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Mr. Massimo Pacetti

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• (1535)

[English]

The Chair (Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.)): Good afternoon, everybody.

We're here pursuant to the order of reference of Thursday, May 19, 2005, Bill C-48, an act to authorize the Minister of Finance to make certain payments.

First of all, welcome, Mr. Goodale and Mr. Fontana.

I think it's Mr. Fontana's first time before the committee, so welcome. I hope you have a good time. It has been a very exciting committee, so I don't expect any less.

From what I understand, the two ministers have opening statements. If we can keep those to about five minutes, I would appreciate it, as the members can then ask questions.

I have Mr. Ralph Goodale going first. Mr. Goodale.

Hon. Ralph Goodale (Minister of Finance): Mr. Chairman, I will be very brief, because I know you've already had detailed work on Bill C-48. It is a rather succinct piece of legislation. It provides the framework for further investments by the Government of Canada in post-secondary education, the environment, foreign aid, and affordable housing, which is the particular interest of Mr. Fontana.

The important thing to keep in mind during the debate on this bill is that the investments being proposed here are to be made from unplanned or unexpected surplus funds. This government has no intention of going back into deficit. Canadians have simply worked too hard and come too far since 1997 in terms of Canada's fiscal performance to allow any slippage in that record of success at this stage. The bill in fact is quite explicit about the need for budgets to be balanced, surpluses to be run, and debt to continue to be paid down. We have had a very good record of performance with respect to those items over the last seven or eight years since 1997, and the forecasts going forward are very encouraging that this record of performance can and will continue.

With the flexibility that we have, or expect to have, over and above the \$2-billion mark, we have indicated in this legislation that there are four priorities toward which that flexibility will be directed.

First of all, on the matter of post-secondary education, in addition to the normal transfers that we provide to the provinces, and in addition to the Government of Canada's direct spending on such education, which is now in the order of \$5 billion per year, Bill C-48 proposes \$1.5 billion, spread between the current fiscal year and the next fiscal year, specifically or particularly for students from low-

income families and aboriginal Canadians to improve their access to post-secondary education. In a knowledge-based society driven by technology and based upon skills, obviously it is crucial to equip young Canadians with the very best education they can possibly have, and this funding over the next two years will assist us in doing that.

The second topic in the bill deals with the environment. Environment was a very prominent item included in my budget on February 23. In Bill C-48, this measure focuses upon two environmental issues in particular: the greater assistance to be offered to municipalities for public transit systems; and the need to assist lower-income Canadians deal with energy efficiency issues, which will not only improve the comfort of their homes, but will in fact also help them to save money on energy costs and ultimately help Canada to save on greenhouse gases.

Thirdly, Mr. Chairman, there is the issue of foreign aid. I must say, that's been on my mind considerably in the last four or five days, as I've participated in the G-7 and G-8 process in London, which has arrived now at an historic agreement to eliminate a very large portion of the accumulated debt of heavily indebted poor countries around the world. What this measure proposes is an incremental \$500 million—again between this fiscal year and the next fiscal year—to be devoted to greater Canadian international assistance. This could help us deal with the debt issues; it could also help us deal with a variety of other aid issues that I think Canadians are anxious to participate in.

On the matter of affordable housing, Mr. Chairman, I'll be very brief. Bill C-48 provides \$1.6 billion to help low-income Canadians and aboriginal Canadians with affordable housing. The Government of Canada's activity in relation to housing actually falls into three categories: first, a series of programs to try to address the root causes of homelessness; second, an annual commitment of about \$2 billion each and every year to help us support the operation of social housing projects across the country; and finally, new investments in the capital stock of low-income affordable housing units across the country. There, we have a current commitment of \$1 billion, which is partially, but not entirely, invested, and is contingent on participation by the provinces. This new money provided in Bill C-48 would obviously increase the funds available to increase Canada's stock of affordable housing, and it would not have a condition attached to it requiring provincial participation.

● (1540)

Mr. Chairman, I appreciate the committee's conscientious attention to the content of Bill C-48. Mr. Fontana and I look forward to responding to your questions, but I suspect he has a word or two to say about affordable housing before we begin.

Joe.

The Chair: Mr. Fontana.

Hon. Joe Fontana (Minister of Labour and Housing): Thank you, Minister. Colleagues, thank you.

[*Translation*]

Thank you for inviting me here today to speak to you about something that is very important to all of us, namely housing.

[*English*]

First and foremost, our government believes that housing matters. In fact, we articulated this belief in the Speech from the Throne, where we stated shelter is the foundation upon which healthy communities and individual dignity are built. In order to meet our commitment to addressing the housing challenges and the opportunity of all Canadians...the Prime Minister appointed a minister of housing responsible for both homelessness and housing to take a holistic approach to dealing with these issues.

Since last July we have made a great effort to recognize that housing is a continuum and to adapt our efforts appropriately. Along that continuum we find Canadians with various backgrounds and various needs, for emergency shelters and for transitional, assisted, and affordable housing and more. We also find that housing needs of Canadians change over time, sometimes dramatically and quickly.

In Canada we can be very proud of the fact that most citizens are well housed. In fact, currently more than 80% of Canadians enjoy good housing conditions. However, we must not forget we still have 16% of our population, or 1.7 million households, including aboriginal people, without adequate, suitable, and affordable housing.

We also know no one level of government can address all the housing needs of Canadians, and there is no one-size-fits-all solution. What is clear is that Canadians expect the federal government to be a key player when it comes to housing, and the only way to find lasting solutions for the thousands of households in need is through partnerships.

We have a responsibility for providing housing and homelessness solutions to our citizens for building better lives and stronger communities. Over the last year I've been working on the development of a comprehensive housing framework that will serve as our plan for our new investments for decades, a framework that will recognize the housing needs and challenges of all Canadians along the full continuum of housing.

Last December I announced publicly our government's plan to consult with Canadians on the development of that new housing policy, and in January and February I participated in a series of nationwide consultations to obtain the input of a wide range of stakeholders on developing a new partnership-based Canadian housing framework. Community consultations and expert forums

were held in cities across the country and provided all Canadians with an opportunity to share their views and their ideas.

The housing framework we are creating together will serve as a guide for the federal government to make strategic use of our 2005 budget commitments in both Bill C-43 and Bill C-48. The framework will focus on the Government of Canada fostering new partnerships with various sectors to tackle our common housing challenges and to meet the housing needs of Canadians. It will also provide more clarity to the relationship and programs delivered with the provinces and territories by bringing renewed attention to the outcomes of our shared investments.

The 2005 budget delivered on our commitments to improve on-reserve housing conditions for aboriginal people by investing some \$295 million over a period of five years, of which \$200 million will be invested in the first two years. This funding will help build 6,400 new housing units and renovate 1,500 existing units.

These investments will serve to stabilize the situation on-reserve, but we will do more. Why? Because aboriginal peoples face special challenges in finding suitable housing on-reserve. One of the main themes to emerge from the aboriginal round-table session on housing was that we need to improve the housing situation of aboriginal people both on- and off-reserve and in the north, and we will do this by building an aboriginal housing system in Canada that is designed and delivered by and for aboriginal Canadians.

Our work on the Canadian housing framework will guide our future investments and relationships, and this includes the commitments identified in Bill C-48 you are reviewing today. Originally, our government committed to spending \$1.5 billion over five years, which was reiterated by Minister Goodale following the tabling of the budget in 2005. Bill C-48 has now accelerated that commitment to two years and increased it to \$1.6 billion, obviously with the assistance of some of our partners. As the finance minister has already mentioned, the accelerated delivery is contingent on year-end surpluses.

● (1545)

Within the new framework we would use these investments to build on our current successes and to support new and innovative community-based initiatives, including helping to meet the needs of aboriginal people both on and off reserve.

The allocation for housing within Bill C-48 will not require matching funds from the provinces and territories; however, it is our hope that we will be able to leverage additional moneys towards the development of more affordable housing. The \$1.6 billion in Bill C-48 could support such initiatives as targeted community revitalization projects, a new partnering model to link our network of partners involved in housing and homelessness issues, and the development of a transformative approach to aboriginal housing that would both promote market-based approaches and respond to those most in need.

Already there's a strong foundation to build on. Successes achieved in communities across Canada under our existing programs, such as the national homelessness initiative and the residential rehabilitation assistance program, are good examples of how we can bring partners from different sectors to collaborate and find housing and homelessness solutions for Canadians.

We also have the affordable housing initiative, which has been my top priority over the past year. Less than a year later seven provinces have signed affordable housing agreements with the federal government, and we will match their spending dollar for dollar. Just recently agreements were signed with Ontario on April 29 and with New Brunswick on May 2. For Ontario alone, the Canada-Ontario affordable housing agreement commits \$602 million, with a commitment of \$301 million from each level of government, and we have made great progress in Quebec and B.C. The combined efforts in Quebec are \$473 million, and we applaud the Government of Quebec for its initiatives on housing. In British Columbia the combined efforts of both levels of government are \$259 million, and they have also committed all of their money to building housing. In Manitoba there's a combined effort of \$150 million towards affordable housing.

All of these initiatives demonstrate how we are making a positive difference in the everyday lives of Canadians and that we are moving forward on our promise to ensure all Canadians have access to safe, affordable housing. It will help us to ensure that the legacy we leave to future generations of Canadians is strong and enduring. Our citizens are amongst the best housed in the world, but we must continue to work to make sure every Canadian has a place to call home.

Thank you very much.

On time, on budget.

The Chair: Mr. Penson.

Mr. Charlie Penson (Peace River, CPC): The point I was going to make is we have two ministers here and we have a short amount of time.

The Chair: We have an hour and a half, Mr. Penson.

Mr. Charlie Penson: It's still a short amount of time for a lot of committee members.

The Chair: Well, thank you, Mr. Fontana.

I'm sure that with that *éducation*, the members won't have any questions, but we'll make an attempt at it anyway.

Mr. Solberg.

Mr. Monte Solberg (Medicine Hat, CPC): Thank you very much, Mr. Chairman, and thanks to the ministers for being here. We're glad we could finally convince people in the government that it was important to have you here.

I want to start by asking Minister Goodale a question about this money that's being allocated for housing, urban transit, and foreign aid. None of this was in the original budget. Why not, if these are such important issues?

• (1550)

Hon. Ralph Goodale: Mr. Chairman, all of these issues were addressed in the budget on February 23. This particular money is incremental to the specific spending commitments that were made in the budget on February 23. The difference between the budget plan and the results of Bill C-48 is just slightly over 1% in the profile, so it's not a huge change. It is consistent with the priorities the government itself had already specified at an earlier stage. And obviously, as you know, there were some interesting times in the House of Commons earlier this year. For a while it seemed the House might choose to defeat the budget and defeat the government.

When faced with that set of circumstances, Mr. Solberg, we obviously explored the possibility of some different configuration of support that would allow the government and the budget the opportunity to succeed. The specific ideas referred to in Bill C-48 were advanced by Mr. Layton and the New Democratic Party, and we found ourselves able to accept the suggestions because, first of all, there was no possibility of deficit; second, the debt reduction plan would continue; third, the spending priorities were consistent with those of the government already as well as consistent with the express preferences of Canadians; and fourth, it fitted within the fiscal plan without disruption. Therefore, it was possible to do.

Mr. Monte Solberg: But it's also true that these were not priorities. I assume they weren't priorities at the time, because the government felt there was a higher priority for any surpluses that were generated over the next couple of years—for instance, paying down debt, perhaps even fulfilling some of the throne speech commitments the government made with respect to improving tax relief for low-income Canadians, and maybe even using some of those surpluses to speed up the amount of tax relief for people on the low end.

I want to remind the minister he did say, even days before he reversed himself, that his budget couldn't be cherry-picked or stripped away piece by piece by piece. Those were his words from the House.

We did have criticism this morning from different witnesses who said that this is no way to make a budget. We have a budget cycle. We have witnesses who come and provide input. We talk about it in the committee. We bring forward recommendations. The government reacts to them in a particular way and some of them find their way into the budget. I think there's a consensus that this is the way it should work. All of a sudden we find ourselves in a very peculiar situation, where it looks, really, like the government was willing to throw all of that out the window for a political reason.

I want you to react to that and tell me if that isn't an accurate assessment.

Hon. Ralph Goodale: Mr. Solberg, I don't mean to be unkind, but the fact of the matter is that before I had even finished delivering my budget speech, the official opposition in the House of Commons said they would support the budget or at least they would not defeat the government over the budget. That position held until about April 21, and then the official opposition reversed itself about 180 degrees and indicated they would—for their own reasons and their own judgment about what was politically appropriate—seek to defeat the government and the budget at every turn and at the earliest possible moment.

Faced with that reality, and being able to count at least as high as 153, it was necessary for the government to choose a direction. Do we continue on a course that is just like driving a car over a cliff, or do we consider the possibility of some modest adjustments in the budget plan that have at least some prospect of gaining majority support in the House of Commons? We felt that in a minority—as unusual and sometimes difficult as it is—it was better for us to try to make the system work to get the budget passed, as long as that could be done within the principles of fiscal responsibility and consistent with our own priorities and the priorities of Canadians, with a 1% change in spending profile over two years, but consistent at the fundamentals. We were able to proceed on that basis.

• (1555)

Hon. Joe Fontana: Mr. Chairman, I wonder if I could be helpful to Monte, because I think he asked a question in terms of commitment with regard to housing. I'll take two seconds.

About a year and a half ago, we said in our platform, "...assisted housing by providing a further \$1 billion to \$1.5 billion over the next five years".

The Speech from the Throne committed to renewing existing programs such as affordable housing, residential rehabilitation, and support of communities.

In the budget speech, we did say:

Accordingly, when our Municipal and Rural, Strategic and Border infrastructure programs are due to expire in the normal course over the next several years, it is our clear intention to renew and extend them into the future. The same is true for our housing initiatives.

The day after the budget the Minister of Finance indicated that as soon as we get the initial amount spent, in the future we will invest an additional \$1.5 billion in housing issues in the country. So I think it's consistent with our commitments from the budget speech as well as our throne speech.

Mr. Monte Solberg: On the issue of housing—\$1.6 billion in two years—what do your officials say that will do to house prices in large urban areas where a lot of this money will be spent? What will be the impact on people who are trying to buy houses right now?

Hon. Joe Fontana: That's a very good question, Monte.

Before I proceed, I want to apologize. I did make a mistake with regard to Manitoba. The total combined number there is \$74 million. Sorry, I doubled that amount.

There is no doubt that the focus of the federal government's \$1.6 billion is essentially to deal with those 1.7 million households who can't find affordable housing anywhere. There are certain markets, i. e., in Toronto, where the vacancy rates are 4% or 5%, and in Edmonton, in Calgary, where in fact there is vacancy, but what's available is not affordable.

Therefore, we have created a number of flexible tools in the toolbox, where communities and provinces can pick and choose what it is they need to house those people who are paying 30%, 40%, and 50% of their incomes towards housing. There is no doubt that in Vancouver, in British Columbia, and in Quebec, where there is very little supply, we must build new supply. Even though it's 100% financing, the \$1.6 billion of investment, along with partners, will ensure that we are in fact building a new supply for affordable housing. That is not going to cause—

Mr. Monte Solberg: What will it do to prices?

Hon. Joe Fontana: That is not going to cause the price of housing to go higher. The fact is there are some indicators right now that prices are going high because the demand is high. Home ownership is very high. The lowest interest rates in the country have made it possible for people to access home ownership. But \$1.6 billion, along with the \$1 billion we've just put in, is not going to have a detrimental effect on housing affordability. In fact, the reverse will happen, in terms of prices.

If you want to hear from the president of CMHC, she might be able to answer that more specifically.

The Chair: We'll come back to that, Mr. Fontana.

Monsieur Côté.

[*Translation*]

Mr. Guy Côté (Portneuf—Jacques-Cartier, BQ): Thank you very much, Mr. Chairman.

Good day, sirs. Thank you, Mr. Fontana, for your presentation.

I was very disappointed to learn today that while Bill C-48 reflects the priorities of the government and of the NDP, neither party views the creation of a truly separate employment insurance account as a priority. Accessibility to the EI program is not a priority for either of these two parties. Neither is a real program designed to provide assistance to older workers. I'm very disappointed to hear that.

That being said, I want to come back to Bill C-48. Correct me if my analysis is off, but what the proposed legislation is saying that ultimately, any investment in these areas is conditional on amassing a \$2 billion budget surplus. That's pretty clear.

However, there is nothing to stop the government from setting new priorities when it tables next year's budget. We could end up with a situation where the \$2 billion surplus has vanished and the government would no longer have to comply with the provisions set out in Bill C-48.

For example, there is nothing in this bill to stop the government from negotiating agreements directly with municipalities, instead of going through the provinces and, in the process, from imposing its own priorities.

Furthermore, what is there to stop the government from investing these funds in a foundation. Unfortunately, over the past several months, we've seen how foundations may not always be the most effective way of managing money. Rarely is that the case. We've seen several examples of funds invested in foundations which remain untouched.

No one disagrees that in several respects, the bill is well-intentioned. If money had not been taken out of social housing or if this sector had not been underfunded for the past decade or so, we would not be in the predicament that we are in today. It is important that the government reinvest in the social housing sector. However, the scope of the bill is far too broad and no clear spending plan is set out.

Earlier, Mr. Fontana, you identified a number of initiatives. Perhaps you were giving us a general idea of the direction in which you are heading. Your focus seems mainly on new housing construction and on the renewal of existing stock.

Why not opt, for example, to provide assistance to renters, to give them access to more affordable housing or to help them stay in their existing homes? Why not look to housing co-operatives as an alternative? No specific plan is laid out in Bill C-48. That's the sticking point.

I have a question of a more specific nature for you. Do you agree with the comment made this morning by Mr. Charles-Antoine St-Jean, Comptroller General with the Treasury Board Secretariat of Canada? I even put the question to him again this morning, just to be certain that I understood him correctly. It seems the bill does not place any obligation on the government to invest in the areas identified.

Do you share the Comptroller's opinion?

• (1600)

[English]

Hon. Ralph Goodale: Mr. Chairman, I'll answer some of that to begin with, and then will ask Mr. Fontana to deal with the specifics on housing.

In terms of the employment insurance program, that is dealt with not in Bill C-48, but in Bill C-43, where the new rate-setting mechanism and administrative structure are specifically laid out. I would also point out that because we have maintained the rate this

year at \$1.95, that has provided an incremental amount in the fund of some \$300 million that is being directed specifically toward unemployment issues in high unemployment areas. That is being dealt with by the Minister of Human Resources Development.

On the issue of foundations, this has been a controversial subject in the past. The Auditor General has on occasion expressed her concern. I would point out that in the last two budgets while I have been Minister of Finance, we have taken steps to deal with a good many of the Auditor General's concerns. She has indicated that she believes we are making important progress.

Also, if my recollection is correct, while the Auditor General has expressed concerns in principle about certain issues that pertain to foundations in a broad generic sense, she has not to this point reported any specific trouble or issue in a foundation that in her judgment needs to be specifically corrected. Obviously, if she had done that we would have taken the steps to make that specific correction. But we are trying to respond to her general or generic advice about foundations.

Bill C-48 is enabling legislation, in that it sets out the authority the government will have to take the action that is appropriate, should we find ourselves happily in the position of being over the \$2 billion mark in the next two fiscal years. We fully expect to be in that position.

By presenting the legislation now, we are actually providing more information during the course of any given fiscal year than we ever have before. The discretion of the government is clearly circumscribed, particularly by some of the provisions in clause 3. The Comptroller General's remarks from this morning with respect to this methodology were mostly approving of this particular approach.

The reason why you cannot at this stage dot every *i* and cross every *t* is because on issues like education and training, affordable housing, foreign aid, and the protection of the environment, we will need to do—as we would be expected to do—substantial consultation with provincial partners and other partners in the federation to make sure we are working well together in a very cooperative manner. Consultation is the key to making Bill C-48 a success.

[Translation]

Mr. Guy Côté: Minister, we carried out pre-budget consultations throughout the fall of last year. Wouldn't that have been the appropriate time to make your intentions known, even if that meant having to set out your so-called priorities later on in Bill C-43?

I understand that you may have forgotten such matters somewhat or that you feel it is important to reinvest in these areas, but shouldn't the government be holding consultations before tabling what amounts to a money bill? Clearly, the government is under no obligation to spend the funds provided for in the bill.

As you can well imagine, I have a big problem with the proposed legislation. Everywhere, we read "the Minister of Finance may make payments" and "an amount not exceeding ". I'm fairly certain, sir, that you're not going to make these payments, but instead, you'll spend only one dollar on one of these budgetary items, so that you can then say you met the terms of Bill C-48. The bill is poorly drafted, sir.

•(1605)

[English]

Hon. Ralph Goodale: The consultation did take place through last fall and the winter. Indeed, this committee conducted a portion of that consultation. The consultation process, however, does not simply stop when the budget is tabled. Obviously this is an ongoing process. You hardly complete one consultation cycle before the next one begins.

That's especially true, it seems to me, in the context of a minority Parliament, where political parties may change their positions. That's in fact what happened in this Parliament. Parties changed their positions after February 23 and before April 21, and the government obviously had to respond to that in a constructive and deliberative fashion. Bill C-48 is a product of that further deliberation. We will continue to consult with parliamentarians, provinces, municipalities, interest groups, and NGOs to get their very best advice about how we should structure our activities under Bill C-48.

I think Mr. Fontana can give you specific examples of consultation in the field of housing.

Hon. Joe Fontana: I know that Guy asked a number of questions about housing, and we are working in partnership with Quebec. In fact, Quebec and Quebecers have made housing the highest priority, and that's why I'm a little surprised that the Bloc wouldn't support Bill C-48 as it relates to housing.

You should know, as I said before, about the federal contribution to housing in Quebec: \$235 million in affordable housing; \$455 million each and every year supporting 137,000 social housing units; \$82.5 million on residential rehabilitation, to make sure people can stay in their own homes; and \$137 million dealing with the homeless over the past four or five years.

Those in Quebec have indicated—I've been there many times, because our consultations occurred there—they have made housing a priority. In fact, Quebec and Montreal don't have enough supply. It is our view that working with stakeholders—the provinces in the area of provincial jurisdiction, unions, and the private sector—we can find the solutions for the 18% to 20% of Quebecers who have made housing their highest priority. Therefore, I would hope that if Bill C-48 is to say anything about the needs of Quebecers—albeit those other programs you just talked about—housing is very much a priority for Quebec and Quebecers.

Again I applaud the Quebec Liberal government for putting \$145 million of new money in their last budget toward housing. We are working together and will continue to work together to make sure those 20% of Quebecers who are looking for social cooperative housing, affordable housing, who want to be able to stay in their own homes—seniors and so on...we are working toward that end.

The Chair: Thank you, Mr. Fontana.

Mr. Hubbard is next, then Ms. Wasylycia-Leis, then back to Mr. Pallister.

Mr. Charles Hubbard (Miramichi, Lib.): Thank you, Mr. Chair.

I don't really think any of the items in Bill C-48 are beyond the parameters of what we heard during our pre-budget submissions. It's

certainly an incremental amount, and I know that some parties don't agree with it.

In any case, the Minister of Finance in his opening remarks called this an investment. I also heard words about low-income Canadians benefiting under the educational aspect of what he mentioned. He also elaborated on what he called the extra money for foreign aid, and he used the word "incremental" to previous commitments. Maybe he could elaborate on those three points.

Hon. Ralph Goodale: Thank you, Mr. Hubbard.

With respect to the education provisions here, the objective of this extra funding, in respect of higher learning and skills training, is to improve access. There are many ways in which we directly and indirectly support the Canadian education system. We do that through our investments in research and innovation. We do that through our transfer payments to the provinces, as a part of the Canada social transfer. There are a variety of other ways in which the Government of Canada invests in post-secondary education. We also have a fairly elaborate system of student assistance through loans and grants, bursaries and scholarships.

The purpose of this funding is not to try to touch on all of those subjects, but rather to zero right in on the issue of access and to make it more possible for more young Canadians to seek and to achieve the post-secondary education that they will need to be successful citizens in a very competitive and knowledge-based world. There are a variety of means by which that can be done. One of those would be by enhancing the Canada student loans program. Another one would be by building on the new system of grants that we've introduced in the last two budgets. We could consider expanding our program for scholarships.

The provinces will obviously have important ideas to offer here, and student organizations, some of which you've heard from already, I understand, will have important advice to offer. We want to absorb that and make sure that we make this \$1.5 billion go as far as it possibly can go in improving access for young Canadians to the educational system.

I'm very pleased that paragraph 2.(1)(b) makes explicit reference to aboriginal Canadians, where some of the human resources needs are as great as they could possibly be.

On the foreign aid issue, Mr. Hubbard, I'm very glad you raised that, because, as I said in my opening remarks, it's a topic that's been on my mind pretty frequently during the last number of days.

At the G-7 meetings in London, the wealthy countries of the world came to a very historic agreement and commitment to eliminate \$55 billion of accumulated debt for as many as 35, perhaps more, of the world's poorest and most heavily indebted countries. This will allow those countries to take their own resources, rather than paying bankers somewhere, and to use that money to invest in their own health, education, social development, and economic growth for their own citizens.

There are provisions built into the package to provide incentives for good performance. The integrity of the financial institutions, the World Bank and the IMF, is completely safeguarded. The money is incremental. It's not just taking existing aid money and stirring it around and distributing it in a different way. There's more money going into the pot so that the levels of aid and poverty reduction can come up. And it covers not just the World Bank and the African Development Fund, but also explicitly the debt of the IMF.

I think this weekend was a very good weekend, not just for Canada and the wealthy countries in the G-7 and G-8, but also for some of the poorest people on the face of the earth.

The money here for foreign aid could help us address some of those issues. It may also go into health programs or into other social development programs. The consultation there will no doubt be led by the minister responsible for CIDA.

• (1610)

Mr. Charles Hubbard: Mr. Chair, this one is probably for Mr. Fontana.

I come from a rural area, and I know in terms of rural areas there are great needs. You spoke about the residential rehabilitation program, dealing with housing. Both in aboriginal communities, as the minister just referred to, and in rural areas we have needs. In the province of New Brunswick, where you just concluded an agreement, do you see a need for additional moneys, in terms of the relationship you had with that province, with the recent signing? Can they use the extra money that Bill C-48 will provide?

Hon. Joe Fontana: Charlie, as you just indicated, we signed with New Brunswick. In Atlantic Canada, which I can speak for, we have the highest home ownership rates in the country.

There's no doubt that the aging housing stock, mostly home ownership, has to be renewed. There are backlogs of two and three years in the residential rehabilitation program, which speaks to the kind of programs we have. Usually these are cost-shared with the provinces. We could rehabilitate these homes with the newest of energy efficiencies. There is an energy mortgage attached to housing conditions. There are opportunities here. We would hope that the extra money in Bill C-48, the \$1.6 billion, could accrue to rural New Brunswick, to rural Canada for that matter. It could go to residential rehabilitation programs, new affordable housing initiatives, the revitalization of some neighbourhoods in Saint John and other communities where the neighbourhoods need to be revitalized. This includes the aboriginal communities, both on and off reserve.

Bill C-48 will do a number of things. There is no doubt that the cities, communities, and stakeholder groups have made housing their number-one priority. The \$1.6 billion will allow us to do all those things in New Brunswick, Atlantic Canada, and across the country.

• (1615)

The Chair: Thank you, Mr. Hubbard.

Ms. Wasylycia-Leis, then Mr. Pallister, and then we'll go to Mr. Bell.

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

Thank you, Minister Goodale, Minister Fontana, and all the other witnesses here today for our discussion of Bill C-48. I consider it to be a symbol of the best in our parliamentary democracy and a reflection of hard work that required cooperation and give-and-take on all sides. It's no secret to say that Bill C-48 doesn't represent everything the NDP wanted. It required the Liberal government, through you, Minister Goodale, to give something in return for our cooperation, which Canadians see as very positive. This investment in key areas is a positive step. It is important for dealing with programs that meet a social need while creating jobs and stimulating the economy.

I'd like to deal with some of the myths we're having to counter. First, there is some over-the-top rhetoric on the part of my Conservative colleagues, the Chamber of Commerce, the Taxpayers Federation, and the C.D. Howe Institute. These groups have been saying that spending is out of control, that we're going to bring disaster to our economy, and that it's irresponsible spending.

I would like you, Minister Goodale, to confirm that what we are talking about is \$4.6 billion over two years. This represents 1.45% of total federal government expenditures on an annual basis. It amounts to 0.2% of GDP on an annual basis, which amounts to \$2.3 billion out of a \$1.14 trillion expenditure on the part of the federal government. In fact, what we're doing here is not what the Conservatives are suggesting—contributing to inflation or killing our dollar. I'm wondering if you could verify some of these facts and set the record straight.

Hon. Ralph Goodale: Ms. Wasylycia-Leis, by my calculation, Bill C-48 in 2005-2006 adds 1.15% to the spending profile. In 2006-2007 it adds 1.10%, for a two-year average of 1.12%. So as I have said, and the Prime Minister has said, it's a relatively modest change.

In terms of the percentage of GDP, I'm pleased to say that after we balanced the books in 1997 and started to regularly file surplus budgets, the level of federal government spending as a share of GDP has hovered right around the 12% level, and that should be the case again this year. This spending increment will not change that arithmetic very much, and that arithmetic compares very favourably to the period between 1984 and 1993, when government spending as a share of GDP was as low as 15.3% and as high as 18.5%. Obviously, the levels during that era were substantially higher. At 12%, we have a much more modest spending profile.

I would also point out that in the period between the tabling of Bill C-48 and the end of last week, when you follow the money markets, interest rates have actually come down during that period of time and the stock market has gone up.

•(1620)

Ms. Judy Wasylycia-Leis: Further to that, in addition to the Chamber of Commerce's rhetoric that this will make spending out of control, which obviously you've refuted, the C.D. Howe Institute has suggested that this little deal would reduce Canada's GDP by \$3 billion per year and will result in the loss of close to 200,000 jobs. It strikes me that these projections are absolute fantasy and are not credible at all.

I just wondered if you could comment on their projections, and make some assessment of the impact of the \$4.6 billion investment in terms of jobs. My understanding is, and Mr. Fontana might want to respond as well, that the \$1.6 billion in new housing should create approximately 26,000 person-years of employment, and that's a positive benefit for our economy. And in the context of the OECD's preoccupation with growth and productivity, in fact this kind of investment does enhance growth and productivity.

Hon. Ralph Goodale: Ms. Wasylycia-Leis, I'll leave Mr. Fontana perhaps to put on his hat as Minister of Labour and comment on the last issues. But with the greatest of respect to those who disagree, I do not believe you can sustain an argument that the investments laid out in Bill C-48 are in any way irresponsible or damaging or compromising of the Canadian economy.

We have demonstrated over the last number of weeks how they can be accommodated within the fiscal framework. While the last few weeks is not a lot of economic experience to judge by, it would appear that the markets are in no way confused or anxious about the results of Bill C-48. And in any event, the Prime Minister and I have made it abundantly clear, and it is written right into Bill C-48 itself, that there will be no deficit. There will be a surplus of at least \$2 billion. We will continue to pay down debt according to the original track, getting to 25% of GDP by the year 2015, and the principles of fiscal responsibility and prudence will continue to guide the government in every way.

Ms. Judy Wasylycia-Leis: I would just like to clarify one thing. I appreciate that comment, Mr. Goodale. So the record is clear, since the Conservatives often like to accuse the NDP of—

The Chair: Quickly, Ms. Wasylycia-Leis. The question, please.

Ms. Judy Wasylycia-Leis:—liking to tax and spend, it's important to note that the NDP wanted in this agreement to see that there would be no deficit incurred, and in fact we wanted to see the \$2 billion cushion for contingency. That was a mutual concern on our part.

Hon. Ralph Goodale: That is correct.

Hon. Joe Fontana: Mr. Chairman, could I just say, with regard to Judy's question, that good housing policies, good economic policy, as well as very good social policy, environmental policy, and health policy...it's very much taking a holistic view. So when you invest in housing, you're not just creating jobs. And I can tell you we've had a record-breaking year—over 240,000 new starts for new housing. We have sold more houses across this country...something upwards of 400,000 units. Construction will continue to flourish. The marketplace is functioning well because of some macro-economic policy and low interest rates. At the same time, we've had continued investments by municipalities, communities, governments—provincial and municipal—in terms of making sure, as I said, that the 1.7

million households.... In fact, as you would know, Judy, in Manitoba there are something like 40,000 people who are in core need. Over 10,000 people, for example, in Winnipeg are paying more than 50% of their incomes towards housing.

So when you can combine good housing policy with good social policy, you also create some incredible benefits—i.e., job creation and other economic outcomes and outputs. Therefore, I think it makes an awful lot of sense to invest in people and at the same time invest in the economy.

•(1625)

The Chair: Thank you, Mr. Fontana.

Mr. Pallister, Mr. Bell, then Mr. Penson.

Mr. Brian Pallister (Portage—Lisgar, CPC): Notwithstanding the commentary from the minister and my NDP colleague about the trivial nature of the billions of dollars we're talking about here, I do have some concerns, as does my party, about the process of how this so-called commitment was arrived at. I think it's pretty clear the deal that was cut at the Heartbreak Hotel is setting a bad tone at the top in terms of the way money should be managed and decisions should be made, and it does contradict the minister's earlier commitments in terms of expenditure review and so on.

That being said, the devil's in the details, and we don't have the details here, so I'd like to ask some specific questions pertaining to aboriginal housing. I see in the bill it says \$1.6 billion for affordable housing, including housing to aboriginal Canadians. I just want to know how much of the \$1.6 billion is for aboriginal Canadians.

Hon. Joe Fontana: Mr. Pallister, first of all, you would know in our—

Mr. Brian Pallister: Just a straight answer is all I want.

Hon. Joe Fontana: Bill C-43 talks about \$295 million, of which \$200 million was going to be spent in two years. I can tell you now, having just finished a round table with the aboriginal leaders themselves and creating a housing system, it would be fair to say that of the \$1.6 billion we intend to commit a significant amount towards both on-reserve and off-reserve housing. If you're asking me how much, I don't know at this point—

Mr. Brian Pallister: You don't know—and you don't know is the right answer.

Hon. Joe Fontana:—but it's going to be a significant investment, Mr. Pallister.

Mr. Brian Pallister: If I may, you just referenced money committed in the previous budget bill in your answer, and that's my concern here. This gives bland assurances to aboriginal Canadians that more money will be spent on housing.

Right in your budget speech, Minister Goodale, you say in reference to the commitments your government's making, and I quote, "enough to stem the growing shortage of housing units and begin to eliminate it". So you made a commitment to address the housing in your budget. Now you're making another commitment to spend more. Yet maybe you're not—I don't know, because you're saying you don't really know. So let me go back to my larger concern—

Hon. Joe Fontana: Well, Mr. Pallister, if I could, I—

Mr. Brian Pallister: This is to the finance minister, if I may.

This is the nature of most of these so-called commitments. They're vague, they're in broad envelopes, and we aren't able to evaluate the specifics of them effectively at this committee. The problem, of course, with that, as evidenced by the sponsorship audit that the Auditor General did, is that we don't have the ability to track effectively how the money's being invested, and that should be a concern, I think, to any finance minister.

In your budget speech you said, and I quote again:

A commitment to sound financial management is never easy—and it is never over. It is not something to be done once—or just for a while—and then set aside. It requires the steady, unrelenting application of rigorous discipline and vigilance....

Now, how does that equate to an overnight agreement with the NDP to spend several billion dollars of taxpayers' money?

Hon. Ralph Goodale: First of all, before you arrived, Mr. Pallister, I explained the nature of the process that led to Bill C-48. It was triggered by what was obviously a very confusing situation in the House of Commons, where the official opposition reversed itself 180 degrees, twice. Accordingly, the government had to find some method by which to allow the budget an opportunity to proceed. The content of Bill C-48 was the result of that process.

Now, Bill C-48 in fact provides more information about prospective government spending during the course of a fiscal year than has ever been the case before. It clearly lays out that there will be no deficit, it clearly lays out that there will be a surplus, that debt will continue to be paid down, and only in those circumstances would these expenditures click into place. We expect to be in that fortunate position, but this legislation actually makes it explicit. It circumscribes the discretion of the government in a number of ways, as laid out in clause 3. The methodology, as you will have heard from your witnesses this morning, was given a sense of approval by the Comptroller General of Canada.

The reason why, at this stage, not every *i* is dotted and *t* crossed about specific spending measures—although a number of the vehicles are laid out in clause 3—and not everything is formally nailed into place is that, first, this is considerably before the expenditure flow will begin. Second, we do need the opportunity to consult with Canadians about the details in respect of housing, foreign aid, support for students, and the environment. That consultation is perfectly normal.

• (1630)

Mr. Brian Pallister: I appreciate that, Minister, but I also understand that your deeds seem to contradict your words, regardless of the rationale you give. And I do sense a certain amount of discomfort on your part with the process here.

That being said, we nonetheless have to point out that there is a danger here. The tone at the top matters. Previous finance ministers, such as your leader, had to enter into an extensive process of expenditure review, with no end runs, to send a message consistently to the bureaucracy and the government that this kind of spending, exactly as illustrated by this bill, could not happen. It's self-evident that this kind of glad-handing to the NDP would be unbecoming, I think, to previous finance ministers.

The Chair: Thank you, Mr. Pallister.

Mr. Bell.

Mr. Don Bell (North Vancouver, Lib.): Thank you, Mr. Chair.

Minister Goodale, with respect to the post-secondary education aspect, you talked about the goal being to improve access. We heard this morning from two groups, the Canadian Federation of Students and the Canadian Alliance of Student Associations, who talked about the problem students have with the growing student debt. It's now somewhere between \$125,000 to \$130,000 for a four-year degree, at about \$20,000 to \$25,000 a year, that they end up with if they pursue a degree.

I'm just wondering how you see the student need for lower tuition competing with the other needs that the provinces have in terms of their educational objectives, and how you see this money addressing that.

Hon. Ralph Goodale: Mr. Bell, higher learning, skills, literacy, and the ability to function in a knowledge-based society that is technology-driven and intensely competitive are, I think, our greatest challenges for the 21st century. Education will be the key to personal and corporate and community and national success—or not, depending on whether or not our educational systems are successful. It is critical for us to address education on a broad front, and we do that already. We do it through very significant transfer payments to provincial governments as a part of the Canada social transfer, which is now, I believe, at an all-time record high, and rising. We do it through direct investments by the Government of Canada, particularly in terms of research and development at our universities, the investments in infrastructure, the investments in indirect costs, and the support that's given through the granting councils. Many other government agencies—Industry Canada, the agriculture department, the regional agencies, and so forth—also make investments to expand the physical capacities of universities. They do that directly in relation to those institutions, in addition to what we transfer to the provinces.

Then we have this network of student assistance. That's where you really get directly to the issue of access. We have, of course, the Canada student loans program; we have a grant system that has been increased and added to in the last two or three budgets; we have scholarships. Those various techniques are appropriate to different types of students' needs, and we will probably need a range or a menu of those activities over the long term into the future. Doing it only by way of scholarships or only by way of grants or only by way of loans would probably not be sufficient. We need a range of techniques that we can employ.

The purpose of the funding here is to address that issue of access. Exactly the appropriate tool to employ will depend on our consultation with the provinces, obviously, because they have a very large interest in this. There will have to be consultations with the Association of Universities and Colleges of Canada and, most especially, with Canadian students like those you heard from this morning, because we want to make sure this \$1.5 billion hits the target and makes it possible for more young Canadians to enjoy the strength and the freedom and the opportunity that come from higher education.

• (1635)

Mr. Don Bell: Thank you.

Mr. Fontana, in terms of the housing, this morning we heard Chris Wilson, from the Co-operative Housing Federation, talking about a quarter of a million Canadians in co-op housing. I'm wondering if you see a focus with aboriginal or non-aboriginal housing in the program you're talking about, if some of it is targeted toward co-ops, and how it fits into your program.

Hon. Joe Fontana: Thank you, Mr. Bell.

As you know, cooperative housing has been an incredible asset to this country. In fact, it was our government, some 25 or 30 years ago, that started the cooperative housing program. It continues to flourish and we continue to support it. In fact, recently I announced that by virtue of CMHC's good work, we were going to waive premiums on the development of the new not-for-profit and co-op housing that have indicated that section 95 was going to be fixed in terms of the impacts that section 95 and lower interest rates and lower subsidies were causing in some co-ops. You should know that the rent supplement agreements I've signed with all the provinces allow for the development of new co-op housing. In fact part of the \$1.6 billion, I would hope, will include the creation of new co-op housing, because we know that not only is it good housing, but it's a way of life, with people helping one another. We look forward to a continued, strong relationship with the co-op housing movement and the not-for-profit organizations as they provide incredible help and assistance to people.

The Chair: Thank you, Mr. Bell.

I've got Mr. Penson and Ms. Torsney.

Mr. Charlie Penson: Mr. Goodale, it was interesting to hear you describe the way you had to adapt so quickly, think on your feet, if you like, in response to the developments in the House of Commons. The official opposition reversed their position, I think you said, a couple of times, 180 degrees. What's interesting about that, Mr. Goodale, is that we've just come through a time of corporate malfeasance unparalleled in history. There were big corporations that

didn't do proper diligence with shareholders' moneys. Now you're telling us that because the opposition changed, you had to adapt quickly. What you're not saying is that to stay in power you had to do a deal with the NDP.

I'm not sure how this worked. I know Buzz Hargrove was involved, along with Mr. Layton and the Prime Minister. You were on a conference call from Regina. Is that the way it came down? Were you in an adjoining room? How did this develop, Mr. Goodale? In your own budget of February 23, you talked repeatedly about the need for due diligence. Then, all of a sudden, you do a deal to ensure the survival of your government by adopting the NDP shopping list.

We've just heard Ms. Wasylycia-Leis tell us that they didn't get everything they wanted. So I suspect that at some point we may see the NDP up the ante and ask for more. What is it you're telling us? You're telling us that there's fiscal room to do this, and that you'll do whatever it takes to stay in power. That's the message you're sending out to Canadians, and I don't think it's a good one, Mr. Goodale.

We've seen the sponsorship scandal get out of hand when there wasn't due diligence. This quick deal with the NDP in the Heartbreak Hotel, as my colleague described it, is not a proper way to do business. I'm surprised that you're not more embarrassed. You had your own budget deep-sixed and had to adopt another \$4.5 billion just two months later. Surely you must be questioning where this is going. What's the next round?

Hon. Ralph Goodale: I'm happy to respond, Mr. Penson.

The Chair: Mr. Goodale, I'm not sure of the relevance of the question about where you were. You're free to answer, but there's no need to include graphic details.

Hon. Ralph Goodale: Mr. Chairman, I'm happy to inform the committee and Mr. Penson that the variation between the budget profile and the profile that results from Bill C-48 is around 1%. I've put those numbers on the record, so it's obviously not a major change.

Mr. Penson said that I needed to think on my feet. Yes, when you're Minister of Finance it's helpful to be able to walk and chew gum at the same time, and to have a few other skills. We were able to respond quickly, because our homework was done. We worked very hard through last fall and last winter listening to Canadians, identifying their priorities. We addressed a good many of those priorities on February 23. We knew we had the fiscal room to address others. That is specified on page 258, I believe, of the budget plan, which shows where the flexibility is found. This meant that the macro numbers contained in Bill C-48 could be absorbable within the fiscal framework without causing serious disruption.

The subject heads were all consistent with priorities the government itself had previously identified. The details, the micro-management of the programs, will be worked out on the basis of the consultation we will have with the provinces, the municipalities, student organizations, housing advocates, aboriginal people, and others. We want to make sure we get the details right. Obviously, all of the programming will go through the normal process of public accounts.

•(1640)

Mr. Charlie Penson: Mr. Goodale, thank you for your response.

We are pretty short of time here, but I want to introduce this idea. You say you've looked after everything from the budget. But I want to remind you that under this deal with the NDP you've capped debt reduction. I'll read the portion out of the speech you made on February 23. You said:

Debt reduction is not something we do to please the economists. It is something we do to benefit Canadians. Reducing debt, in a reasonable and measured way, relieves a big burden on future generations. It saves billions of dollars in servicing charges. It facilitates a Triple-A credit rating, lower interest rates and rising standards of living. It enables Canada to prepare for the inevitable pressures of an aging population. And most importantly, it is something that the vast majority of Canadians believe is the right thing to do.

You've just told us that you've capped it at \$2 billion, because anything over that is going to go to this new program you've agreed to with the NDP. If it was such an important issue, why would you cap it?

Hon. Ralph Goodale: Well, Mr. Penson, successful budget-making and successful management of a country are in part dependent upon one's ability to achieve a reasonable balance among a whole variety of competing priorities and pressures. Obviously, from the quotation that you—

Mr. Charlie Penson: I think you're describing staying in power, Mr. Goodale.

Hon. Ralph Goodale: No, Mr. Penson, in fairness, if you'll listen to the answer, I think you'll get a different perspective.

I obviously believe in debt reduction. It's specified in the remarks you referred to. I'm very pleased to say that this government has reduced the federal debt by something over \$60 billion over the course of the last number of years. I recall that in front of this very committee, not very many months ago, when I announced that our debt reduction for the previous fiscal year would be \$9.1 billion, I was attacked as being dyslexic, I think the description was.

Quite frankly, you can't have it both ways, Mr. Penson. Either you're on one side of the equation or the other.

I think we have successfully developed a pattern of debt reduction. That pattern will continue; we're on track to reach our target of a 25% debt-to-GDP ratio by the year 2015. In fact, we may well do better than that target. So I don't believe that anything contained in Bill C-48, in any way, shape, or form, jeopardizes the fiscal fundamentals of this country.

The Chair: Okay, thank you.

Thank you, Mr. Penson.

Ms. Torsney, then I have Monsieur Paquette, then Ms. Wasylycia-Leis.

Hon. Paddy Torsney (Burlington, Lib.): Thank you.

Minister, you've outlined how the main opposition party had said they were going to be supportive of the budget, and then they flip-flopped and said they weren't going to vote for it, and then they did vote for it. Clearly, working in a minority government is different from working in a majority government.

But I wonder what you think about the fact that the Conservatives, while complaining today about the increases in development assistance, in fact issued a news release calling on the government to increase our foreign aid, and how you see that fitting with the increases we've had so far and the goal of many people that we reach the 0.7% target, which has been established as a model for the world.

•(1645)

Hon. Ralph Goodale: Well, Ms. Torsney, I guess you and I are accused sometimes by our opposition colleagues of being inconsistent, but in political life sometimes that criticism cuts both ways. Indeed, just before the budget I did receive a letter, signed, I think, by all three opposition leaders, advocating increases in foreign aid.

In the budget, we implemented an increase of \$3.5 billion over the next five years. That number will now be \$3.9 billion over the next five years by virtue of Bill C-48, meaning that we will be increasing our foreign aid at a rate just slightly above 8% per year between now and the year 2011, roughly. That will mean that we will double our aid to Africa by the year 2008 and double our overall international assistance envelope on a global basis by 2011.

We will make our contributions to debt reduction that I described earlier. We will contribute \$342 million in new funding to deal with AIDS, malaria, tuberculosis, and polio. We will pay for our tsunami relief package of \$425 million, much of it this fiscal year, and then spread over four years. We will continue to work on trade liberalization to make the trade rules fairer for less developed economies. We will carry out our peace and security initiatives in Haiti, Afghanistan, and Darfur. We will play the role of a responsible citizen in the world, as I think most Canadians would expect.

If you do a simple market research poll of Canadians and ask for their spending priorities in an open-ended way, very often foreign aid or development assistance doesn't appear to make the list. But if you think back to the response to the tsunami at Christmas-time, it demonstrates an interest in humanitarian issues and an instinct on the part of Canadians to respond to those issues with considerable generosity, which speaks well of Canadian values and of the desire, especially of young Canadians, to be engaged, not just as very good Canadians, but also as very good citizens of the world.

I think the incremental \$500 million will be invested in a very responsible manner, bringing down debt, fighting disease, contributing to peace and security, and making sure that this world is a more humane place for more of the poor of the world to live in and succeed in.

Hon. Paddy Torsney: Thank you, Minister.

I think your answer in fact outlines that we haven't been inconsistent on our side of the House. We've in fact continued to fulfil our commitments. The commitments in this budget are completely consistent with our goals and our stated objectives, as the Minister of Housing and the Minister of CIDA already identified in the last election campaign.

To the Minister of Housing, one of my colleagues has already commented on the importance of co-op housing. Yesterday I was at a tenth anniversary party for a beautiful co-op in my constituency. It really is a community. I live in a suburban Toronto area, where housing costs are enormous and it's very difficult to find lower-priced housing. Co-ops offer a really great opportunity.

I'm pleased to see the initiatives that you have offered to facilitate more growth. We continue to have huge development charges. The cost of starting construction on a housing unit in Burlington is extraordinarily high for developers. I know that you've been working with the president of the Home Builders' Association, who of course is from Burlington.

Could you further elaborate on the importance of the initiative to enhance the options that are available in terms of rental housing and home ownership, whether through co-ops or other means, for people who are at risk of becoming homeless, so we increase that stock of affordable housing for Canadians?

Hon. Joe Fontana: Thank you, Paddy.

First of all, let me say there has never been a time when cities and communities... Especially with our agenda on infrastructure for cities and communities, you can't build a housing supply without essentially building new infrastructure—they come together, hand in hand.

The fact is that most communities, along with the provincial government, are working on creatively looking at how we can in fact constantly lower the cost of housing. Development charges, levies, zoning, and so on have an impact on the cost of housing. The Canadian housing framework that we're putting in place, working with our partners, because the partnership has to be broad and deep, will allow us to look at all factors in making sure that the housing costs continue to go down and that we develop more co-ops and not-for-profit housing.

I should also say that with regard to some of the things that you've indicated on housing, we've spent \$1.15 billion on homelessness since 1999. The federal government indicated that homelessness and homeless issues were very important, with the insistence of an awful lot of people from across both sides of the corridors of Parliament.

Along with our community partners—although not necessarily the provinces, even though some of them have contributed, and so have municipalities—the fact is that we've been able to help thousands and thousands of people, not only with emergency shelters but with transition to supportive housing. We've created and built an infrastructure of emergency care that we never had prior to 1999.

For some, housing is a lot more than bricks and mortar. It's about the services. Some people need mentoring. Some people need training. Some people need help with their health because of drug addictions. In some cases, they have mental health issues.

Our homelessness initiative has helped not only those who are homeless. There are people who are one month away from becoming homeless. Those are the very people who are paying 50% and 60% of their income towards housing.

That's why the whole continuum of housing has to work. You can't just help the homeless. You need to get them out of emergency shelters and into permanent housing. The way to do that is by building more social and affordable housing. That's what Bill C-48 will do, and \$1.6 billion will help us to do it.

• (1650)

The Chair: Thank you, Mr. Fontana.

I have three speakers. There are ten minutes remaining, so it will be three minutes for each.

Monsieur Paquette, Mrs. Wasylcyia-Leis, and Ms. Ambrose.

[*Translation*]

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

Mr. Goodale, you've projected a \$4 billion surplus for 2005-2006, notwithstanding the reserves for contingencies and economic prudence that you've set aside, and a surplus of \$5 billion for 2006-2007. Therefore, you have more than enough money to meet the \$4.5 billion commitment over two years.

As we learned this morning, the bill gives you spending authority, but does not require you to spend the funds. If surplus projections prove to be true, that is if the surplus totals \$9 billion over two years, are you prepared to commit to spending the \$4.5 billion provided for in Bill C-48?

[*English*]

Hon. Ralph Goodale: Mr. Paquette, I'm not quite sure that I understand your question.

This legislation provides the government with the authority to make expenditures in the categories that are laid out. Obviously, with that kind of authorization, the government's intention is to proceed with the necessary consultation in the four areas that are specified in the bill, develop the specific spending initiatives that would fit within the rules that Bill C-48 broadly describes, and then proceed with those initiatives as soon as we're confident that we are in fact over and above the \$2 billion.

[*Translation*]

Mr. Pierre Paquette: So then, if the budget surplus grows to \$9 billion over the next two years, the government will spend the \$4.5 billion.

[*English*]

Hon. Ralph Goodale: According to the terms of the bill, yes, that is what this government proposes to do, with Parliament's authorization, once Bill C-48 is enacted.

[*Translation*]

Mr. Pierre Paquette: If the surplus is lower than projected and if, for example, it totals only \$3 billion, there will be a spending shortfall of one billion dollars. How would you then divide the funds among the four sectors identified in Bill C-48, particularly since you've already made some promises in the area of public transit? This doesn't leave you much leeway.

[English]

Hon. Ralph Goodale: Monsieur Paquette, should the economy turn downward, which we don't expect—

[Translation]

Mr. Pierre Paquette: No one wants that.

[English]

Hon. Ralph Goodale: All the indications are towards movement in the more positive direction, but should there be a reversal, as would be the case in any fiscal year, whether it's this one or any other year, the government will have to tailor its programs to fit within the fiscal room that we have. And we—not just me, but the Prime Minister and the entire government—have made the very firm commitment to all Canadians that we do not intend to run any risk of a deficit. If the actual fiscal performance turns out to be less than anticipated, then the government will have to shoulder the responsibility of making the appropriate decisions about where to curtail spending. That is the obligation of government.

• (1655)

[Translation]

Mr. Pierre Paquette: In light of Bill C-48, what should we make then of the contingency and economic prudence reserves set aside over the years if, at the first sign of a problem, the government is prepared to by-pass these reserves and, once the surplus exceeds \$2 billion, to spend that money? How then should we view these reserve funds that you've set aside, as far as the future goes?

Basically, these reserves are an illusion, they aren't real, since you were able to disregard them this year. Next year, you'll be asked to do the same thing. Since the surplus grows with every budget tabled, you're going to be asked to spend all of the surplus on interesting social initiatives.

[English]

Hon. Ralph Goodale: Monsieur Paquette, in terms of the government's balance sheet and where the money is allocated at the year-end if a surplus does exist, which has been, fortunately, the case for the last seven consecutive years, the surplus that is not pre-allocated before you get to the end of the fiscal year goes to the reduction of the accumulated federal debt. That means—

The Chair: *Ça va. Merci, monsieur Paquette.*

Thank you, Mr. Goodale.

Hon. Ralph Goodale: I would simply recommend reading the budget.

The Chair: Could we have Ms. Wasylycia-Leis, quickly? Then I have Ms. Ambrose.

Ms. Judy Wasylycia-Leis: I just don't get it in terms of the Conservative and Bloc opposition to this. Here we have an agreement for what we would call a better balanced budget as a result of the hard work of Jack Layton and the NDP working with the Minister of Finance and the Prime Minister and staff to actually create—written right into the agreement—budgetary expenditures that will not have the effect of creating an annual deficit or preventing the Government of Canada from paying down the federal debt by a minimum of \$2 billion in each of three years.

We know from previous testimony that we're talking about the value of far-off business tax cuts that in fact convert into actual program spending in the near term, ensuring new jobs, not destroying them. We know from the surplus figures that the fiscal monitor report for this year shows \$9.8 billion surplus. Our independent forecasters, which I thought the Bloc and Conservatives supported, predict on average \$8 billion every year for the next three years. We have the flexibility. We've created some new investments that will benefit all Canadians, yet these two parties still oppose it.

Can you help me understand why they would oppose it? Is it the condition of what I would call NDP envy, so great that it prevents them from actually seeing the light and it clouds their judgment, or is it that they don't want any of this money to go into lowering tuitions, making cleaner air, or improving the housing situations of Canadians?

An hon. member: Where is it written, Judy?

The Chair: Mr. Goodale, go ahead, please.

Hon. Ralph Goodale: Mr. Chairman, I don't think it would be prudent—and I think it is important for the finance minister to be prudent—to wade into a psychological analysis of the decision-making processes that govern members of the opposition.

What I can say is that as Minister of Finance for Canada, I am confident that Bill C-48 fits within the fiscal framework, that the discipline, the prudence, and the responsibility in terms of government financing are sound and solid in this country. I know that is the record of the government over the last seven or eight years. We in fact have a record of performance on these issues that is the very best in all of the G-7 group of countries, and it is my determination and the Prime Minister's determination that this reputation will continue.

The Chair: Mr. Fontana.

Hon. Joe Fontana: Well, I'd like to indicate my surprise, knowing my critics as well as I do. In fact, in understanding and knowing the need, the Bloc, specifically in housing, has made it its highest priority. So I find it incredible to find that the Bloc doesn't want to support housing. And I know that the Conservatives, based on the questions and the representations they've made in their own communities and so on, would want to spend more on housing, which is good economic and social policy.

So in answer to your question on why, I think they should be asked. I think there are other motives, other than supporting good budget expenditures, and Bill C-48 does exactly that.

• (1700)

The Chair: Thank you, Mr. Fontana.

Ms. Ambrose.

Ms. Rona Ambrose (Edmonton—Spruce Grove, CPC): Thank you, Mr. Chair.

I have a question that's more a point of clarification for the Minister of Finance.

I want to know if you could clarify whether you support your party's position, the commitment that the Liberal Party made after the Quebec referendum in 1995. It was also included in your 1996 Speech from the Throne that any federal spending initiatives in areas of provincial jurisdiction would first receive the approval from the majority of the provinces. Do you support that?

Hon. Ralph Goodale: Ms. Ambrose, the process of events back at that time was—

Ms. Rona Ambrose: Well, it's still your party's position. Do you support it or not?

Hon. Ralph Goodale: Do you want the answer?

Ms. Rona Ambrose: It's just yes or no.

Hon. Ralph Goodale: All right. The point is, you are describing the beginning of a process that led over a period of months to the social union framework agreement.

Ms. Rona Ambrose: I'm very familiar with that.

Hon. Ralph Goodale: And the social union framework agreement is the operating principle upon which we deal with federal programs that involve provincial cooperation.

Ms. Rona Ambrose: So you're saying that in this instance you would not need the approval of the majority of the provinces for proceeding?

Hon. Ralph Goodale: It depends upon the nature of the program and whether or not there is any—

Ms. Rona Ambrose: These are all programs that fall under the social union framework agreement.

Hon. Ralph Goodale: You're not correct in making that blanket assertion. There are, for example, direct federal investments in the field of education and student assistance that do not necessarily involve provincial participation. That's just one example.

Ms. Rona Ambrose: Okay. I figured that you would say that the provinces would be happy to receive this kind of funding, which is what you're basically saying.

The point of clarification I'd like you to make to me is this. I understand that when provinces come to the table to negotiate they're looking for money. That's the job of a premier. The job of a prime minister and the job of a federal finance minister is to come up with a national vision and a federal fiscal framework.

My concern is that this agreement and many of the other agreements that we've seen happen in the last eight months have been ad-hoc side deals. They've been put together piecemeal and they do not promote any sort of a national vision. They do not encourage any future multilateral negotiations with the provinces and yourself, and with the Prime Minister and the provinces. What they've done is pit province against province. They've undermined federalism and undermined, frankly, your own party's position on federalism.

I asked you that in question period the other day, and you said this kind of spending is good federalism. I don't think it is. So I wonder if you could clarify what you think good federalism is.

Hon. Ralph Goodale: Neither fiscal management nor management of the federation is an easy task. It takes a lot of careful consultation and negotiation. Very often it is a movable target that

you're trying to hit. I think, quite frankly, when you're proposing to make investments in a cleaner environment, in post-secondary education, in housing, and in foreign aid, which are consistent with the priorities of the Government of Canada, the provinces, and the vast majority of Canadians, you are in fact contributing to a stronger country and a more successfully functioning federation.

The Chair: Thank you, Ms. Ambrose.

Mr. Goodale and Mr. Fontana, thank you for appearing. I hope you enlightened the committee.

We're going to take a break for a few minutes before our next witnesses.

The meeting is suspended.

• (1704)

(Pause)

• (1709)

The Chair: We should start right away, because we're expected for votes in the House at 5:30.

We have before us

[*Translation*]

Environment Minister Dion, than Mr. Godfrey.

You have five minutes to present your comments. Then, if there is any time remaining, we will go directly to questions from committee members.

Hon. Stéphane Dion (Minister of the Environment): Thank you very much, Mr. Chairman.

First of all, I'd like to say that with Bill C-43, we have the greenest budget since Confederation. More than anything, it will help Canada move toward a sustainable economy. Therefore, as you can well imagine, Environment Canada is please to see Bill C-48 provide for additional funding. It's really the icing on the cake, so to speak.

This bill will enable us to expand urban transportation, an important step forward from an environmental perspective, and help low-income families by rehabilitating housing stock and making houses more energy efficient. That measure will also prove to be very beneficial.

• (1710)

[*English*]

I wanted to say how much Bill C-43 was already the greenest budget since Confederation, and I will not have any difficulty to show it. And you will be able to see that we will have this additional effort of the government for urban transit and energy efficiency for low-income families for their housing. It's great news, and I urge the committee to unanimously support Bill C-48. It's great news for Canadians.

Hon. John Godfrey (Minister of State (Infrastructure and Communities)): Mr. Chair, thank you for having me.

I'm delighted to be here, delighted that the legislation you're studying will build on our government's efforts to increase federal financial support for the priorities of Canadians, because it does it in a way, as the finance minister just reminded us, that is fiscally responsible. And as was the case with Bill C-43, Canadians are reacting very positively to Bill C-48.

As the finance minister has reminded us all in his testimony, we are not going to waver from the principle of posting balanced or better budgets in the next two years, and we remain on track to reduce the federal debt-to-GDP ratio 25% by 2014-15.

What I want to do is focus on the part of the bill that deals with \$900 million altogether for the environment, of which \$800 million of that total is focusing on improving the availability and efficiency of public transit for Canadians.

[Translation]

However, before I articulate how these provisions, and especially the last one, can and will build on the promises kept in the Budget, allow me to give you some examples from my own portfolio on how Bill C-48 will build on its partner legislation Bill C-43, and collectively aid in meeting one of our key national challenges, namely improving the quality of life in the places Canadians live.

[English]

We've heard what the mayors and councillors of the cities want from this new deal for cities and communities. They hope that the government would be capable of providing Canadians and their communities with two equally important benefits that no other government had been capable of finding a way to provide before: first, long-term stable and predictable financing; second, development of new working relationships among federal, provincial, territorial, and municipal orders of government. Together these two forces could come together to develop better long-term strategies for improving the economic, environmental, social, and cultural sustainability of the places where we live as Canadians.

When the Prime Minister started out on this journey towards the new deal for cities and communities, we were hearing from our municipal friends across the country that infrastructure gaps were growing, that there were not enough places for the municipal world to express its views to the federal world. We heard that fresh thinking was needed on how best to ensure that our rural communities could remain viable and strong, and we heard that new partnerships were needed with all three orders of government to begin to think about how best to progress on all of these fronts.

In the 18 months that the new deal has been talked of, we've had quite a run. In Budget 2004, the GST rebate went to every municipality in this country and \$1 billion of investments in infrastructure was dedicated to the needs and challenges facing rural Canadians. That program, known as MRIF, was speeded up from ten years to five.

The GST rebate was worth \$7 billion over the first ten years, with more to come. This source of funding will grow with the economy and can be used by municipalities for any local priority they wish, although we hope that it will go largely toward infrastructure.

Budget 2005 was the fulfillment of our pledge made during the last election when we committed to provide 5¢ of gas tax revenues over five years, for a total of \$5 billion. With \$600 million coming in the first year, rising to a running rate of \$2 billion a year in year five and every year thereafter, the funds are targeted at environmentally sustainable municipal infrastructure such as public transit, water, waste water treatment, and community energy systems. As a result, Canadians will enjoy cleaner air, cleaner water, and reduced smog and greenhouse gas emissions, not to mention the economic and social improvements that come when municipalities need to worry less about their infrastructure costs.

In Budget 2005 we also committed to renewing existing infrastructure programs as necessary. These programs have combined to flow over \$12 billion to municipalities over the past 12 years and should leverage over \$30 billion in total investment by all partners.

• (1715)

[Translation]

Our experience working with each province and territory over the past decade in delivering these programs has also led to another benefit: a unique and mutual understanding and expertise in what approaches work best for each part of the country.

It also means that tough and transparent accountability mechanisms, as well as integrated sustainability plans, are part and parcel of the way we do business, and will ensure that our investments flow as efficiently and sustainably as possible.

[English]

All of this means, Mr. Chairman, that the government has crafted a strategy for helping the places where Canadians live to gain stable, predictable, and long-term funding in ways that meet their needs and everyone's shared national objectives.

[Translation]

However, a discussion on the New Deal cannot just be a discussion about money. Any funding must be accompanied by new partnerships and a long-term vision enabling the transformation of these financial resources into the concrete reality that Canadians want and need. It is a matter of respect.

[English]

That's why the Prime Minister met with mayors from some of Canada's largest cities at 24 Sussex Drive last fall and gave them a literal seat at the national table. That's why we involved the mayors in a formal process of pre-budget consultation with the finance minister.

What we are now dealing with is the fact that cities and communities across Canada are counting on not only the money from the gas tax, which was guaranteed in Bill C-43, but also the transfer of \$800 million for public transit over two years. Therefore, they are expecting the passage of all relevant legislation.

The gas tax deals have been going very well. We signed our first agreement with British Columbia, second with Alberta, and third with the Yukon. More are on the way. What's important about those gas tax deals is that not only was the Premier of British Columbia, for example, in the first case a signatory, but so was the Union of British Columbia Municipalities in its own right. This is a historic three-way partnership, going beyond a simple fiscal transfer. Every provincial and territorial agreement will reflect their own particular local realities and wishes.

The other orders of government saw what was possible when I announced how much each province and territory could receive of the public transit funding, which is separate, above and beyond the gas tax, and, as subclause 1(1) of the bill stipulates, conditional on the government running a surplus above \$2 billion in each of the two years in question.

I hope we can agree that the public transit measures in Bill C-48 are an inextricable part of the new deal and are being counted on as such by Canadians, and therefore deserve the same support. I hope for the best, and I know that the mayors and councillors are hoping for the best as well.

Thank you very much.

The Chair: Thank you, Mr. Godfrey.

We'll try to fit in Mr. Mills before we break.

Mr. Mills, seven minutes.

Mr. Bob Mills (Red Deer, CPC): Thank you, Mr. Chair.

Basically, I guess I look at Bill C-48 as a blank cheque, basically \$4.6 billion handed out in order to buy 19 votes. I look at the environment section of it and ask what we're going to get for this blank cheque.

I read in the original budget, Bill C-43, which we supported, that in fact we're going to have smart economic policy to go with smart environmental policy. Mr. Chair, let me talk a little bit about that. I think forcing our companies to buy carbon credits, sending money offshore, doing some of the things that we plan to do in environment—some \$10 billion if we total the cities part of it and the environment part of it—probably isn't very smart economically or environmentally.

We of course have already spent over \$3 billion. We've increased our carbon dioxide levels from 20% to 30% above 1990 levels. We have no chance of hitting our target. We're now rated 28th out of 29 by the OECD in 25 categories of environmental integrity. We have an awful lot of environment talk, but not very much action.

So what should we do? What are the solutions? If those are all the problems, what might you do with this environment money, this gift from the taxpayers for environment? Let me suggest a couple of things, because I don't have a lot of time. The two things that I would suggest would be to think of what we could do if we became world

leaders with a real vision in two particular areas: in carbon dioxide sequestering, and in clean coal technology. What if we were to take those and make ourselves technological leaders? What would that mean?

First of all, in coal, in Alberta, Saskatchewan, and Nova Scotia 70% of the electricity comes from coal. In Ontario, 25% comes from coal. The United States probably would become the Saudi Arabia of the coal business if in fact they had that clean coal technology. China gets 81% of their electricity from coal. India gets 75%. The U.S. gets 57%.

Just think, if we were to become leaders in that clean coal technology, how much difference we could make to the environment. Alberta alone has 143 years of coal supply. The U.S. has much more coal than that, and there is a technology there that's already being developed. If that money were to be invested in that sort of thing, as I say, we'd become world leaders, along with jobs and all that goes with it.

That leadership is where we should be going. That's where I would like to see the Minister of Environment get lit up, over that kind of proposal.

When it comes to carbon dioxide sequestering, obviously there's the Weyburn project, which the minister knows about. There are also three U.S. projects that are under way. They're piping carbon dioxide. Think if we became a leader in capturing the carbon dioxide in our tar sands, captured that carbon dioxide, put it into a pipeline, and delivered it to the proper geological areas where we could actually sequester and store that carbon dioxide. We could then ship that technology around the world. Now we'd start to deal with climate change.

These programs, these bureaucratic nightmares that we're getting into, to me are not going to do anything to Canadians' environment or to the global environment.

I look at Toronto, today in their twentieth smog day this year. That now breaks a record for a whole year. So, Mr. Chair, that's where these kinds of investments....

But I don't hear that. I don't read that in Bill C-48. I read one paragraph that says we're going to throw some money at the environment—no plan. I don't know where environment is going. I've been around here for 12 years. I've not seen a vision on environment. I haven't seen things improve on the environment. It's great to have good words and it's great to throw money at things, but what is going to happen? What are we going to do in terms of improving the environment, not just for Canada, but on a global basis?

So I guess when I try to explain to my constituents on the weekend what Bill C-48 is about, all I have to say is it's a blank cheque. We're going to spend \$4.6 billion. You bought 19 votes with it, and I don't know what we'll get. I don't know what the accountability will be. I don't know where you're going.

Transit—oh, it's great. But we have a big cold country with little infrastructure. What are you going to do in transportation to actually get something to happen? That's what I want to hear from the ministers today.

•(1720)

The Chair: We have two minutes.

Monsieur Dion.

Hon. Stéphane Dion: I would start with comparative studies, because the OECD will rank us really low each time we speak about, let's say, water consumption, greenhouse gas emissions per inhabitant, and so on and so on, but for water quality we are one of the first in the world. For availability of clean water we are second in the world.

If you want to go to a country where you have a very good capacity to have clean water, clean air, and safe land, Canada is among the best in the world. If you want to have a country that has the sense of energy economy, energy efficiency, not wasting your water, and so on, Canada is one of the worst in the world. The plan of the government is to improve our strengths and to eliminate our weaknesses.

One of our weaknesses is certainly urban transit. We are the sole G-8 country and one of the sole OECD countries that doesn't have a national policy for urban transit. It's why I'm so happy with Bill C-48; it will not prevent us from being a leader in clean coal and carbon dioxide sequestration.

By the way, the climate change plan has a lot about that, especially through the partnership fund with the provinces, but to put all your eggs in the same basket would be a big mistake. What I like in this plan especially is the climate fund, which will allow us to go in every direction where you might find greenhouse gas reductions, including at the municipal level, including for composting, for recycling, for energy efficiency in every domain, for renewable energy.

We have a plan to push the capacity for Canada to have more energy efficiency, more energy effectiveness, and cleaner air and cleaner water in all the directions where the environment and the economy may work together. We need for that a carbon market, and Canada must be there to have this carbon market and get it to work.

And it's not only the government that is saying that. More and more the champions of industry are saying that. Alcan just signed a declaration for the G-8 with big companies around the world, saying yes, make sure this carbon market works and give us certainty it will work after 2012.

Preventing our industry from being champions of this carbon market would be bad for the environment and bad for the economy. That's why we need to be there.

•(1725)

[*Translation*]

The Chair: Thank you, Mr. Dion.

[*English*]

We have three speakers left for 21 minutes. We have three Conservatives at five, two Liberals at five, and another Bloc speaker for five minutes, so in all we have 51 minutes.

Five minutes after the vote is announced, we're going to start the meeting and we're going to go on for 50 minutes, tops.

The meeting is suspended.

•(1727)

(Pause)

•(1756)

The Chair: Can we begin?

[*Translation*]

Mr. Dion, if I'm not mistaken, you have to leave around 6:30 p.m. We'll try to wrap it up by then.

[*English*]

As I mentioned before we broke, I have three speakers at seven minutes to finish the first round, and then I'm going to go to five-minute rounds with three speakers from the Conservatives, two from the Liberals, one from the Bloc. If we don't use the time, that's fine.

So I have Monsieur Paquette.

[*Translation*]

Mr. Pierre Paquette: Thank you, Mr. Chairman.

I would first like to talk about respecting provincial jurisdictions, since you are discussing areas that come close to falling into this category. Bill C-48 provides no guarantees that provincial areas of jurisdiction will be respected. Certain municipalities are even mentioned specifically. Furthermore, from what I understand, the public transit initiatives announced last week account for the better part of the \$900 million.

How do you intend to respect areas of provincial responsibility, where infrastructures are concerned?

Hon. John Godfrey: I'm delighted to answer that question because it's good news. Federal investments in infrastructures over the last 12 years have helped us to forge a solid partnership with the provinces and territories. As you know, costs are often shared equally between the province or territory, municipalities and the federal government. Drawing on this experience and climate of cooperation and partnership, we have been able to go forward with initiatives like the gas tax reserve and new funding for public transit.

Our starting position is always one that fully respects provincial areas of jurisdiction. We rely on the provinces' participation to move forward with our initiatives. We plan to proceed in the same way with the gas tax reserve and public transit agreements. Bill C-48 allocates a total of \$800 million to these two areas.

We do negotiate with the provinces. Of course, for the sake of the fairness principle, it's the responsibility of the provinces to consult either with municipal officials or with the municipalities themselves in order to establish the formula for sharing the gas tax reserves or the public transit fund. In both cases, we're attempting to combine the two funds, because we don't want to end up with two systems of accountability. We want both funds to be transparent. We're in the process of negotiating agreements similar to the ones in place with the Yukon, British Columbia and Alberta. Any decision as to how municipalities will participate rests more with the provinces.

In the case of British Columbia, the province decided to bring the Union of BC Municipalities on board as a full partner. The Union, therefore, was a signatory to the agreement. Funds will be allocated directly by the federal government to the Union which in turn will manage the money and work to put in place measures to ensure transparency and so forth.

In the case of Quebec, my two counterparts and I have a solid relationship. I speak quite often with Mr. Audet, the Finance Minister and Minister responsible for Infrastructures. My other counterpart is Ms. Normandeau, the Minister of Municipal Affairs and Regions. I'm negotiating with them, but they are responsible for deciding how to get large and small municipalities involved in the process. It's not up to me to tell them how to use the funds provided for in Bill C-43, that is the gas tax reserve and public transit funds. Of course, we can use the gas tax agreement mechanisms in place, in far as possible, take the same approach with the public transit funds committed in Bill C-48.

For example, the definition of acceptable costs in the case of the gas tax found in Bill C-43 includes the same categories as the ones already announced for public transit and that are included in Bill C-48. The aims are the same, namely that all investments lead to lower greenhouse gas emission levels and to improved water and air quality.

We also want to support provincial and territorial priorities. Our job is not to undermine the provinces and territories, but rather to support their priorities, as we already do through federal infrastructure investments. We work closely with Quebec and with the other provinces and territories as well.

• (1800)

Mr. Pierre Paquette: I understand that you wish to respect areas of jurisdiction and negotiate with the provinces, given that subclause 3(b) reads as follows:

(b) enter into an agreement with the government of a province, a municipality or any other organization or any person;

I understand that in British Columbia's case, the province agreed that municipalities could deal directly with the federal government. That was, however, the provincial government's decision and an agreement was reached initially with the BC government.

In my view, this provision is ambiguous and cause for some concern.

Hon. John Godfrey: I'm simply saying that through this provision, we hope to give ourselves enough leeway to conform to the provinces' decision.

Ontario has opted for the same approach. The federal government will be dealing directly with the Association of Municipalities of Ontario and with the City of Toronto, which is no longer a member of this association.

It's the same for Quebec. We simply want to respect the will of the provinces. This provision gives us some flexibility to act in keeping with what the provinces and territories choose to do.

Mr. Pierre Paquette: Do I have a few seconds remaining.

The Chair: No. You've gone over your allotted time.

Mr. Bell.

[English]

Mr. Don Bell: Thank you, Mr. Chair. I'm going to share my time with Mr. Hubbard.

I have a fairly quick question. It's to Minister Godfrey. You've partially answered the question—that's why I'm willing to share my time—but I just want to clarify.

The \$800 million is over and above the new deal, the 5¢. That's currently at 1.5¢ in year one—\$600 million—and 2¢ in year five still, I presume, is it? Then, what's going to happen in the intervening three years? Will it change by half a cent a year, or something? Has that been worked out? Talk about the new deal.

• (1805)

Hon. John Godfrey: We're talking now about the new deal money, which is a ramp-up from 1.5¢ a litre, which is \$600 million a year in year one, to \$2 billion a year or 5¢ a litre in year five.

The finance minister stated in the budget speech, "and indefinitely thereafter". So that will be the running rate, \$2 billion a year. In other words, the total in the first five years for the gas tax is \$5 billion. For the next five years after that, it's \$10 billion, and that will be by far the biggest infrastructure program we run, because our previous existing infrastructure programs—at least, the two strategic and the municipal and rural—only total \$5 billion.

Mr. Don Bell: Having been a member of the Federation of Canadian Municipalities board that started some of the discussions with Finance Minister Martin at that time, I'd say as a former municipal politician how thankful I am to have seen that come through.

My question is, in terms of the new Bill C-48 and how it relates now, whether the \$800 million would be targeted specifically for public transit. Is that—

Hon. John Godfrey: That's correct.

Mr. Don Bell: That, for some of those areas, frees it. In those communities that, in the deal you had with British Columbia, allowed the ratio of the gas tax money that was going to go towards transit to vary according to the needs of the community.... If there is a community whose priority is not public transit, are they then going to have access to these funds?

Hon. John Godfrey: They will not, by definition. Communities that don't have transit systems will not be eligible for transit money.

What this additional money has done, though, is help us in our overall negotiations with the gas tax. You mentioned the Federation of Canadian Municipalities. They were very helpful in proposing an allocation mechanism across the country.

What they suggested back in December, and this was tremendously helpful to us, was that there really ought to be three principles: that generally speaking, the gas tax money ought to be allocated on a per capita basis across the country; the second principle was that for the four smallest jurisdictions—that is to say, the three northern territories and Prince Edward Island—there ought to be a bit of bonusing just to compensate for the smallness of their population and the greatness of their needs; and the third principle was that wherever possible, within every province and territory, there ought to be a special recognition of transit ridership as a factor in determining how the allocation might work.

What the additional money has done is help those discussions within provinces where there might have been a bit of competition between people who said “Let’s allocate within every province on a per capita basis” and those who said “Wait a minute; we think transit ridership ought to be a factor within this province in determining the gas tax money.”

Having additional transit money took pressure off the gas tax deal, so to speak, so we could have a per capita allocation in those jurisdictions for the gas tax money and then could have additional sums of money available for public transit, based more or less on a ridership formula.

What we announced on the transit money is that it would be distributed per capita across the country, but within every territory and province it would be largely determined on a ridership basis. Having those two sums of money in place connecting up to each other as much as possible has allowed us to go forward in some jurisdictions where there was a bit of a stand-off between those who argued per capita and those who argued on transit ridership.

Mr. Don Bell: I know the mayors have been very supportive in general of the new deal. In fact, when I say “in general”, certainly the mayors of the largest cities, the urban centres, have been very enthusiastic. The only other question that my feedback would relate to is this. During the election last year, one of the differences between the Liberal platform and the Conservative platform was that we were offering \$5 billion over five years—a cent a year, virtually, or approximately—and maintenance of the existing infrastructure programs, whereas the Conservatives, as I recall, offered 3¢ in lieu of, or to replace, the existing infrastructure programs. I remember that distinction.

So this represents—now with this \$800 million in additional money that’s going to come specifically targeted for transportation—what I think is a real boon. I certainly have heard very positive comments from the municipal leaders I deal with.

Hon. John Godfrey: There are three sets of increments. The first set of moneys, which will also be continued, according to the finance minister, is made up of the strategic infrastructure funds, the municipal rural infrastructure funds, and the border infrastructure funds. So they will be renewed as they get depleted. Over and above that, of course, there’s the GST rebate. Over and above that is the gas tax money. And over and above that is the new transit money. So all of this is additional. It’s all piled up.

That’s why we got such enthusiasm at the annual general meeting of the Federation of Canadian Municipalities and why they

expressed their concern that we don’t lose any of this through the budget process.

• (1810)

Mr. Don Bell: Thank you.

The Chair: Thank you, Mr. Bell.

I have Ms. Wasylycia-Leis, then Mr. Jaffer, Mr. Hubbard, and Mr. Côté.

Ms. Judy Wasylycia-Leis: Thank you, Mr. Chairperson.

Thank you, Ministers Godfrey and Dion, for your presence here today.

Let me follow up on my colleague Don Bell’s question about the concerns at the municipal level for action on the part of our government. I followed the proceedings from the annual meeting of the Federation of Canadian Municipalities. From what I can gather, there were 1,500 delegates there, and they all, I think, said with one voice that they want these budget bills passed, both Bill C-43 and Bill C-48. They said with one voice that they want the additional money for environmental projects as well as for public transit spelled out in Bill C-48 to happen right away.

I can’t find any opposition to the provisions in Bill C-48, other than that from the Conservative members—and maybe from the Bloc, for jurisdictional reasons. I haven’t heard anybody in the entire Canadian community express problems with these provisions. So I guess I want to hear from both of you in terms of what your departments are hearing. Are you picking up any opposition from environmental groups, from municipalities, from the NGO community generally, from provinces, about doing whatever we can to meet our obligations under Kyoto and to advance our commitments to municipalities?

Hon. John Godfrey: There is some. I mean, the Canadian Taxpayers Federation, for example, thinks we should put all this money into paving roads and filling potholes. Of course they’re very angry with the Conservatives, I have to say, at the same time, because they haven’t held up what they, the Canadian Taxpayers Federation, would wish them to do. They’ve accused them of all sorts of dreadful things. At least we’re both being accused by the Canadian Taxpayers Federation—what does this tell us?

Ms. Judy Wasylycia-Leis: I’m shocked that the Canadian Taxpayers Federation is attacking the NDP, because in fact we’re doing what they wanted. We’re taking money from one area, which doesn’t have the great impact in terms of job creation that it ought to have, and putting it directly into investment projects where we can have more bang for our buck. So I’m shocked. We do something fiscally responsible here and they attack us, so I don’t know.

The other area of concern that we’re getting from the Conservatives—and I guess only the Conservatives—as well as, of course, the Canadian Taxpayers Federation, the C.D. Howe Institute, and the chambers of commerce, is that somehow this bill is wanting in terms of detail, that it’s lacking in terms of details on how the money should be spent.

But I go to Bill C-43, the bill we just passed, where we didn't hear a peep from the Conservatives over detail, and I find similar wording. I find on page 42 of Bill C-43 a call for funding of up to \$150 million for the ongoing green municipal fund channelled through the Federation of Canadian Municipalities. I find on page 53 a call for funding for "A New Deal for Cities and Municipalities" of up to \$650 million. I find funding of \$50 million for the Canadian Cattlemen's Association. And there's not a peep from these guys about how this money will be spent and why the government isn't spelling it out in legislation.

Am I missing something, or is Bill C-48 written as budget legislation normally would be, with the necessary precautions in place?

Hon. John Godfrey: Well, I think it is incumbent on all of us who believe in Bill C-48 to take responsibility to make sure that we're doing good public policy. That's why my department was very anxious that we line up the objectives of the transit money in Bill C-48 to make sure they were an integral part of the new deal, gas tax money in Bill C-43, and that we not have excess or superfluous or contradictory machinery for dealing with both of them, but that one reinforce the other, and that we would apply the same rigorous measures of asking ourselves after four years, how do we measure the improvements in greenhouse gas reductions and the quality of air and water?

So it was a real opportunity for us to do even more things than we had thought were going to be possible with the gas tax money, and also to solve some of the problems that we had, as I suggested earlier, in trying to be fair to everybody, but also in recognizing the special needs of public transit in our larger communities.

• (1815)

Ms. Judy Wasylycia-Leis: My last question pertains a little bit to Bill C-43 and Minister Dion.

All of you know that we expressed concern from the outset about the additions to the budget bill pertaining to CEPA. We will support the final motion in the House, or the final changes to the bill, to delete part 15 from Bill C-43, on the understanding that there needs to be a more comprehensive piece of legislation forthcoming to deal with many of these issues, and a more holistic approach to the whole question of Kyoto and the environment. I'm just wondering if you have plans to do that and how we'll see those changes incorporated.

Hon. Stéphane Dion: It's true that our working assumption and our preference by far is to use CEPA as the regulatory tool. One of the reasons why is that we don't think it would make sense to have two regulatory regimes—one for every substance that may harm the environment, and another for greenhouse gas emissions. It would be very complex to administer and to manage, both for industry and government.

The fact that the word "toxic" is used has been a source of confusion since the beginning, because it gives the sense that it's only the toxic substances that CEPA regulates, which is not the case. CEPA regulates the substances that are harming the environment or human health. For a long time there has been support remove it from CEPA, not just from the industry—but certainly from the industry—because of the stigma the industry thinks the word will give it. So it's unfortunate that this committee did not accept removing the word

"toxic" from CEPA. I think it would have been a matter of clarification.

The bottom line is that it doesn't change the fact that it's very likely we will use CEPA as our regulatory regime. We don't need an amendment for that, but we may use CEPA as it is. I understand that it's the preference of your party that I should have clarified that better. But I guess we will have other opportunities to debate whether or not we need to keep the word "toxic" in CEPA. The fact is that it is our working assumption to regulate greenhouse gas emissions in this country.

The Chair: Merci, Monsieur Dion.

I have Mr. Jaffer, Mr. Hubbard, Mr. Côté, Ms. Minna, and then we will wrap it up.

Mr. Rahim Jaffer (Edmonton—Strathcona, CPC): Thank you, Mr. Chair.

It's been a while since I've been on the finance committee, but it feels like there's a lot of love in this room since the last time I was here, so I'm happy to be back.

I wanted to address a point made by Mr. Bell. It's tough to keep track of all the announcements going on around here—all this outrageous spending. It's tough to think of what's happened historically. It took a while for the Liberals to catch up on the gas tax issue. We passed that motion a long time ago when the Conservative version put it in the House. Then finally the Liberals adopted it and pushed it forward.

Yes, we were behind in the last election, but in subsequent announcements, we are at the same level. We did not want to vote down Bill C-43, because of the amount that's being guaranteed to the provinces through the gas tax.

Minister, you said you consulted and you heard many things from the various provinces and cities. Especially with your recent announcement on the \$800 million, you must have heard some concerns. Even though the amount of the spending is welcome news, there are some real concerns about the bill passing and other things. In your press release of June 1, it says this money will depend on available surpluses in the current fiscal year and in 2006-07. It seems to me that there are members, especially with the transit association, that are going ahead and planning to spend this money. But I worry that it might be a little disingenuous to be guaranteeing this money when the bill hasn't even passed. With all the outrageous commitments of your government on spending, there is no real guarantee that the surplus is going to be there to meet those commitments.

Finally, because of that reckless spending, what I'm hearing from many of the municipalities and provinces is that they don't even know whether they can budget for this money, because it may not actually be there.

Maybe you'd like to comment on that.

• (1820)

Hon. John Godfrey: It strikes me, first of all, that you and your party have at least endorsed this part of the outrageous and reckless spending. In fact, I heard your leader say at the Federation of Canadian Municipalities that he would not only meet our commitments but in some cases exceed them. I don't know whether that puts us both in the "outrageous and reckless spending" category, but I am glad to have your support and his.

Mr. Rahim Jaffer: Not on Bill C-48, though.

Hon. John Godfrey: There are three elements required for this money to flow. We cannot be, on the one hand, accused of reckless, outrageous spending, and, on the other hand, criticized for not promising money if it's not available. It seems to me that one has to pick one side of the argument or the other. All of the Bill C-48 money, including the transit money, is predicated precisely on not having reckless, outrageous spending. It's predicated on the money being available. I don't think this has been any secret, and I don't think Mr. Goodale was hiding this from you when he testified.

Mr. Rahim Jaffer: We've had problems with your surplus numbers before. That you'll have to admit.

Hon. John Godfrey: We've done rather well on our surpluses, but that's up to Mr. Goodale to answer, as he has.

I also heard your leader at St. John's refer to at least part of this money, which is the \$100 million available for housing. I heard him speak very warmly about the need to put more money into housing. That would be another case where we share the same desire for outrageous and reckless spending.

Clearly, we have to negotiate this with every province and territory in a way that is respectful but moves our objectives along. Where we already have gas tax deals in place, notably in British Columbia, Alberta, and the Yukon, we're going to have to go back and make sure that everything dovetails. All of this is in the realm of good public policy. If the investment category of public transit, which was a priority of Bill C-43 money, that is to say, the gas tax money, is an acceptable public policy priority, I don't see why putting more money into our top category in Bill C-48 now turns it into a bad public policy priority.

I want to come back to something that Mr. Mills said. He pointed out that Toronto today—and God knows where Ottawa is in this—is experiencing its twentieth day of smog alert. Clearly, while it would be a very nice and important thing to sequester more carbon dioxide and to develop clean coal, right now we want to take people out of their cars and put them onto buses and subways so we can reduce the incidence of smog days in Toronto and Ottawa. It's a direct measure that responds to today's needs.

Mr. Rahim Jaffer: I have only one last quick question, because I know my time's almost up. Again, it's based on this \$800 million and on the per capita basis on which the previous money was announced and incorporated into Bill C-43.

One of the concerns I've heard is that the budget now clearly states that the money announced for large urban centres will go towards transit and water, and will not necessarily go towards roads. I think you talked about how you've broken down that spending. I think members in the House have asked about this specifically. Cities like

Winnipeg and other urban centres are concerned that they need to fix the roads, in fact, before they get the buses to actually run on them.

So one of the things I wanted to address in this spirit of partnership that you speak about is whether you are willing to revisit the restrictions that you've put in the budget, especially as regards spending on transit and water, and to let some of the urban centres set their own priorities. Obviously, some of these needs are very different as you move from city to city. One of the concerns I've heard from many of them is that there's still too much dictated by the federal government in the new deal. Unfortunately, there's not that level of partnership that you speak about.

Hon. John Godfrey: Well, actually, the big city mayors, the very ones who met with the Prime Minister at 24 Sussex the evening of the Speech from the Throne, agreed with him that we ought to restrict the number of categories for the larger cities, those with populations of 500,000 and up, to one or two, of which public transit would be the obvious. This planning had the participation and enthusiasm of the big city mayors, not the least of which are the mayors from your province. We have seen commitments from the mayor of Edmonton and the mayor of Calgary, for example, to put every nickel of both the gas tax money and the transit money we've got into public transit. The same is true of the mayor of Toronto and the mayor of Vancouver.

So we're finding that between public transit and in some cases the need for improved water systems, the big city mayors have, generally speaking, been very supportive of this. We are pushing on an open door.

What we have said is that the categories we want all have to do with environmentally sustainable municipal infrastructure, and that we're linking that to not only long-term capital plans, but long-term sustainable capital plans. We think it's really important that we do two things at once: we both help fill the infrastructure gap, which has been so well identified by the Federation of Canadian Municipalities, and do it in a way that will transform our city-built environment.

We know we cannot go on with sprawl and congestion, that we absolutely must have greater densification. That's why the new deal gas tax money is included in Project Green. We did not specify the megatonnage of carbon dioxide reductions or the equivalent, but we did say we want to be part of the reserve measures. That's why we want to be able to measure, in four years' time, what improvements we've seen in greenhouse gas reductions so we can actually help out this national plan. It's in the cities, particularly the big cities, where we spend most of our energy budget.

• (1825)

The Chair: Okay. Thank you, Mr. Godfrey.

I have Mr. Hubbard next, Monsieur Côté, and then Ms. Minna.

Mr. Charles Hubbard: Thank you, Mr. Chair.

We're talking about the spending of a lot of money. There are some words that are not being used. Of course, being from a rural area—and probably 30% of our Canadian people live in small rural areas, and are, on a per capita basis, probably some of the biggest consumers of gasoline in this country—would the minister make some comments on how this program is going to affect and improve and assist the rural areas of Canada?

We heard about big cities like Vancouver, Toronto, and Montreal, but let's talk about little places like Neguac, New Brunswick, or the Peace River country of Alberta. What is this program going to do for them in terms of getting their goods to markets, getting them resources, and bringing them to the larger centres?

Mr. Minister and Mr. Godfrey, could you make some comments in terms of what your plans are to bring the rural people into this dialogue, and to see that they participate and are able to benefit from it?

Hon. John Godfrey: From the get-go the Prime Minister—going right back to a previous appearance at the Federation of Canadian Municipalities in Hamilton in spring 2002—made it clear that the new deal was not simply for big cities; it was for smaller communities as well. My mandate has always been—when I was parliamentary secretary for cities and communities, and when I became minister—to think of the whole country and every community.

On what we have attempted to do with the gas tax money, there's no doubt the transit money by definition will affect some rural and smaller communities that have transit systems, but it will not affect them all. The difference between the gas tax money for a rural community and our other infrastructure programs, such as municipal and rural, is that there's a kind of an allocation mechanism.

We want to be as fair as possible. That's why we involve the municipal associations, along with the provinces, to help sort out how we can be helpful to smaller communities. The British Columbia deal, for example, divides communities into three tiers: from Greater Vancouver to Vancouver Island; the Okanagan Valley; and then small places outside that. We focus very much in every one of these deals on making sure it's fair to the smaller communities. That's why the transit money has been indirectly helpful. It takes the pressure off an attempt to skew it toward transit ridership. We can go back to a per capita formula, because we now have extra money for the larger places.

We try to be very attentive to the needs of smaller places. We consult with municipal associations, whether they're in Saskatchewan or New Brunswick—where you're from—to get the best and most efficient way of using the money always to advance sustainability, even in the context of smaller communities. We want to make those infrastructure investments work over the long haul to reinforce community centres, rather than spreading it out, for example. But we are very attentive to the needs of rural and small-town Canada.

• (1830)

[*Translation*]

The Chair: Mr. Dion has to leave now, but we'll continue with the meeting.

Do you have a question for Mr. Dion?

Mr. Guy Côté: Since he hasn't left yet, I'd like to ask him a quick question, Mr. Chairman.

[*English*]

The Chair: You still have two minutes left. Is that okay, Mr. Hubbard? You're through, okay.

Monsieur Côté.

[*Translation*]

Mr. Guy Côté: Thank you, Mr. Chairman.

Thank you, Minister.

In our estimation, Bill C-48's biggest flaw is its lack of clarity. It contains no clear plans or objectives. This afternoon, witnesses were pretty adamant that the bill did not commit the government to spending the funds announced in the proposed legislation.

Let me give you one quick example. Recently, the government announced an \$800 million investment in public transit. That's included in the \$900 million amount mentioned in paragraph 2(1)(a)

(a) [...] an amount not exceeding \$900 million;

My question is quite simple. The bill was given first reading a month ago. I assume that you already had some idea of how this \$900 million would be invested. Why then did you not spell out clearly in the bill that a total of \$800 million would be allocated to public transit, because that's good for the environment, and that \$100 million would be allocated to other initiatives? To my way of thinking, that would have been much clearer.

Hon. John Godfrey: Bill C-48 came about as a result of negotiations between two parties. Initially, some areas were unclear, but I think we quickly agreed on an amount of \$800 million for public transit, and on an amount of \$100 million for affordable housing. That's what happened. We came to an agreement with the Department of Finance, we spoke to our NDP colleagues and we very quickly decided that this is how the \$900 million would be allocated. I can't explain why that was. We created an environment category for these two amounts, but it's clear to everyone how the money will be allocated.

Mr. Guy Côté: I don't have a problem with allocating \$1.6 billion for affordable social housing. However, the bill is poorly drafted, because it's unclear as to how the money will be spent. As an MP, I have a problem with that.

Clause 3 of the bill — my colleague alluded to it earlier — provides for the possibility of the federal government entering into agreements directly with municipalities. You told the committee that you wanted to enter into agreements with the provinces and that any province that so desires can enter into agreements with the municipalities. If that was in fact the legislator's intent, why include this reference to agreements with municipalities in the bill?

The bill refers frequently to the possible use or creation of foundations. As you can imagine, that worries us a great deal. We have seen many examples in recent years of funds placed in foundations that have still not been spent. Right now, many things in Bill C-48 are still not clear.

Getting back again to the example of public transit, I'm a little surprised. I have to wonder if the government has a clear vision of where it wants to go with public transit. Bill C-48 doesn't give us a clear picture at all. If the government does have a plan, it seems to me that it should reveal it clearly to ordinary MPs.

Hon. John Godfrey: I think it's important to distinguish between our intention of making investments in one or two areas, as we have done, and revealing how we actually plan to spend the money. Obviously, we didn't have much time to draft this bill, but if we had been too specific at the outset, I think the provinces, Quebec included, naturally, would have wondered why they had not been consulted on these initiatives. That explains the reference to areas in which investment is planned, and the reference to the gas tax. The bill is short on specific initiatives. What is important is that we will consult with all stakeholders, that is the provinces and territories, the municipalities and public transit commissions, before we decide on any specific course of action.

• (1835)

Mr. Guy Côté: You're right. It's obvious the bill was cobbled together quickly. Its flaws are quite apparent, sir.

[*English*]

The Chair: Ms. Minna is next, and then we'll wrap it up.

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

I just want to go to the cities deal. As I understand it, a tripartite agreement has been announced, Minister, in British Columbia. First of all, I guess I want to understand what happened there. Does that agreement include the gas, the GST moneys, and the transit dollars, or was it more an agreement on how the actual development and planning would happen with all three levels at the table? Of course there were municipalities that had never been at the table before.

Hon. John Godfrey: The gas tax deal with British Columbia did not include any reference to the GST. It was not part of that discussion. Nor could the transit money have been part of that, because the British Columbia deal preceded the introduction of Bill C-48.

We will have to go back to British Columbia and do a separate deal on the transit money, but in the same spirit as the original gas tax deal. I dare say that because British Columbia and the specific municipalities therein were particularly keen on public transit and things like TransLink for the GVRD, we will not have a problem finding the proper way of investing the money. It will simply mean that their unfunded capital plans over a ten-year period will shrink a little more because we will be able to go a little faster than we anticipated.

Hon. Maria Minna: As you know, I'm from Toronto, so I'm going to be speaking about that particularly. I want to know if there are discussions going on with the Province of Ontario with respect to an arrangement similar to what was struck with B.C. One of the major interests I have—and many of my colleagues—is to ensure that the cities actually have a place at the table in as many provinces across this country as possible, when it comes to implementing all of the programs we've talked about. Infrastructure is of course part of it, but there are also the environmental moneys that will eventually flow in many ways, hopefully to establish a real inter-urban rail system, as well as the downtown transit.

Are there discussions, and what level are they at? Are we likely to see some outcome of those soon in Ontario?

Hon. John Godfrey: Yes, I think it's safe to say you'll be able to see the outcome pretty soon. The discussions are obviously with the province.

What we are very anxious to do in every province, whether it's Ontario, Quebec, or British Columbia, is reinforce their policy priorities in matters that have to do with sustainable development. So in the case of Ontario, we want to make sure this money gets invested in such a way as to help the places-to-grow strategy, the greenbelt legislation, and all the rest of it. At the same time, we want to reinforce the desire of Ontario to give greater power to both Toronto and the other municipalities through revamping the City of Toronto Act.

Every one of our gas tax deals has a clause in it that says we also hope to advance, where there's a will, tripartite relationships of the sort we've already done with Vancouver through the Vancouver agreement, with the Winnipeg agreement, or the Victoria agreement. There is such a place-holder in the Ontario deal that would allow us to have tripartite arrangements, with the willingness of the province and the city, on a number of other measures that don't relate to gas tax.

Things are going well. In the case of Ontario, when we sign I think we'll be able to sign both the gas tax deal and at least an agreement in principle, or more, on the transit money. So we're using both as integrated policy tools.

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

The Chair: Thank you, Ms. Minna.

Thank you, Mr. Godfrey, for appearing. I know there was a change in plans, but we're actually only ten minutes over, so we're going to suspend the meeting.

Thank you.

The meeting is adjourned.

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