tax and expenditures, we have to look at both sides of the equation. If we decrease income tax enormously and do not limit expenditures, it is clear that we are going to have a problem. This is the case for the Americans. They increased expenditures and decreased income tax massively. The important thing is that there be a good balance. So aside from the type of taxes, we have to look at the scope of the changes we make.

We have here some measured proposals which would no doubt result in an increase in tax revenues, the provision of better services to citizens, and acceptable tax levels.

● (1050)

[*English*]

The Chair: Merci, Monsieur Taillon.

Madame Minna, five minutes.

Hon. Maria Minna (Beaches—East York, Lib.): Thank you.

I just want to open the discussion we just had on tax cuts and then go into another thing. I get the impression sometimes that tax cuts are the only answer to the difficulty we have as a society and in our economy as well.

The Americans lower their corporate taxes, and we lower and we lower, but they can always out-lower us, if you want to use the term. At what point is it low enough that we can't keep lowering, because they are a huge economy compared to us? How low are we going to go? Do you have a floor? Quite frankly, I'm worried about the constant talk about us comparing ourselves to the U.S. in that context. We know the deficit they have, and they may have lowered, cut the wrong thing, overspent in the wrong places—in the military, it seems. We don't have a huge military economy in this country. That's a huge engine for their economy down south. I don't think we can ignore that. We just don't have that here.

I think we've done a good job at this point. The other thing is our companies don't pay for health care, for instance; the taxpayer does. It's a huge cost to American companies, as are other social costs that our companies don't have to bear. The continued tax cuts of the U. S.... They'll continue to spend, and eventually that economy is going to blow.

I guess my question is two parts. One is, what is the resilience of our economy, and what would you suggest? Are we going to be able to weather the bust? It's going to happen.They have a huge trade deficit and a huge deficit in their economy. It's enormous. Where's the floor for us?

The Chair: Ms. Minna, could you just direct your question to one or two? We're going to run out of time, so I can't have everybody....

Hon. Maria Minna: Oh, sorry. It's for Mr. Myers and Mr. Murphy. Then I have two more questions for the rest.

The Chair: Mr. Myers and then Mr. Murphy, but quickly, please, because we're down to five minutes each and I have one more.

Mr. Jayson Myers: I recognize that there are certainly many benefits from the type of health care system we have, and many benefits from not having to go through a very litigious process as well. Those are two disadvantages that U.S. industry faces.

But I think all of the representatives here have targeted some very specific tax changes that would, in our opinion, meet the future competitive challenges of tax reform in the United States. Bringing down the corporate income tax to 17%, providing write-off over a two-year period for processing and manufacturing equipment—I think those meet the challenges we're going to face from the United States.

Let me just say too that if we do see an implosion in the U.S. economy, we're going to be right along with it, because we are so dependent right now on what is going on in the United States. So we not only have to be very concerned about how competitive we are with our major customer base, but we also have to be very concerned about where they're going and be able to take action to make sure we have the free-flowing borders, the transportation infrastructure, and the skilled people who will keep the jobs here, regardless of what tax strategies are occurring in the United States.

Hon. Maria Minna: Maybe you can tag your answer to my next question, because it's coming to you anyway, Mr. Murphy, if that's okay. Otherwise, I won't get it in. He'll cut me off.

I think it was you, Mr. Murphy, who mentioned the issue of productivity earlier, and I hear this issue come up over and over again. I must tell you, I have some difficulty with business only in this context. We talk about productivity only as a tax measure. I don't hear you talking about education, early education. I really would like to see the businesses of this country back that up, as opposed to going...I know our colleagues across the way believe that's the opposite way of going.

Eight million Canadians right now have literacy problems—eight million people. That goes to productivity. They're not productive. I know there was a company recently that chose not to go into a particular area because the educational system was not good enough. They scoped that out first—it was not in Canada—and said no, because 20 years from now this area isn't going to have people with the education and the skills they were going to need.

So early education is fundamental to that, education in general, and training. Businesses in this country do not train or upgrade their staff.

● (1055)

Ms. Catherine Swift: That's not true. There's a lot of misinformation.

Hon. Maria Minna: They do, but not as much as they could. I'm sorry. Well, there is misinformation to a degree, but not entirely, I must tell you.

Immigration is the other part. We're talking about lowering tax cuts at the high end because we want to attract the immigrants. Why aren't companies hiring the immigrants who are here now?

I tell you, I see them every day in my riding and I see them in all the communities. There are thousands of people who cannot work in this country, partly because we're not recognizing their skills, they don't have Canadian experience, so-called, or to some degree there's a problem, other issues. I think some of them are racial.

Can you answer some of those? To me, they're fundamental to the productivity issue.

Mr. Michael Murphy: They are. I agree with you on that.

I think in the interests of time today we've obviously focused on our fiscal proposals, given that we're in front of the finance committee. But if you look at page 4 of our brief—and we only did it on one page just because we didn't want to take too much time dealing with it—we've identified seven or eight items, a number of which are on the list you just mentioned, in terms of our investment in human capital, dealing with immigration, talking about trade policy in terms of not only dealing with the U.S., as far as the border goes, but also liberalizing internal trade in Canada.

There are all kinds of things dealing with regulation, implementing the smart regulation report, which we just received recently. You add up all of those—I think we have seven or eight items that we've identified on page 4 of the report—and all of those will make significant contributions to productivity improvement.

Today we just focused in a little more detail on other issues. It's not just about tax. Tax is certainly one of the key components here, one of the core elements, absolutely no question, and quite frankly, we haven't had it on the radar screen as much lately as we have had spending. We've had significantly large increases in spending over the last several years, and we're suggesting it's time to get a balance back into that equation.

So in terms of dealing with immigration—and I'll just focus on that one alone—I think you're quite right. One of the problems we have, which has been identified, is dealing with the issue of foreign credentials. I know the government knows this is a big issue. For employers, it's a hugely important issue, and in terms of dealing with the accreditation bodies across the country, I know many employers who are working very hard to try to make that happen so that they can get the kinds of skilled resources we have brought into the country and put them to productive use.

Hon. Maria Minna: Just quickly, we were comparing Canada and the U.S., and I want to compare here. I know people who have left my office and gone to the U.S. because they couldn't get jobs here, and they found jobs right away there. The companies said they didn't care if their English wasn't perfect, if they could do the job; they'd see them in two months. If they couldn't do the job, they wouldn't be working for those companies.

What I'm saying is, can you be proactive on that side? Do you have to wait for the government to give you the credentials or can you be proactive?

The Chair: Thank you, Ms. Minna. I don't want to go over the time because I promised Mr. Penson two minutes and we have the next group.

Mr. Charlie Penson: I just wanted to put it to the panel that the U. S. voters made a very clear choice in the Senate, the House of Representatives, the Governors, and the President on Tuesday. The new reality is that we have another Republican administration, and I think most people would agree that we have some difficult problems that we have to deal with on trade issues. Mr. Stewart-Patterson, I think your anticipation is that the U.S. administration is going to move again on tax cuts, so we have to be ready to move.

What word of advice would you have for the Prime Minister when he has his first meeting with the President about getting the Canada-U.S. relationship back on track to be constructive, so that we can benefit over the next four years?

Mr. David Stewart-Patterson: If I may, I'll be very brief on that.

Just to clarify, in terms of the new administration, or the returned administration, the bigger danger is not the extent to which they may attempt to move into another round of tax cuts. Frankly, to the previous point, a lot of the tax cutting in the States has been at the personal level. U.S. corporate tax rates have been remarkably stable, and it's not clear how far they may go.

I think the bigger risk is the fact that they're running these huge budget deficits, because that's what's going to kick in, in terms of pushing for higher interest rates, pushing the dollar down further, and slowing demand in the U.S. It's the slowdown in the U.S. demand that's the real risk to Canada.

In terms of your question about what the Prime Minister should tell the President, I think it really boils down to how do we work better together to make North America as a whole more competitive. The fact is each of the three countries, Canada, the U.S., and Mexico, has some unique strengths to bring to the table. I think the key to moving forward is to figure out how we make North America as a whole work better. That's partly a border management question, but I think it goes to things like regulatory convergence and other issues brought up on that front, and other broader issues of security, as well as economic policy. We have to figure out how to make the continent work together in the global competition.

● (1100)

Mr. Garth Whyte: Mr. Chair, I would like to say something very quickly.

We're worried about an impending implosion, as it was called. We had a big implosion on September 11, 2001, and our economy did well. One of the reasons it did well was because of the small and medium-sized enterprises.

This committee was supposed to be looking at that as of the last budget. We've had five minutes. We want to know what you're going to do to build on that. One of our recommendations is to build on the stuff that kept us going after the biggest implosion that ever happened, which was September 11. And our economy out-performed theirs. That's one issue—and I know it's important to talk about this; we're heavily involved with this—but our economy did very well. Let's build on that. Let's not ignore it.

Second, follow through on the last budget's announcements. The last budget said that a joint committee was going to be set up to deal with the paper burden reduction on small business. It still hasn't been announced. So follow through.

The Chair: Okay. We can go on. Everybody has good ideas. That's why you had the five-minute intervention. I asked what the priority was. You didn't seem to have priorities. That's changing now for everybody. Time is up.

I really appreciate your time. The input is actually very much needed. I want to commend this panel. I think you were one of the first ones where most of the groups, six out of the seven, kept within the time limits. I have to congratulate you. I appreciate that, and the members appreciate it, but I let the questions go on because there were many witnesses who wanted to interject.

I thank you for your participation and for your time.

We will suspend.

● (1102)

(Pause)

● (1109)

The Chair: We'll reconvene.

I want to thank all the witnesses for coming and taking time out of their day. Most of you are aware that we're going to provide you five minutes for an opening statement or opening remarks. We'd like to keep it to a five-minute intervention so we can allow members to ask questions. There are seven associations or interveners, so we'd like to keep it to the five minutes if possible.

The congress is going to begin. The floor is yours. Thank you.

● (1110)

Mr. Hassan Yussuff (Secretary Treasurer, Canadian Labour Congress): On behalf of the CLC, I want to thank the committee for again allowing us to present. We also appreciate the fact that some of my colleagues are here at the same time, so that we can make a joint presentation. Obviously we're not going to cover the same issues, but generally speaking, I think the congress brief is going to cover some of the issues the affiliates are all concerned about.

On behalf of the congress, I want to thank the panel for our opportunity to be here.

The CLC speaks on behalf of three million working men and women across the country and their families. Our members belong to 60 affiliated organizations in every sector of the economy and in every region of the country. We estimate that we pay over $40 billion in income tax every year.

The priorities for working families for this budget are very clear. We want to focus on creating good jobs and addressing the huge social deficit that has been built up over the last decade or more. The deficit takes many forms: enormous shortages of quality child care for working families, poor learning opportunities for young children, long waits for health care, not enough affordable housing, and crumbling infrastructure and services in our big cities.

Far too many unemployed Canadians are not qualifying for unemployment insurance, even though they are actively seeking work. Far too many new immigrants and workers of colour are underemployed, based on their skills.

Today the priority must be investing in the needs of working families. We know the money is there, and the labour movement supports the alternative federal budget, which has consistently and accurately forecast the real surplus.

We are pleased the government has made some specific promises to act in key areas and has even begun to move toward delivering on some of the promises. We believe this minority Parliament can be the basis of building up the social programs and public service we need to create a fair, a more inclusive, and a more prosperous Canada.

You have our brief. It is detailed, comprehensive, and clear. I've also circulated materials on our key priorities and I will touch on them very briefly.

On child care and early childhood education, the most important thing now is to develop a long-term plan for a high-quality, universal, inclusive, and accessible system and to launch it with a significant allocation of at least $1 billion or more in funding next year.

Child care and early childhood education furnish excellent examples of programs of service to people that can improve the quality of lives of working families and create a fair and more prosperous Canada. Lack of affordable child care traps many parents on welfare. Canadians want all parties in Parliament to translate the promises of the past decade into reality.

On health care we are pleased that higher and more stable funding will be delivered to the provinces, but we have major concerns about the accountability for these funds. We want to see the investment in home care and pharmacare. We want to ensure that health care is delivered on a not-for-profit basis. We do not want to go down the road of private delivery of health care. That road drives up costs, making the system much more difficult to run, and it creates barriers to equal access.

On employment insurance, we want the uniform entrance requirement of 360 hours. Far too many workers, particularly women and recent immigrants, work a lot, pay their premiums, but don't get coverage when they need it.

We want to introduce training insurance on their EI under the current model of apprenticeship training. Workers should get a chance to pursue their training with income support from EI. We have designed some pilot projects to test the idea. We want the support of the committee for this innovative idea.

The Canadian Labour Congress, and indeed working families across this country, want a budget that helps create good jobs. They want industrial policy to support new job-creating investment by the private sector. We want job-creating investment in municipal infrastructure and in energy conservation, renewable energy projects dealing with climate change, and real opportunities to create new jobs—and better jobs—for tomorrow.

Last but not least, I want to express the strong support of the Canadian Labour Congress for a more rapid increase in the funding for international development assistance to meet the goals of the United Nations.

I've touched on six issues: child care and early childhood education; health care; employment insurance reform—training; job creation; and international development. These are the budget issues for Canadian working families right now.

I look forward to the questions from the committee. Again, we've prepared a very comprehensive brief. If the committee should have any questions you have not had a chance to have answered, we'll be more than happy to provide answers for you here today.

The Chair: Thanks, Mr. Yussuff.

I'm going to go in my order unless I'm told otherwise, so the next group is the Confederation of National Trade Unions.

Monsieur Patry.

● (1115)

[*Translation*]

Mr. Pierre Patry (Treasurer, Confederation of National Trade Unions): Thank you very much, Mr. Chairman.

We first of all want to thank the committee for giving the CSN/CNTU the opportunity to express its opinion concerning the social and economic objectives the next federal budget should seek to promote.

The CSN groups over 2,800 unions, which themselves represent 280,000 members from all over Quebec, but also from all over Canada, from most sectors of activity.

Since the mid-1990s, Canada's macroeconomic performance has been rather good. From 1998 to 2002, the Canadian economy has in fact grown more rapidly than the American economy and than the average of the G-7 countries. In 2003, a series of negative shocks beset the economy and were front-page news, but this slowdown can be explained mainly by the appreciation of the Canadian dollar, which affects Canadian net exports. The 2003 downturn is now behind us and the economic recovery is well underway. The OECD forecasts a growth of the real GDP of 3% in 2004 and of 3.5% in 2005.

Several indicators bear witness to the health of the Canadian economy. Because of good economic growth and moderate salary increases, the profits of non-financial businesses have been on the upswing since the mid-1990s. During the same period, the hourly productivity of the economy as a whole continued to increase regularly by close to 2% yearly. Inflation, both the overall index and the reference index, remains inferior to the Bank of Canada target area of one to 3%, which allows the central bank to set relatively low interest rates. Finally, the unemployment rate, which averaged 7.6% in 2003, should be 7.1% in 2005; its slow decline over the past few years can be explained among other factors by the steady increase of the rate of activity since 1996. Thus, the Canadian economy is doing well, which of course does not preclude fairly large fluctuations from one province to another.

Let us now examine the federal government's budgetary framework. The OECD has stated that the Canadian government's budget policy is one of the most prudent on record. For several years now, the government has been setting aside reserves which, if they are not needed to meet contingencies, are used to pay down the public debt at the end of the fiscal year. In fact, underestimating revenues and overestimating expenditures has practically every year added considerable amounts to these reserves, so that the government was able to pay down $60 billion of its debt since the return of balanced budgets in 1997-1998, including the $9.1 billion of 2003-2004.

From the CNTU's perspective, the favourable budgetary position of the federal government was achieved through questionable means: drastic reduction of federal transfers to the provinces; appropriation over a period of years of the employment insurance fund surpluses; maintaining federal personal and corporate taxes at an overly high level, which prevented the provinces from levying the taxes they needed because of the more rapid increase of some of their expenditures, in particular in the area of health and social services.

Be that as it may, it must be noted that the central government's budget policy framework has been devised to systematically generate important surpluses which the government intends to apply to reducing the public debt. To that end, the March 2004 budget indeed set a 25% target for the GDP-debt ratio, said target to be reached within 10 years, which is short, from our perspective, all the more so since we know that simply due to the increase in the country's wealth, that is to say the increase in the GDP, paying down the debt is unnecessary, because the ratio will diminish considerably in any case.

Moreover, this budget contained another element it added to the government's budgetary strategy, that is a program expenditure review for the purpose of freeing up at least $3 billion in savings each year over the next four years. The government intends to use these amounts to finance investments it considers a priority. We greatly fear that the government will finance a part of additional transfers to health and equalization decided upon at the federal-provincial conference in September through these reallocations. However, the government is responsible for other social objectives which should also be protected. The environment, for instance: reaching the Kyoto Protocol objectives necessitates important financial and budgetary efforts if we want to ensure sustainable development.

A Toronto Dominion bank analysis demonstrated recently that the government will have some considerable leeway from now until 2009-2010. In fact, according to that study, and including the results of the federal-provincial conference of September 15 last, we estimate that it will have a 48-billion-dollar margin during that period. It should be noted that that amount does not include the 12 billion-dollar savings the government intends to realize from now until 2009-2010.

This is related to the rumours that the federal government wants to bring back the so-called balanced approach it had adopted in the year 2000, when it was pursuing three objectives at once on the basis of the leeway it then had at its disposal: reducing the tax burden, paying down the debt and funding program expenditures.

The CNTU considers that the federal government should use its financial leeway to make correcting the fiscal imbalance a priority.

● (1120)

For several years now, the Government of Canada's tax-levying capacity has clearly exceeded the funding needs of its constitutionally appointed fields of jurisdiction. Conversely, most provinces have trouble meeting the financial needs of the program spending they are responsible for with regard to their populations, under the terms of the Constitutional Act of 1982.

For years now, the provinces have had trouble balancing their budgets and in several cases they have had to reduce, in real terms, the services they provide, while the federal government allocates considerable sums to debt reimbursement, reduces the fiscal burden and develops new programs unreservedly, very often in provincial areas of jurisdiction. To illustrate this fiscal imbalance...

The Chair: Mr. Patry, could you summarize the rest in 30 seconds?

Mr. Pierre Patry: Very well.

The CNTU wants to mention that the main problem to correct, from the standpoint of public finances, is the tax imbalance. This should be reflected in the next budget and the ones after that. If transfers to the provinces had been maintained at the 1994-95 level, Quebec this year would have received an extra 2.3 billion. Therefore, although the amount of $700 million which has been obtained for health, is a step in the right direction, we are forced to admit that it is insufficient.

On the other hand, since it is the main priority, we feel that tax cuts should come at a further stage. If tax cuts can be granted, they should be directed mainly to low- or middle-income Canadians. Therefore, there shouldn't be tax cuts across the board. Furthermore, we must take into account the fact that several low-income people do not pay taxes. For them therefore lower taxes are of no benefit, because they cannot take advantage of them.

In closing, I should like to mention two things. First, as our colleagues have mentioned, we would like to see the EI fund totally separate from the government's Consolidated revenue fund. We know that a major part of the budget surpluses of the last few years is the result of money taken from the EI fund and lower EI benefits. We want the benefits to be much more generous not only with regard to entrance requirements but also with regard to income replacement.

Finally, with regard to daycare, which is a current issue these days, Quebec didn't wait for the federal government before establishing a true daycare system on its province. Therefore, we are of the opinion that the federal government must give Quebec the right to opt out with full compensation in this regard, as well as for all social programs coming under provincial jurisdiction.

I thank you.

The Chair: Thank you, Mr. Patry.

[*English*]

From the United Steel Workers of America, we have Monsieur Deveau.

Mr. Dennis Deveau (Legislative Director, Legislative Office, United Steelworkers of America): I'm Dennis Deveau, and on behalf of Ken Neumann, the national director of our union, I would like to thank the Standing Committee on Finance for the opportunity to participate in these hearings.

The United Steelworkers represent 250,000 workers right across Canada in all sectors of the economy. We fully support the submission prepared by the Canadian Labour Congress. It is our view that it would be unreasonable and irresponsible for government to hide behind budget surpluses to pay down debt and ignore pressing social needs in areas that are of concern to all Canadians.

The CLC brief correctly pointed out a number of areas in which we need a strong government focus in this coming budget, and the steelworkers urge the committee to seriously consider the priorities found in the CLC brief.

We would like to emphasize the need for action in a number of other areas, including post-secondary education, Canada's bankruptcy and insolvency laws, and Canada's manufacturing industries.

Every steelworker member knows that at this point in history we need an education more than ever. Canada must build a learning system that provides a continuum of learning opportunities for all Canadians, one that begins at early childhood development, flows through the education system, and extends to different learning initiatives with adult learners.

Post-secondary education plays a key part in that system and as such it must be accessible and affordable to all Canadians. We are concerned that rising tuition has made university education less accessible to middle-income families today than at any other time in the past 60 years. Student loans are not really the answer. The registered education savings fund and the federal learning bond, while helpful in some aspects, have serious weaknesses from a public policy perspective.

Adequate public funding by both the provincial and federal governments is crucial in ensuring high-quality post-secondary education. If we are to ensure quality, we must keep the whole education community in focus. Adequate staff need to be maintained, and all staff at all levels need to be valued, well-trained, and fairly compensated. Modern, up-to-date facilities and infrastructure in our universities and colleges are needed to ensure that Canada is globally competitive in the creation, dissemination, and implementation of skills and knowledge. After ten years of trimming and cutbacks, now is the time for the government to commit resources to post-secondary education.

As many of the members of this committee know, the steelworkers are very concerned with the treatment of workers in situations with bankruptcy and insolvency. Some of you have probably met with some of our people in the last couple of weeks, and if not, they'll definitely be around to see you. This is a very important issue, which can be addressed by this Parliament without the need to spend new funds. What is required is legislative change that will better protect workers from loss when their employer runs out of cash and moves into bankruptcy. In bankruptcy the question is whether the assets of a company are large enough to pay off all the company's debts and in most cases how the available cash will be divided and who gets it first.

Under current legislation, secured creditors get paid first. Workers stand in line with other unsecured creditors to see if there's anything left for them after the secured creditors are paid. Often there is little or nothing left over to pay workers' claims.

Unfortunately, the members of our union have considerable experience in Canada's bankruptcy laws. We know that when their employer goes bankrupt, workers are far too vulnerable. Not only do workers lose their current and future source of income; they also stand to lose wages, group insurance, the benefits, vacation pay, severance and termination pay, and pension benefits they've already earned and are legally entitled to. Bankruptcy imposes real hardships on workers, workers who most likely have nothing to do with the reasons for the bankruptcy in the first place. The current system of dealing with bankruptcy is unfair because it places the consequences of failed commercial enterprises disproportionately on those who are least able to afford it.

Banks have thousands of customers and thousands of loans. Workers have only one job. The United Steelworkers are asking this committee and this government to take seriously the plight of workers in bankruptcy. We are advocating changes to the Bankruptcy and Insolvency Act to move the priority of workers' claims in bankruptcy ahead of all other claims. There's also a need to ensure that the Companies' Creditors Arrangement Act—CCAA—has a balanced playing field under the period of restructuring and development to avoid bankruptcies.

In past appearances before this committee, our union has expressed concern about Canada's manufacturing industry. Although there are many sectors that have performed well in recent months, we continue to believe there are serious issues that must be addressed if we are to properly support our manufacturing industries.

We would urge the committee to be cautious about recommending finance or policies that result in a highly valued Canadian dollar.

● (1125)

Canadian manufacturing has so far been surprisingly resilient to the higher dollar vis-à-vis the American dollar, but we fear that at the current exchange rate, sooner or later the vulnerability of our manufacturing will be exposed and thousands of jobs will be lost.

Trade policy, particularly with respect to softwood lumber and the steel industry, continues to need reform. Now is the time to strengthen Canadian trade laws so that workers in the communities have real protection against unfairly traded and unfairly imported steel when the next wave of imports hits our shores.

Reforming the way in which appointments are made to the Canadian International Trade Tribunal and including labour representatives on the CITT would be one concrete step forward.

Surprisingly, a number of companies in the steel industry are currently reporting high—

● (1130)

The Chair: Mr. Deveau, could you just wind up?

Mr. Dennis Deveau: —profits due to exceptionally high steel prices. However, the high steel prices should not divert attention away from the serious challenges we face in the steel industry. If these challenges are to be addressed, there will need to be government participation and careful thought about policies supporting the challenge.

One such challenge relates to the changing demographics of the workforce in the industry. Many steel companies are struggling with the contradictory pressures of continuous downsizing and labour productivity improvement on the one hand, and on the other hand, the need to hire new staff.

However, despite much analysis and discussion, few employers have been able or willing to dedicate the kinds of resources needed to support the training required. Our union is very concerned that unless the government assists in the area of workplace training, we'll be faced with a serious skills crisis in the future.

Thank you.

The Chair: Thank you.

I don't mean to interrupt your briefs, but if we all go over—we have seven groups of witnesses—the members won't have a chance to ask questions. I don't want to interrupt, because I don't want to ruin your briefs, so if you could stay within the limits, I would appreciate it.

Teamsters Canada, Mr. Benson.

Mr. Phil Benson (Lobbyist, Teamsters Canada): Thank you, Mr. Chairman.

On behalf of our president, Robert Bouvier, thank you for letting us be here once again to take part in this important consultative process.

Teamsters Canada is a labour organization representing more than 120,000 workers in Canada. Through our affiliation with the International Brotherhood of Teamsters, we are the largest union in North America.

I hope when you think “Teamsters”, you always think “truck”. However, in the new intermodal world, Teamsters Canada is moving forward. We now represent workers in air, railroad, and ports, and I'm very pleased today to be joined by Brother Benoit Brunet from the Teamsters Canada Rail Conference.

As well as transportation, we are also involved in many sectors of the economy, from brewery and soft drink through film, retail transport, warehousing, construction—we could go on and on.

I was very taken by the questions the committee asked. I won't get into them in detail, but two issues are, simply, accuracy of accounting and transparency. Though we like good news at the end of every year, it would seem to me that the government has some idea of a debt ratio rate they are looking for. We'd rather see that accounted for in the budget, if that's their desire, rather than surprising us every year at the end of the year.

One has only to look at the debt numbers versus the debt repayment versus the EI surplus and pretty well draw a direct link to the two. I'm not going to echo the comments from my friends and colleagues and brothers and sisters here. Simply, EI may work for those people who can collect it. There are an awful lot of people who are still falling between the cracks.

I'd like to remind the committee that the last review of the employment insurance program was a tortuous process that I and many others here were involved in going back to 1995. Perhaps it's time, especially with the additions to the throne speech, to look to EI being more relevant in a lot of workers' lives, those who are falling between the cracks.

Of course, transportation is a key issue for us. I could stand here talking about infrastructure, infrastructure, infrastructure. Clearly, Toronto-Montreal, Halifax-Toronto-Montreal through to Fort Erie or Buffalo, the Windsor corridor, is a huge bottleneck. I think during the last election we were talking about $8 billion lost a year.

Yes, infrastructure projects like the DRTP tunnel and bridges are fine, but we also have to look at integration or the intermodal aspects. I think as Teamsters the union has a lot to bring to that discussion, and I would urge this committee to perhaps urge other committees to start looking at that seriously.

It's not just physical infrastructure, however; it's also intelligent infrastructure. When I talk about that, I talk about how we move goods, but also who moves them, especially with the Patriot Act in the United States, the talk about security issues. Whether it's air, rail, marine, trucks, cross-border, it is all there. Of course, as Teamsters, we are participating in all those discussions.

I'd like to especially thank Minister Lapierre for his discussions about various projects and ideas we have. We hope to move forward with them in the future.

Being more parochial, one issue has to do with meal deductions for truckers. The amount of the meal deduction was increased. However, the 50% cap remained in place. In the United States they're moving from 50% to 80%. I understand the policy rationale for leaving the allowable deduction on meals at 50%. For workers who have to be away all the time, the harmonization with the United States is just one of those little issues that would make life better for an awful lot of workers.

Our airline industry has gone through a great deal of turmoil. We represent Air Canada employees at Jazz. We're proud to represent the fastest-growing airline in Canada, Jetsgo. One issue that does come up is not about the issue of how one gets from Vancouver to Montreal; the issue becomes the smaller markets. In the United States, government does subsidize smaller airports and smaller markets. It is important for people to have access to those.

Our concern going forward is that of course as more rationalization occurs, as the bottom line replaces service to the public, the government may have a role to play. We raise that more as a red flag, something for you to think about and not necessarily for going forward.

One of our interesting divisions is our garment division. Currently, there is a 17% duty on imported cloth. Unfortunately for the fashion industry, this duty is to protect Canadian textile manufacturers. For the fashion industry in Canada, however, nobody makes that product.

● (1135)

Peerless in Montreal has I think 2,500 to 3,000 people, a united nations. It is a wonderful plant. I urge you to come visit and also visit the store.

The Chair: It's is in my riding, by the way.

Mr. Phil Benson: I know. Please come down with me. You'll love it. I'm sure you've been there. It's an incredible place. Over 90% of their product goes to the United States. These are high-end suits, high-quality suits.

Basically, with the rise in the Canadian dollar, it's putting at risk not just the chance of keeping those jobs but growing jobs. Who would think that we have an export market in suits to the United States? But we do. It's a combination of a partnership with an employer and with the Teamsters, and we'd like to see those people keep their jobs and grow. But it's not just for Peerless. If you're wondering about the cost for that particular company, it's about $4 million a year, and I think it totals about $80 million. It seems silly to us to have a tariff in place to save Canadian jobs, and it will not save one Canadian job, but it could cost jobs.

In conclusion, I think in the 1990s it was a crisis for dollars. Debt, tax reduction, all of these issues came forward. And simply to reinforce the message from some of our friends, we applaud the government moving forward and the parties moving forward on health care. We're still waiting, hopefully, for those line-ups and problems to take care of themselves. We will be monitoring that closely.

Our concern for unemployed workers, many of the issues here— we would urge this body to promote addressing the social deficit in this decade as we move forward.

With that, I welcome your comments. Thank you very much.

The Chair: Thank you, Mr. Benson.

The Union of Canadian Transportation Employees, Mr. Wing.

Mr. Michael Wing (National President, Union of Canadian Transportation Employees): Thank you, Mr. Chair.

I'd like to start by saying how pleased I am to be here today to present on behalf of the men and women of the Canadian Coast Guard.

For a number of years now the Union of Canadian Transportation Employees has been trying to bring to the attention of the federal government the desperate condition of the Canadian Coast Guard. Fortunately, our message has not fallen on deaf ears, as two parliamentary committees, upon review of the realities within which our members operate, have recently agreed.

By way of background, UCTE represents more than 3,000 Canadian Coast Guard employees from coast to coast to coast. Our members work to protect Canada's marine and freshwater environments, maintain safety on Canada's waterways, and facilitate maritime commerce. Millions of Canadians rely directly or indirectly on programs delivered daily by the coast guard, such as search and rescue, environmental response and enforcement, icebreaking, marine navigation services, and marine communications and traffic services.

The CCG also operates Canadian civilian fleets that provide the platform for other government departments and agencies like Fisheries and Oceans Canada, the RCMP, Citizenship and Immigration, and Environment Canada. Coast guard vessels and staff enable these departments to manage and protect the fishery, study and understand our marine environment, catch criminals and smugglers, enforce immigration and security policies, and successfully prosecute those who pollute our waters.

However, as I'm sure many of you are aware, since the beginning of program review and the merger of the Canadian Coast Guard with the Department of Fisheries and Oceans in 1995, this proud Canadian organization has endured hundreds of millions of dollars in cuts to its programs nationally—cuts to the tune of a 30% reduction in budgets and a 40% cut in human resources. The funding shortfall facing the Canadian Coast Guard and the numerous operational difficulties the cuts have created have been a matter of record before numerous parliamentary committees, and they're referred to in greater detail than my time today will allow me to discuss in both the Senate Standing Committee on National Security and Defence Report, "Canada's Coastlines: The Longest Under-Defended Borders in the World," and the House of Commons Standing Committee on Fisheries and Oceans unanimous report, "Safe, Secure, Sovereign: Reinventing the Canadian Coast Guard".

As both committees note, perhaps the most alarming aspect of the current state of the Canadian Coast Guard is the condition of the fleet. That is the purpose of my appearance here today. The Senate committee report says:

> The Canadian Coast Guard (CCG) is rusting out. Although the CCG possesses 107 ships (see appendix IX, Volume 2), the majority of them are reaching the end of their useful lives and the federal government must make a decision soon as to whether to replace many of these vessels or reduce their tasks.

The fisheries committee report said:

> The Coast Guard has virtually disappeared within DFO. Thecombined fleet has been reduced almost to half its pre-merger strength. Theaverage age of the Coast Guard vessels is over 20 years. Almost half have lessthan five useful years of service left. Fisheries and the Coast Guard patrols havefor all practical purposes been abandoned.

I believe it is important to note that the degree of consensus amongst all parties involved in the drafting of these reports, particularly the unanimous fisheries committee report, speaks to the importance and urgency of the situation. Clearly, providing proper funding for Canada's coast guard cuts across partisan lines, and we would like to thank the members and senators for their in-depth work.

I must note that these are not new concerns. The government has known of the need to invest in recapitalization of the coast guard fleet for many years. In the 2001 audit of coast guard fleet management, the Auditor General wrote that the need for action is urgent and well-recognized, that the services provided by the Canadian Coast Guard are of no small significance to Canada and the safety and security of its citizens and others travelling through its waters, and that failure to resolve deficiencies is beyond contemplation.

● (1140)

The Commissioner of the Coast Guard, John Adams, has also been very candid in discussing the need to invest in renewing the fleet. As recently as October 28 of this year, John Adams told the fisheries and oceans committee that major parts of the fleet are clearly past their economic life. He went on to tell members of Parliament how the situation has become so dire:

> That is a question of lack of capital, lack of re-capitalization of the fleet over a protracted number of years. We simply have not been reinvesting sufficient money in the fleet to keep it rejuvenated, to keep it fresh, to keep it capable of responding to the program demands.

Today I appear to call on you to ensure that budget 2005 contains substantial new funding to aid in the recapitalization of the Canadian Coast Guard fleet and to provide secure, stable funding for future coast guard operations.

As organized labour, we at the Union of Canadian Transportation Employees recognize the importance of working together with government to find realistic solutions to shared challenges. For that reason our funding proposal for the recapitalization of the fleet and operational spending mirrors that of Charles Gadula, director general of marine programs, Canadian Coast Guard, Department of Fisheries and Oceans, which he has brought to various parliamentary committees.

Therefore, we ask the committee to recommend that Budget 2005-06 invest $350 million to replace those vessels that need to be replaced now and $160 million in increased spending annually to meet the coast guard's current operational requirements.

We know the government is currently considering options and doing its due diligence regarding making an investment in the Canadian Coast Guard fleet. Indeed, Commissioner Adams expressed his hope to the fisheries committee last week that the government will make the needed investments in this budget year.

To assist the government in making the case for the coast guard, we at UCTE have been busy meeting with parliamentarians from all parties, including the Minister of Fisheries and Oceans, and we are pleased to report that the support we have received has been remarkable. We will continue to work hard in the months before Budget 2005 to draw attention to the Canadian Coast Guard needs. To that end we ask that this committee support our goal by endorsing our proposal in the committee's final budgetary recommendations.

Thank you.

● (1145)

The Chair: Thank you.

The Canadian Union of Public Employees, Ms. Healy.

Miss Teresa Healy (Research Officer, Canadian Union of Public Employees): On behalf of the 540,000 members of the Canadian Union of Public Employees across the country, I am pleased to address the committee as you prepare to make your recommendations.

CUPE represents workers in health care, education, municipalities, libraries, universities, social services, public utilities, transportation, emergency services, and airlines. CUPE members are service providers, white collar workers, technicians, labourers, skilled tradespeople, and professionals. More than half of CUPE members are women. About one-third are part-time workers.

The political decisions that lie behind budget allocations are varied and complex and are of crucial interest to our members. CUPE members, after all, deliver public services and CUPE members live in communities all across this country.

Our members' lives and the lives of their families will be affected by the decisions you make. This reality is reflected in the breadth of issues covered in our brief. In this minority government situation, we urge the members of this committee to stand up for communities across this country.

For the seventh year in a row, the federal government has announced a budget surplus. Once again, the whole surplus was automatically applied to the federal debt, even though the public health care system is in trouble, there is no pan-Canadian child care program, and urban infrastructure is in a severe state of decay. This money should have gone to rebuilding strong communities.

Many of the issues we're concerned about have been raised by our brothers and sisters here at the table. I will just mention that we are very concerned about the child care issue and health care, as well as employment insurance and the fiscal imbalance, which was raised earlier. Because of the shortness of time, I'd like to focus my remarks on municipal infrastructure and the new deal for communities.

In the upcoming budget we want to see immediate investments in environmentally sustainable water and waste water infrastructure, affordable housing, urban transit, and recreation facilities. As physical assets are renewed and developed using public funds, measures must be taken to ensure that they remain public assets and are operated and delivered publicly.

A critical component of any new deal for strong communities is an assurance that public funds for physical infrastructure must be carefully administered by public bodies to assure long-lasting, reliable, quality public services for vital local economies. This means that precious infrastructure resources should not be directed to more expensive for-profit schemes or funding corporate profits through contracting out and public-private partnerships.

We need a significant transfer of funds from the federal government to our cities and towns, including a generous and timely share of the fuel tax, not just the gas tax, the GST exemption, the direct federal funding for public infrastructure, affordable housing, and urban transit. Cities need stable, predictable funding, not one-time loans and grants without guaranteed resources for maintenance and operation.

In the short term, significant transfers, tax rebates and exemptions, low-interest loans, and direct federal funding for infrastructure are required. Municipalities should be encouraged to pursue public infrastructure financing opportunities.

We know the green municipal funds that were established last year have already been used to leverage private, not public, investment in infrastructure. We fear the new revenue for cities will end up lining the pockets of private companies that promote public-private partnerships as the answer to infrastructure needs.

A new deal for cities requires more than a financial role for the federal government. We need an integrated urban strategy at the federal level. So we call on the Canadian government to provide municipalities with enough money to address the approximately $60 billion infrastructure deficit that is growing at a rate of $2 billion per year; to reject P3s and the privatization of public infrastructure by establishing a new Canadian infrastructure financing authority that would raise up to $5 billion per year in federally guaranteed new credit to be undertaken to finance fifty-fifty cost-shared public infrastructure projects undertaken in conjunction with provincial, municipal, or other lower levels of public administration; to dedicate within three years 5¢ a litre of the federal fuel tax to municipalities; to implement the promised GST rebate; and to ensure that public infrastructure funds are not used to justify the contracting out of public sector work.

● (1150)

I do have other things to say about the municipal infrastructure issue in terms of water, transit, solid waste, community social services, housing, and energy and the environment, but I'll leave that for discussion.

The Chair: Thank you. I appreciate that. It's in your brief, though.

Miss Teresa Healy: Yes.

The Chair: It's well outlined.

Ms. MacLeod, from the building and construction trades department of the AFL-CIO.

Miss Carol MacLeod (Executive Director, Government Affairs and Communications, Building and Construction Trades Department, AFL-CIO, Canadian Office): Good morning. It's a pleasure to be here.

Construction is Canada's largest industry. It employs 1 million people across Canada. There are approximately 125,000 employers. The Canadian office of the building and construction trades department is made up of 14 affiliated unions representing over 400,000 skilled craftspeople.

Our brief draws attention to five areas of interest and concern to construction workers.

The first issue is mobility assistance. At any given time in Canada there are unemployed construction workers in one province and shortages of skilled labour in another. For example, over the course of this year, about 35% of the members of our affiliated unions have been temporarily working in the tar sands. We firmly believe unemployed construction workers receiving EI benefits who are qualified to the national Red Seal standard should receive financial assistance to help defray the travelling expenses to go to temporary construction jobs in other provinces.

What is missing in the Red Seal national system, which is an excellent system for fostering interprovincial mobility of labour, is complementary policies and programs to provide financial supports for travelling out of province for temporary work. This can be done through the EI system, either as a subsidy to the worker or as a subsidy to the employer. It can also be done through the tax system, allowing reasonable deductions for travel.

Travelling salespersons can deduct travel expenses from their income. There's a good economic argument for making this incentive available to construction workers as well, and we're prepared to work closely with the appropriate agencies to develop such a program.

The second issue that is among our highest priorities is that of value contracting. The federal government is consistently the largest purchaser of construction in the country. Government tendering policies have generally represented a lowest bid system. Ironically, the lowest bid does not necessarily result in the lowest cost, if other factors are taken into account—namely, safety and commitment to training and apprenticeship.

Canada spends billions of dollars on training and apprenticeship, yet the federal government as a major consumer of construction services uses a tender model that does not require contractors to commit to apprenticeship and training. What a self-defeating thing to do.

On the one hand, the federal government is actively promoting apprenticeship in the trades as a viable career option for young Canadians. Through the Canadian Apprenticeship Forum, the federal government has participated in identifying barriers to the successful completion of apprenticeship and training in Canada. One of those barriers is the opportunity for work, for apprentices to actually get work.

Keep in mind that apprenticeship is 80% on-the-job training and only 20% classroom training. You need a job to become an apprentice.

Unfortunately, the federal government is one of the biggest offenders. Mandatory contractor participation in apprenticeship programs as a prerequisite to bidding on government contracts would go a long way in alleviating the shortage of work opportunities for apprentices.

Best value is a different concept than lowest bid. The federal government should assess best value considering the qualifications of contractors according to, for example, their safety record and their commitment to employing indentured apprentices and journeypersons, among others.

The third issue I'd like to draw your attention to involves national security and the Canadian shipbuilding industry. The building and construction trades department has members working in the dockyards on both coasts and in defence establishments. We are part of Canada's defence team.

Canada is a maritime nation. Our interests relate to sovereignty, safeguarding our fisheries, and managing illegal immigration. The Canadian military is overtasked and underfunded. Canada's ability to protect our interests has been eroded. We urge you to fund the Canadian Forces in accordance with the recommendations that the joint Senate-House of Commons committee put forward during the last Parliament.

Our fourth issue has to do with temporary work permits for foreign workers. We continue to be very concerned about the number of temporary foreign workers coming into Canada on work permits to do work that skilled Canadians are ready, willing, and able to perform.

● (1155)

Too often contractors receive temporary work permits because they are not willing to pay the rate a skilled journey worker can command, rather than because of any evidence of a skills shortage.

We need to curb what we believe to be an abuse of the temporary foreign worker permit system. In our brief we outline some principles that could shed some light on that. We are not opposed to the use of foreign workers. In fact, our unions are international in scope and have provisions to bring people from the U.S. to work in Canada when there are bona fide labour shortages. What we are opposed to is the exploitation of foreign workers by contractors willing to save a few bucks by overlooking qualified and available Canadian tradespersons.

Finally, let's consider the deductability of tools very briefly. Recent reforms to the tax system have allowed some tradespersons to deduct the cost of their tools from their income. The ones who are permitted to make this deduction are a very small proportion of the tradespeople who actually provide such tools and equipment.

Lawyers can deduct the cost of their books; dentists can deduct the cost of their instruments; car mechanics can deduct the cost of their tools. Why should construction workers who have to acquire and maintain tools and equipment be any different?

In previous submissions we have raised a number of issues. I want to alert you that they haven't fallen off our radar. Some of them have been addressed by my colleagues—certainly health care and national training standards. I urge you to take a look at the brief and understand that we do have ongoing interests in this area.

Thank you for the opportunity to participate.

The Chair: Thank you.

Just to remind you, members have seven minutes in the first round and then five minutes.

Mr. Penson.

Mr. Charlie Penson: Thank you, Mr. Chair. I would like to welcome the panel here this morning. We've heard interesting presentations and quite a bit of talk again about budget surpluses and how we arrived at that particular process. It's not the first time we have heard this in this pre-budget consultation, as you will appreciate, but it doesn't make any less real the need to address it. You will know that this committee is going to be doing a study about that question shortly.

The concern I think people have is that they are being denied choices. We may differ on what kind of choice needs to be made, but at least the choices should be up there, with a more transparent process of what we can expect in surpluses, or where the government is in its fiscal position.

I would like to ask Mr. Andrew Jackson this. Isn't it inconceivable that the government would not know shortly after the fiscal year closes, which is March 31, pretty much where they are? My understanding is it should have a pretty good idea within six weeks of a reconciliation of the national accounts and running all the numbers. In fact, even prior to the finance minister bringing down his budget in late February, the finance department, with their battery of economists and officials, should have a pretty good idea, before he is forecasting his next budget, where they are in terms of the fiscal situation for the last year.

Can you help us out in that regard?

● (1200)

Mr. Andrew Jackson (Senior Economist, Canadian Labour Congress): I wouldn't pretend to be very expert in the internal processes and monitoring. I would certainly agree that the government itself is in the position to be very closely monitoring the amount of spending on programs over the course of the year. To my mind, part of the reason large surpluses have been run is that program spending has been held back or deliberately under-estimated.

I think there are reasons why it's difficult to know precisely how much revenue is going to arrive in the fiscal year and be brought back to it. So I would be a little more generous in my consideration on that. I think the government has much more direct control on the spending side than on the revenue side.

I must say, it would be interesting to see, when the review or the forecasting does proceed, how it turns out, but to my mind you really have to have honest accounting of what's happening on the program spending side to get reasonable forecasts.

Frankly, the alternative federal budget process, where we've been quite accurate in our forecasts, is not really terribly difficult to do. You just assume that revenues will increase in line with growth in the economy; then you look at what the government's going to spend with reasonable accuracy; then you come up with a number. What needs to be explained is why we have had such bad forecasts from the government itself, rather than what actually happened.

Mr. Charlie Penson: Mr. Jackson, I agree with you, and because it's been one way for the last seven years—some people may say that's great, at least there are surpluses—we have a major problem of credibility when government gets caught up in the same game a lot of corporations have been caught up in the last few years, where their credibility is really on the line. As I said earlier, it denies people the debate that needs to take place on what choices to make.

My question even goes a little further. Once the books close on March 31—I understand there are some lingering things that have to be cleaned up—it is my understanding that within about six weeks after that they should have a pretty good idea of where they are. When the finance minister was here a week or so ago he said he didn't know until late August where they were. Some people have suggested they should have known about the middle of May, in general terms, whether they were closer to $1.9 billion, which was projected, or the end result of $9.1 billion. Would you agree with that?

Mr. Andrew Jackson: What you are saying is quite reasonable. I found it quite striking in the last election campaign that we had a budget and then an election not very long afterwards, and the fiscal outlook seemed to change quite significantly between one and the other. I think there is much closer monitoring of the fiscal situation going on internally than is reported out.

Mr. Charlie Penson: I would certainly hope so, because when we have a finance department that can't seem to get a handle on it, it seems to me it discredits the whole department, if that's what is really going on here. It would seem there is something more involved, and I think we all know what it is.

I'd like to shift my questioning to Mr. Patry.

Mr. Patry, you talked about the fiscal imbalance, and I think you went on to the idea that this is a federation and there are certain responsibilities in the Constitution for the provinces and certain responsibilities for the federal government; but if the federal government is taking too much revenue out of the system, there's only one taxpayer in the end, and therefore the provinces may be getting squeezed.

You went on even further to say that some of the cutbacks that took place in transfers hit the provinces hard, and therefore there was a lot of money—out of the health care system, for example, I think it was $25 billion over that period of time from 1995 on—that sort of went missing before we started putting some back.

My understanding is you regard this as a serious problem that needs to be corrected, so that the two jurisdictions are respected and the provinces are allowed to exercise their proper taxation levels.

Is that what I am reading here?

[*Translation*]

Mr. Pierre Patry: Exactly. The Canadian Constitution provides for a sharing of responsibilities between the provinces and the federal government. We can see, based on taxes levied, that the federal government can manage to accumulate significant surpluses while the provinces have difficulty discharging their responsibilities particularly in the field of education, health and welfare.

For example, in health, we have found that since 1994-95, there have been significant cutbacks as a result of the changes to transfer payments to the provinces. If transfer payments had been maintained at the level of 1994-1995, Quebec this year would have received an extra $2.3 billion. That would not solve all the problems related to provincial jurisdiction, but it would allow them to at least get a breather. Therefore, first, provincial jurisdiction must be respected and transfers to the provinces must be increased so they can have the necessary funds to properly discharge their responsibilities.

Secondly, we notice that the federal government has quite a bit of leeway. According to the Toronto Dominion Bank, by 2009-2010, surpluses very likely will reach about $48 billion. It means that the federal government is able to make choices and this is the first choice that it should make. The provinces, as well as the federal government must discharge their responsibilities in their respective jurisdictions, in order to meet the needs of their citizens.

For its part, the federal government hides its budget surpluses by underestimating its revenues and overstating its expenditures at budget time. Then, it applies these funds to the repayment of the debt; in this way it pays down some of its debt. All this takes place to the detriment of the provinces and the citizens. This has economic as well as social impacts. This is why provincial jurisdiction has to be respected and the federal government must transfer greater amounts of money through CHST but also through—

● (1205)

[*English*]

Mr. Charlie Penson: Mr. Patry, do I understand further that you also made the point that the essential overcharge on the employment insurance fund has also been a problem because it is concentrated on businesses and workers, and that money has gone into general revenue, and that's why you're calling for a reform of the system?

[*Translation*]

Mr. Pierre Patry: Yes, because the federal government has used the EI fund to pay down some of the debt. At the present time, only some 40 per cent of unemployed workers, male and female, are entitled to EI benefits. This is absolutely scandalous. Employment insurance does not cover all those who should be covered. A few years back, before the early 90's reform, 90% of unemployed people were entitled to benefits. In fact, there should be a separate fund. The money should not go into the government consolidated revenue fund because this is an insurance which is paid by the workers and the employers. It should belong to those that contribute to it and the federal government should not use that fund to pay down its debt.

The Chair: Thank you, Mr. Patry.

Mr. Côté.

Mr. Guy Côté: Welcome and thank you for your presentations.

A little earlier today, we received various organizations representing management. You will not be surprised to hear—I am simplifying here—that of course they suggested tax cuts. But you, you rather talk about an increase in spending.

Irrespective of the worth of each of these options, for the past half hour about we were told that, because of the federal government's faulty projections, taxpayers were deprived of this debate. I found it very funny when you mentioned earlier that you had arrived at estimates much closer to reality. It would seem unfortunately that only Mr. Martin, Mr. Goodale and the Finance minister cannot make projections even slightly in keeping with reality.

Mention was made of the tax imbalance. That's interesting. As you know, about 44% of federal expenditures, at this time, take place in Quebec jurisdiction and other provincial jurisdictions. I would suggest that if the federal government focused its actions on its own jurisdiction, a lot of problems could disappear rather easily.

Mention was just made about an EI independent fund. It was said that this could be advantageous, especially for the workers. However, Mr. Patry, this could also bring about a number of advantages for the federal government. Could you develop your thoughts in that regard?

Mr. Chair, if I have some time left later on, I will give it to my colleague.

● (1210)

Mr. Pierre Patry: Are you talking about the advantages that the federal government could reap from a fund which wouldn't be separate?

Mr. Guy Côté: No, of a fund which would be separate. What could be the advantages of a separate fund for the federal government? We can very well see the benefits it could give the workers and businesses. What could be the advantages for the government per say?

Mr. Pierre Patry: That fund should exist only to meet the needs of the workers which find themselves unemployed. They are the ones who contributed to that fund and who in some way bought an insurance so they would be covered should they find themselves unemployed. Therefore, the EI fund which is an insurance fund should be separate from the government Consolidated Revenue fund. That would be a tremendous advantage for our citizens. It is in that perspective that we are looking at the matter.

Mrs. Carole Lavallée (Saint-Bruno—Saint-Hubert, BQ): Thank you, Mr. Chair.

I am the Bloc Québécois spokesperson on labour issues but not on financial matters.

I am very pleased to meet you. I thank you very much for coming here to share your thoughts with us. I shall read very carefully the briefs you brought with you and which will give us food for thought, so to speak.

The Bloc Québécois is definitely a progressive party which came up with most of the suggestions that you offered. In fact, we are backing the same causes as you do. We are going to introduce three private member's bills within the next few days, if not next week, with regard to employment insurance among other things, with a view to lowering to 360 the number of hours required to get benefits. We have also tabled a bill to establish an independent EI fund. This bill will be available in the coming days and you will be able to know our thoughts on it.

With regard to the steel workers' bill intended to change legislation on bankruptcy and insolvency which would move the priority of workers claims in bankruptcy ahead of all of other claims, we met last week one of your colleagues, Mr. Neumann. We totally agree with the bill which has been tabled in cooperation with the NDP. We are working together and we will be glad to support this bill.

Almost all of you have raised the same subject, which is the tax imbalance. In fact there will be a budget surplus. Mr. Goodale anticipated that it would be in the $3.4 billion range but we can expect that it will be at least two or three times higher. At the moment we are in the process of accumulating this surplus. We always talk about the past, the $1.9 billion which turned into a $9.1 billion surplus. At the present time, the machine is in operation.

It would be interesting to consider right now what could the government do with that surplus. Of course, it can pay back the debt, but it would be a good idea to have a debate on the subject. We know that the government underestimates its budget surpluses in order to avoid such a debate. Let's have this debate now on the $3.4 billion surplus. The government can make transfer payments to the provinces, as you suggested. It could also pay back some of the debt—one has to be realistic somewhat—but it could also put that money into programs such as EI. It could be more generous. However, setting up an independent fund might be one way of solving this problem.

I should like to have your opinion on the way we should invest this $3.4 billion surplus which Mr. Goodale will announce before the end of this fiscal year.

The Chair: Mrs. Lavallée, could you please tell us to whom you are asking your question? It would make things easier.

Mrs. Carole Lavallée: She is talking to Mr. Yussuff.

[*English*]

Mr. Hassan Yussuff: We have presented in our brief what we believe to be our priorities.

The commitment to put more money into health care has been long overdue. The challenges we're facing across the country have been demonstrated over and over. I think it's a wise decision.

There's been a lot of talk by all the parties about our having a national child care program. I think this budget certainly makes the necessary allocations to truly establish a national child care program.

On the social side, our housing and infrastructure in this country are falling apart. No matter what cities you go to, you can see the challenges the cities are faced with, and of course, most importantly, there are the poor in our country, who are working long hours or even part-time or in precarious work but still can't meet the cost of social housing. We have to put money back into those priority areas.

The one area that I think is also a challenge for this country, as we'll continue to see, is the whole question of training for workers. A lot of workers go through a cycle, losing their jobs or working in an industry that sometimes doesn't have...and then not being able to access training in this country. It's a tremendous disservice to Canadians who really want to go to work but can't get access to real, meaningful training across the country.

We need to put some resources back into those programs so we can assist Canadians who want to work—and of course create wealth and pay taxes in this country—to get an opportunity to do so. In the absence of doing so, all we're doing is renewing the cycle of poverty and ultimately not really changing very much. I think we have some real choices.

I want to come back to what I think has been said before: that if you really want to fix the imbalances and how the surplus is not accounted for, get the Auditor General to deal with this matter. That's the appropriate person, who should be telling Parliament how you can actually account for the revenues of this country, and then obviously telling what the protection should be. We have more confidence in the Auditor General than we have in the finance department, because history has shown us that every year they've predicted they've been wrong, and that's not a good place to start off with.

On the EI front, I want to say there are far too many workers who pay into the system. They work hard, they pay their premiums, yet they can't receive any benefits. We've seen, as a result of the changes that have been made in the past, the hours needed to qualify are far too high for people. We've made some very direct presentation that this is something that needs to be fixed.

It is important to recognize that the EI fund is to deal with workers who are unemployed and who need training in this country, nothing else. It's not for any other fiscal or other imbalances the government may choose to use it for. I think it's critical for us to get back to those principles and recognize that the people who pay the premiums to a large extent don't have a problem with that; what they do have a problem with is paying into a system that ultimately they can't receive any benefit from.

● (1215)

The Chair: Thank you.

Just quickly, Monsieur Patry and then Ms. MacLeod—*30 secondes, s'il vous plait.*

[*Translation*]

Mr. Pierre Patry: With 30 seconds left we are going to have to speed up.

First, with regard to paying down the dept, computations rather easy to do will allow us to see that since 1997-1998 we went from 67.1 p. 100 to 41.1 p. 100 and that, just with the increase in the GDP, we went from 67 p. 100 to 46 p. 100. It is the increase in the GDP and not the reimbursement in cold hot cash, which has been the main factor in lowering the debt ratio to the GDP. That is my first point.

Secondly, since significant social responsibilities come under provincial jurisdiction, in health, in education and early childhood education, among others, transfer payments to the provinces have to be increased through the CHST as well as perequation payments so that provinces can discharge their duties.

We have to be cautious: the government managed to put aside $3 billion per year and doesn't tell us why. The fear is that it might apply these funds to transfer payments to the provinces to the detriment of its own responsibilities. For example, concerning the environment, we know that there has been a regression when it comes to reaching the objectives set in the Kyoto Agreement. The government should therefore invest more in this field as well as in public transportation where it does very little, and this in turn could help the environment.

These are our priorities on top of course of the employment insurance which we talked about earlier.

[*English*]

Miss Carol MacLeod: We urge you to take a close look at what we've put forward with respect to mobility assistance for construction workers and funding a subsidy to workers for travel to other provinces for temporary work through the EI system.

There are two important points around that. One is that you have to recognize the contribution to community development. We're talking about, for example, a journeyperson electrician in Halifax who can't get work there and wants to travel to Alberta to get work. His family or her family is still there. The money earned in Alberta goes back home to pay the bills.

The second element of that issue has to do with the real or perceived skill shortages. Certainly if you layer the demographics over what's happening right now, skill shortages will become a very real thing in the future. The average age of a bricklayer, for example, is 57.

So I think these incentives for construction workers to move to the work reflect the unique nature of the construction industry. It is by its very nature transitory, and it is by its very nature cyclical. It's in Canada's interest to try to have some support mechanisms in an industry that makes such a vital contribution to the overall economy.

● (1220)

The Chair: Thank you, Ms. MacLeod.

I'm going to go to Ms. Minna, and then Mr. Christopherson.

We have 10 minutes left, so I will ask the witnesses to hang on for about five extra minutes because we'll probably go over.

Hon. Maria Minna: Thank you, Mr. Chairman.

I have quite a lot of questions and clarifications. There are some things I very much agree with, and I want to get back to some of the comments made this morning.

I want to start out with this politically hot discussion that's going on about fiscal imbalance. Yes, there were cuts in 1995. I was one of the MPs who went public and attacked my own government at the time, so I'm not going to stand here and defend them, but since then there's been quite a lot of money put back in the system.

However, we talk as if the provinces are some poor, weakly little children over there. They are very powerful entities in our federation. They have huge taxation powers, both from businesses and individuals, as well as from other sources, some of which in fact the Government of Canada may not have. The Government of Canada also has, under the Constitution, spending powers, with the ability to set programs across Canada, pan-Canadian programs.

In Ontario, for instance—I'm an Ontarian—the Government of Ontario spent ten years making tax cuts. We have no power to tell the provinces what to do in those areas at all. How do we decide this province is supposed to get more tax points and this other province should get less because it's not doing its job? It's not about that. Provinces have powers to make decisions about their destiny in many areas.

The Government of Canada does have a responsibility, in my view, because it's not just an ATM machine. It has a responsibility to establish some national, pan-Canadian programs, such as the health care system or, from my point of view, a child care system.

But with respect—I've heard it here this morning; all of you brought up child care, and I appreciate that as a priority—we all know that the official opposition has absolutely no priority on child care and keeps talking about it as if it's child minding and not early learning, and they think the federal government has no say in it and should have no say. With respect, if we do not get involved with the spending powers in trying to establish some standards in this country on child care, we will have none.

I remember in 2000, when we committed $2.2 billion as a result of MPs pushing for early education—I was part of that—in Ontario we ended up with a cherry-picking approach because provinces, including Ontario, did not want to have to do child care. What Ontario did, when we transferred the $500 million, was cut back its money out of child care, cut down the spaces for child care, and establish new structures of early learning. We have this weird grid in the country.

I really have to say—I'm sorry—the Government of Canada is not an ATM machine, and it does have a role to play. I am not in support and never will be of further tax points being transferred without some understanding of how the country is going to benefit from it as a whole.

I want to put that on the table, because I have heard so much about this fiscal imbalance as a code word to transfer more tax points without any strings, or any understanding. I don't agree with that and I don't support it.

I have to tell you, having said all of that, that when it comes to social policy, especially in child care, Quebec is way ahead of the country, and I commend it for that. In fact, it's the Quebec model we're using; therefore, I don't understand why the representative would have problems with it.

I want to go to two things: immigration and unemployment. Training insurance, with income support from EI, is an interesting concept. I think, Mr. Yussuff, you brought it up. Back in 1994, when I was doing the social security review, along with two of my colleagues I came up with a similar scheme. I remember at the time we met with Bob White to discuss it.

I'm not sure if you mean the same thing I meant at the time, but I was looking at using the EI fund as a way to re-tool and re-energize the whole labour market. People on EI would receive, for one year, if they lost their jobs—at a minimum; it could be two years, depending on the trade—guaranteed EI support with training attached as part of it, or apprenticeships and what have you. They would use the funding in an active way, both for income and for training as well.

That was my idea at the time, and we put forward all kinds of proposals, but it didn't go anywhere then. I still think it's a great idea. Can you tell me if that's how you're looking at using the fund, in the dual manner? Is that what you mean?

● (1225)

Mr. Hassan Yussuff: First and foremost, the fund ought to be there to assist unemployed workers when they find themselves in an unemployed situation.

My colleagues have all indicated that we're seeing fewer and fewer workers who pay into the system. A large portion, by the way —more than half—of the workers aren't getting anything out of the fund despite the fact they should be qualified. The threshold is so high they can't ever reach it. The re-entry point, of course, makes it even that much more difficult.

On the training side, we have made two proposals to the department to do two pilots, one in the health care sector and one in the manufacturing sector. We have heard arguments from all the provinces that they are getting fewer and fewer nurses and retraining, and of course they are dealing with the foreign credentials and skills issues. What needs to be done is you need to have some ability to say, how do we fix this problem? I think we have a fairly skilled immigrant workforce, but quite often their skills are not recognized in the Canadian context. We need to figure out how to give them access.

We're simply saying that the funds ought to be used in a very constructive way, to allow workers to get re-skilled when they find themselves in an unemployed situation to get back into the workplace.

The model, I think, will give the government a good understanding of how successfully it would work and, more importantly, how useful it would be in trying to solve some of the skills needs in the country. It should be an integral part of how the UI funds should be administered, to a large extent. But as you know, for the most part, the UI fund has been stringently administered, and to a large extent, the benefits level has been fairly low. So I think we want to fix that.

I also want to come back to a point you made earlier about the so-called fiscal imbalance with the province, only to agree with you. You can't on the one hand ask for more money from the federal government and on the other cut taxes and say that's the solution. There's a recognition that some provinces anyway, and Quebec is a good example.... That province made some very clear choices. They want to have a child care program on behalf of their citizens. They decided to put resources into that. I think the federal government should compensate them for that. It makes sense. That should be the model the country should adopt. I think it's realistic.

I understand the debate is going to be ongoing about what fiscal imbalance is, but the reality is that I think the social needs of our country are vast and the federal government has a leadership role to play.

The last election decided it, in my opinion, in a very clear way. Canadians rejected unanimously the tax cut proposal put forth by other parties as to how we can solve the problems of the country. I think we should use it as a guide. If people think we are wrong, I guess they contest the election. But I think the electorate spoke very clearly. We don't see tax cuts as a solution to solving our problems.

The Chair: Quickly.

Hon. Maria Minna: Very quickly on the immigrants, since you have talked about immigrant training—I'm sorry, I wanted to talk about undocumented workers, but I may come back.

To the CLC, we were talking about recognition of skills and employment earlier with the businesses. Is the CLC doing anything specifically to sensitize business? Yes, there is the credentials issue, but there's also the issue of them taking aggressive action and hiring people and being proactive and understanding the different trades and so on. Is there an involvement with your organization with that?

Mr. Hassan Yussuff: Within our specific affiliate, work has been done to try to challenge the discrimination people face. They can't get access to the really good jobs. We are working on that. We have initiated something again with the HRDC department to try to push this some more. It's a real problem.

Our own study has concluded that the vast majority of immigrants, to a large extent, are much more highly educated than Canadian workers. Yet their unemployment level is hard. They're average in this society. More importantly, their income level is much lower when working in the same field as other Canadians. There's a real problem there. We have identified it and we are trying to work with it. We're challenging the employers in the places we can.

I think this is an issue the government really has to get its hands on. There's been a lot of chatter about it for almost a decade and not enough substantive work to try to fix it. Obviously we have to deal with professional organizations in how they accredit people.

I think part of this problem lies with the federal government itself. The federal government has signed joint agreements with the provinces on immigration. It's critical to put into those agreements that they will have an assessment mechanism in those provinces if they want to receive the immigrants. We're going to assess their skills right from the start, and then of course try to help them settle into the field in which they can work. It's a terrible loss to the Canadian economy. It's also a terrible loss to these individuals and their families.

There are a number of approaches that can be taken. I think the federal government does have some policy tools available, especially in the joint agreements they're signing with the provinces on immigration. I know they haven't signed one with Ontario. It's critical that we fix that in Ontario before we sign an agreement.

The Chair: Thank you.

Mr. Christopherson.

Mr. David Christopherson (Hamilton Centre, NDP): Thank you.

Like my colleague, I'm the labour critic for the NDP. I thank all of you very much for your presentation.

I was having a quick chat with Andrew Jackson just prior to your presentations. He indicated to me that he wanted a chance to make a couple of comments on some of the tax cut positions put forward by earlier presenters from the business community.

I'd like to afford you that opportunity.

● (1230)

Mr. Andrew Jackson: Thanks.

I was here for the earlier session, listening to the business submissions, and I did have a couple of reflections. Just to begin with, as people may know, the president of the Canadian Labour Congress, Ken Georgetti, did sign a letter recently together with the president of the Alliance of Manufacturers and Exporters on the importance of an industrial strategy in Canada, the importance of support from the government for new investments that create jobs. A lot of what was said in terms of the importance of private investment for job creation we do agree with.

What I would really question, however, is whether broadly based corporate tax cuts are a very efficient way of creating jobs. If you just cut the general corporate tax rate, at least one-third of the benefit of that is going to go to the financial sector—the banks, the insurance companies, and so on—which are making very high profits right now. I mean, the idea that increasing their bottom line is going to flow into job-creating investments in the Canadian industry, I think, is a myth.

If you heed that message, I think the measures that should be taken should be very closely targeted to where they go into producing results. We know we just had a major investment of new jobs in Oakville at Ford with some government support for the investment. That's very targeted. I think where they have a case is support for companies that are investing in new machinery and equipment or new plants. There's a reasonable case there for support. But for these broadly based tax cuts, I think the jobs arguments is being used to sell something that will cost a lot and not produce a lot of results in terms of the investments.

Mr. David Christopherson: I have three quick issues, Mr. Chair, and what I'd like to do is make my comments, pose a couple of questions, and then leave it to the delegates to respond to it.

The first one is the whole question of why unions are coming here and talking to this committee and Canadians about social programs when most Canadians think your interests begin and end at the bargaining table. There's an important comment to be made there and I'd like to see it on the record.

And maybe if there is any expansion on the issue of new Canadians and training.... I know in my home town of Hamilton it's a key issue. The future of our city, quite frankly, is going to be built on our ability to absorb new Canadians, integrate them into our local economy, and benefit from what they have to offer. Whether anybody likes that or not, with our birth rates in Canada, we need new Canadians. Why on earth the government isn't moving more on this front is beyond me. I know Hamilton is not alone. A lot of communities are facing the same thing.

Also, in my home town I'm affected by the potential with Stelco, the troubles there, and the effect on the pensioners. I appreciate very much the comments from my Bloc colleague. We are working together to introduce legislation. Maybe we could get a bit of an update on how your lobbying efforts went the last couple of weeks vis-à-vis, at the very least, getting the bill of Mr. Pat Martin, the member for Winnipeg Centre, in front of the committee. At the very least, I'm wondering how you're faring on that one, given its importance to Hamiltonians and to all workers. Maybe mention that this isn't just about steelworkers at Stelco in Hamilton. This is about workers in every industry right across the nation.

Lastly, I was challenged on the floor of the House of Commons on a comment I made about the importance to Hamiltonians, reflecting on my riding, of Kyoto and environment protection. In the comment section one of my colleagues from another party said the steelworkers are talking about the types of jobs and investments they need. They said I talked about the need for a steel policy for Canada, for the nation, yet here I was pushing Kyoto, and that's going to push jobs out; the unions aren't with me on this. I know somebody already raised Kyoto. I am interested in any comments about how the labour movement views Kyoto and that whole issue of jobs and how we should be grappling with that. Whoever wants to answer those....

Thank you, Mr. Chair.

Mr. Hassan Yussuff: I'll be very brief, because I'm sure my colleague would like to make some points.

During the whole debate leading up to the ratification of Kyoto, we were one of the first organizations that came on board in support of the government. It's the right decision. More importantly, we should try to meet our targets. We haven't done very much to meet the targets we have actually agreed to in Kyoto. The longer we wait, the farther we get away from those targets.

It's critical for us to recognize that Kyoto is not simply about cleaning up the environment and reducing greenhouse gas; it's also challenging us about the kind of technology we can develop and the kinds of jobs that can be created in this context. Retrofitting of buildings to meet better efficiency in terms of the use of energy makes a lot of sense. It generates jobs and it creates new technology.

Alternative sources of power, whether it's wind or others.... I went to Denmark. The country had little or no energy coming from alternatives. They went into wind power, and today over 20% of their needs comes from wind power. This is a small Scandinavian country that can do that.

So for whoever is saying the labour movement is not on board, you should tell them to come and ask us, because we'll tell them a different story.

On the other issue, the immigrants and training, I think it's critical for us to recognize that whether we like it or not, the skills shortages are increasing, not decreasing. A lot of new Canadians come to our country with a commitment to work and to help build this country. It's unfortunate that they can't get into the fields they're qualified to work in.

More importantly, we don't have an integrated system for training. It's a patchwork system across the country that makes absolutely no bloody sense. If we want our cities to survive and to grow, I think we have to recognize that the immigrant community is going to need special assistance from the government to ensure they have training.

And it's not just a question of training. We need to deal with the fact that a lot of new Canadians who come to this country look a lot like me. They do face an incredible amount of racism in this society. Some of it is subtle and some of it is systemic. If we're not addressing that, politically we're going to create divisions in this country that are going to take us decades to fix. The government needs to be aggressive with its anti-racism strategy, to say we need to work with each other, live with each other, and build harmony in our society. More importantly, we need to give people access to help them develop their economic success in this society.

On the last point, on the pensions and the CCAA, there's no question that Canadians are very troubled over the fact that when their companies find themselves in difficulty, they're not sure about their pensions. More importantly, they're not sure about where their wages, severance pay, and benefits are going to come from.

This is a private sector crisis, and they should fix it. All the government needs to do is to amend the current legislation to ensure that employers are meeting their commitments. That's not too much to ask for. We spend our lives working to build and help make companies successful. I think they should meet their requirements in providing for the benefits. More importantly, the government should tighten up the regulations.

We've gotten some commitments. The government is prepared to work to try to solve this problem. The timeframe, of course, is very critical for us.

● (1235)

The Chair: Thank you.

I have Mr. Deveau, Monsieur Patry, and Ms. MacLeod.

Mr. Dennis Deveau: I'll just make a couple of quick comments.

Hassan has dealt with the question of Kyoto, and, yes, the health and safety department of the steelworkers union is involved with the federal government on Kyoto. There's no question that the steelworkers are on board.

On the question of the lobby, we are, as a matter of fact, having very good success in talking to MPs in all parties. I think some of it is an education process, because, quite honestly, like the majority of the population of the country, a lot of MPs are not aware that workers are way down the list. As a matter of fact, we've been having some discussions on specifics in particular areas.

As for one of the things that will be occurring in the bill that will be introduced, the position of the steelworkers is that we're going to call it the “workers first” bill. We think that is a very good way to approach it. I'm going to hopefully have some discussion with the bankers' association, their lobby, later this week or next week, to start dealing with those things.

We think it's important. We haven't found an MP yet who has said no, they will not discuss it. If things work out the way they're going right now, we may be able to get unanimous consent by all the parties to put it to committee before it has to go to second reading. That's what we're working on right now, but we're quite excited about it.

The Chair: Thank you.

Monsieur Patry, then Ms. MacLeod.

[*Translation*]

Mr. Pierre Patry: You asked why we were appearing as a workers' organization. We are working to improve working conditions of the members we represent but as is the tradition in Canada, we work also to improve living conditions of the whole population which we claim on behalf of the unions. Thus, we want more transparency on the part of the federal government. Budgetary choices have an impact. When budget surplus are hidden and that at the end of the day, certain choices rather than others are made, this has an impact. For example, the pay down of the debt at the detriment of services, has an impact on our members, but also on the Canadian population as a whole.

We contend that the unions, in view of the power relationship they have created in Quebec as well as in the rest of Canada, have greatly contributed to the setting up of social programs. We want to make sure that we follow along in the same direction.

[*English*]

Miss Carol MacLeod: I would like to address your topic of new Canadians in training.

For new Canadians who enter the construction industry, the unionized portion of the construction, I think it is appropriate to acknowledge that they are entering a system that has a very sophisticated technical training infrastructure that is financed through joint labour-management partnerships. It is a sustainable model of private sector financing that has been around for some time.

Given that we know one of the barriers to successful completion of apprenticeship has to do with the opportunities for apprentices to actually find work and therefore complete their apprenticeship, I want to draw you back to our interests in the area of value contracting. I think it would be very important for the government to step up to the plate and set the example and ensure that contractors it is hiring actually have some commitment to the journeyperson and apprenticeship training system. By commitment I mean cash—not just verbal commitment, but cash and the training infrastructures to support that.

Last week I was at the International Brotherhood of Electrical Workers, Local 353, in Toronto. It has 7,000 members and a very sophisticated journeyperson training set-up. Just that week they ran several programs where they had a translator come in for some Asian members and facilitated the learning in that way.

These are not only sustainable models for training in terms of funding; they are also centres of excellence with respect to best practices. If we can remove barriers, that would be extremely helpful.

● (1240)

The Chair: Thank you, Ms. MacLeod.

Because we all have responsibilities, we have to go. So I have just a quick comment.

Before I thank everyone, I just want to say in regard to the briefs, this is one of the panels where we were able to get the briefs here in time, so we were able to translate them into both languages.

In some of the briefs we have costing. I have one particular brief, which I think is yours, Ms. MacLeod. For the tooling, do you have any numbers on that? Could you cost that out? I don't need the answer right now, because we don't have time, but could you submit it to the clerk?

If anybody else here has something to add, we are willing to take it. We were looking at numbers. We submitted questions for the witnesses to answer, some of which asked, could you please cost out your recommendations?

A lot of the recommendations your groups made today were social. I think we have those already, but if there is anything we missed out on, we would appreciate having that.

I want to thank you for your submissions, but the fact that you went over time...we were stuck because we don't have enough time to interact. Still, it was great. Thank you for your time and have a good rest of the day.

The meeting is adjourned.

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