



House of Commons  
CANADA

## Standing Committee on Finance

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FINA • NUMBER 099 • 1st SESSION • 38th PARLIAMENT

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EVIDENCE

**Tuesday, October 18, 2005**

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**Chair**

**Mr. Massimo Pacetti**

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Tuesday, October 18, 2005

• (1050)

[English]

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

We're here pursuant to Standing Order 83.1 on the pre-budget consultations for 2005.

I'm going to allow you a seven- to eight-minute opening remark period for your brief. I have a list of *intervenants*, and I'm going to go in the order on my list. However, I understand, Mr. McCallum, you have to leave, so I'll allow you to go first.

Mr. McCallum, from the Greater Vancouver Transportation Authority, go ahead.

**Mr. Doug McCallum (Chair, Mayor of Surrey, Greater Vancouver Transportation Authority):** Thank you very much for allowing me to go first. We have municipal elections out here, and it's a very busy time of the year. So I appreciate very much you allowing me to go first.

I would like to introduce Pat Jacobsen, the CEO of TransLink, who is with me today.

Please allow me to introduce myself and provide you with some background about our organization. I'm the chairman of the Greater Vancouver Transportation Authority, also known as TransLink. I should point out that TransLink is a fully integrated transportation agency, which means we have roads, bridges, and ferries within our mandate. Our organization plans, finances, and manages the regional road and transit network in the greater Vancouver region. Our service area encompasses 2.2 million people in 21 cities, the largest service area in all of Canada. And it's Canada's Pacific gateway for trade.

Currently, we're working on an ambitious 10-year capital program with a \$3.9 billion investment in regional roads and transit. The program includes two rapid transit lines, eight major road projects, the Golden Ears Bridge over the Fraser River, and the expansion of the bus service by one-third.

Much of our work to expand and improve the transportation network in the lower mainland of British Columbia would not be possible if it wasn't for the federal government's generous investment in public transit. As outlined in the briefing document you've been given, TransLink will be partnering directly with the federal government to fund several major transportation improvements that will ensure an environmentally sustainable future for us all.

The support of the federal government in helping to fund significant improvements to our border infrastructure is very evident

with construction under way in my home city of Surrey of a vastly improved north-south road connection to the U.S. border. As well, we cannot overlook Ottawa's \$450 million contribution to our Richmond Airport-Vancouver rapid transit project.

Over the next five years, thanks to the new deal for cities and communities, federal gas tax revenues will contribute to the funding of our new light rail transit cars, low emission buses, HandyDART vehicles, community shuttles, investment in pedestrian and cycling facilities, and innovative technologies that will give buses priorities on roads to maximize our infrastructure investment. These projects will reduce greenhouse gas emissions, increase transit service levels, and help make the transit system accessible for as many people as possible. By reducing traffic congestion, these investments will also improve the flow of goods and services, creating communities that are economically viable.

There are many other opportunities for the federal government to partner with us as we look towards the future and the growing trade opportunities with China, India, and other Asian countries. For China and Japan, the closest major deep water ports and the closest major international airport in North America are located right here in greater Vancouver.

TransLink shares the federal government's vision of building a Pacific gateway, an integrated multi-modal transportation network that will take advantage of our natural geographic advantage. Based on the priorities identified through the Gateway Council, ourselves, and the province, we estimate that \$10 billion in transportation investment in roads, transit, marine and rail infrastructure, data collection and analysis is needed. Currently, local and provincial governments are working hard to make the necessary transportation improvements in the region.

However, to realize the full potential of trade in Asia, we need more resources—resources that cannot be raised locally alone. We have a number of extremely worthy candidates, in our view, for federal investment.

The first one is road infrastructure. The south Fraser and north Fraser perimeter roads are the two major truck routes that are key priorities in the southeastern part of our region, which has experienced rapid industrial growth over the past twenty years. These road projects would facilitate goods movement by providing better connections to industrial areas, port facilities, rail yards, and the Pacific border crossing. The south perimeter road would follow the south side of the Fraser River, connecting the Trans-Canada Highway at the east end and Highways 99 and 17 at the west end. The route would also connect to Highway 15, providing a north-south linkage to the U.S. border crossing. The cost of this project is estimated at \$600 million to \$800 million. The north Fraser perimeter road would follow the north side of the Fraser River through the municipalities of New Westminster, Coquitlam, Port Coquitlam, and Pitt Meadows, connecting with Highway 91A at the west end and Highway 7 at the east end. We estimate that this project will cost about \$700 million.

- (1055)

The Province of B.C. agrees with us that these road improvements should be a top priority, so there is an opportunity here for all of us to work together in making these projects a reality.

The second one is rail infrastructure. We also need to work together to address the problem of rail crossings at grade level in Langley. There are three major rail crossings at road level that significantly stall traffic in the region. These include crossings at 200 Street and Fraser Highway, both major arterial roads, and the Langley Bypass at Glover Road. Another area of concern is the New Westminster rail bridge over the Fraser River, a major—and I will say major—bottleneck. This is a 102-year-old, federally owned asset that provides a critical link to eastern Canada. Currently, the single-track bridge must swing open for about five hours a day to allow marine traffic to pass, causing a backlog of rail traffic. This problem needs to be addressed.

The third one is the Canada Transportation Act. Commuter rail service is an essential part of the solution for reducing traffic congestion. TransLink operates the west coast express commuter rail service, and like other urban passenger rail authorities, we are asking the federal government to consider changes to the Canada Transportation Act that would improve access to rail corridors. Legislative remedies are required to overcome barriers, since it has unreasonably high rates and restrictive contract provisions. In addition, urban rail authorities should be entitled to acquire any railway line that would otherwise be abandoned at the value the line is for public transportation purposes.

We need the right of public disclosure on rail contracts to ensure the contracts undertaken on behalf of the public are open and transparent. We need independent adjudication to settle disputes over rates and services.

Fourth is intelligent transportation systems. In addition to infrastructure programs, there are a number of other initiatives where the federal government can partner with TransLink to improve the efficiency of our transportation network. For example, TransLink is leading the development of intelligent transportation systems, which involve the application of computer communications, traffic control, and information processing technologies. With funding

support from the federal government, we've been able to lead the development of a regional advance traveller information system, which gathers real-time traffic information for transportation users.

We'll be launching a website in 2006 to provide data from a variety of sources, including border delays, ferry and transit schedules, and road and bridge information. Additional support from the federal government would allow us to expand the system and reach even more users.

The fifth one is data collection and analyzing. Information on the performance of the transportation network, in particular the movement of goods and services, needs to be improved. Over the past year, TransLink has completed a regional screen line survey at strategic points in the transportation network, a travel time survey for key origin-destination pairs, and a 24-hour trip diary in conjunction with the B.C. Ministry of Transportation. The transportation authority is committed to stepping up this work in the future, and we would welcome your involvement.

Six is employer-provided tax exempt benefits. Perhaps the best way to reduce traffic congestion is to encourage more people to use public transit. That's why we're urging the federal government to amend the Income Tax Act to eliminate the inequity between benefits for drivers and benefits for transit users. We currently offer a popular pass program that provides a 15% discount on annual transit passes to groups of 25 or more employees. More than 12,000 employees and 180 employers are participating in the program, and these numbers are growing every year. Since 2003 the program has reduced the number of single-occupancy vehicle trips on the region's roads by an astonishing 1.3 million.

- (1100)

The program would be greatly enhanced if the transit passes provided by employers were tax exempt. A majority of Canadian commuters receive free or subsidized parking from their employers, without paying income tax, and it seems unfair to penalize employees who choose to take transit to work instead of driving. We believe now is the ideal time for action, building on the momentum of the federal government's new deal for cities and communities. Amending the Income Tax Act to encourage transit ridership would allow more Canadians to take advantage of the government's significant investment in public transit infrastructure.

In summary, we believe that these recommendations, if implemented, would provide benefits to Canadians. Improving the efficiency of our country's urban transportation systems will help to keep Canada competitive, provide cleaner air, and create healthier cities that are better equipped to meet the challenges we will face as a nation in the coming years.

We look forward to continuing to work collaboratively with the federal government as we move ahead on planning, financing, and implementing an integrated multi-modal transportation network that will ensure an economically vibrant future for us all.

Thank you very much for allowing us to say a few words today.

**The Chair:** Thank you.

I'm going to have to keep the other briefs to seven minutes. That was way too long. We have to be out of here by 12. There's an hour left.

I understand, Mr. Kinar, you're here by yourself.

Ms. Young, are you here individually?

**Ms. Marilyn Elizabeth Young (As an Individual):** Yes.

**The Chair:** Okay. Mr. Kinar first, and then Ms. Young.

Mr. Kinar, go ahead.

**Mr. Richard Kinar (Advocate, Outdoor Safety, As an Individual):** I'm appearing in front of you today to publicly ask the question of why the federal government has not funded a program to develop national standards for sport helmets and a public education program at a cost of \$500,000. The savings to Canadian taxpayers would be billions of dollars.

I've been told that my request for funding has fallen into the category of a square-peg-in-a-round-hole scenario. There's no existing federal program to fund my request, even though I have the support of the Federation of Canadian Municipalities, the ski industry, the medical community, and most other groups working towards health care prevention.

Currently, there is no national standard against which the growing array of provincial regulations for sport helmets can be referenced. This gap in Canada's public health and safety regulatory framework is resulting in an increasing risk to Canadians, as people seek out more recreational and leisure opportunities.

Provincial, territorial, and federal sport ministers have set a target to raise the activity levels of Canadians by 10% by the year 2010. As well, the B.C. government has a target to increase physical activity by 20% by 2010. Meanwhile, associated health care costs for treatment of preventable head injuries continue to increase. Canadian helmet standards are a solution to mitigate this unacceptable risk.

The lack of Canadian safety standards for recreational sporting helmets is contributing to increased rates of preventable injury, creating an additional burden on the health care system and causing confusion in retail and consumer sectors of the Canadian economy.

Unintentional injuries are the leading cause of death and injury in children and youth at the ages of birth to 24 years. Ninety per cent of these injuries are preventable with protective head gear. The economic burden in Canada in 1998 was estimated at \$8.7 billion annually for treating unintentional injuries. The average acute care cost of an acquired brain injury is \$2,867.59 per day.

The question begs to be asked why the federal health minister has not found a way to fund this program and save taxpayers the associated costs for traumatic brain injury. It seems that the culture that exists within the health ministry is treatment rather than

prevention. Health care prevention must be seen as an important pillar in reducing health costs to Canadian taxpayers.

**The Chair:** Can I quickly ask this? Are the safety standards on the helmets Canadian or provincial?

• (1105)

**Mr. Richard Kinar:** On most of the helmets sold in Canada we have no standards. It means that even if a helmet has an international standard stamped on it, compliance in Canada is completely voluntary.

The only difference is that hockey helmets are classified under hazardous product legislation, which I believe all other sport helmets must be as well. The hazardous product legislation completely eliminates the confusion in the marketplace. You cannot buy a hockey helmet in this country that does not meet a minimum standard, and that is the CSA standard.

**The Chair:** But bicycle helmets are not?

**Mr. Richard Kinar:** Some bicycle helmets meet a CSA standard, so there's some confusing legislation when it actually comes to cycling helmets, but the legislation protecting cyclists could also be improved with the implementation of the hazardous product legislation.

The rest of the helmets—ski helmets, snowboard helmets, those that you would buy for in-line skating, skateboarding, push scooters, kayaking, or rock climbing—have no minimum standards in Canada. The result is that people are buying helmets and they think they're protecting their families, and they might not necessarily be buying the protection that they think they have gone out to purchase. The result is a substandard helmet.

I witnessed a collision between two young snowboarders who were knocked out at a very, very slow rate of speed. I went back and reread a ski article that was published in Canada in December 2002, in which a Canadian manufacturer of helmets was quoted as saying that some of the helmets offered for sale in Canada offered no more protection than putting a bag of milk over your head. That's from *Ski Canada*, December 2002, and that's submitted in my brief.

**The Chair:** Thank you.

Ms. Young.

**Ms. Marilyn Elizabeth Young:** I am here to speak to you regarding the issue of women, particularly from a senior's perspective.

Over the past decade federal budgets have helped to increase insecurity for Canadian women, with a deeper and more embedded inequality to working women, seniors, and our children.

In the past 10 years we have seen massive erosion in social spending with cuts to badly needed social programs, and this helps to explain why our income inequality has increased sharply in Canada; why poverty has not only grown but has remained a very stubborn problem even in a period of economic recovery; and why our health and education have eroded so badly in terms of quality, accessibility, and affordability. I would like to see all parties in this minority government situation learn to work together to reinvest in our social programs and our public services as Canada needs and can afford a more ambitious social agenda.

There are a number of key issues I would like government to focus on, including health care for seniors; ensuring the financial sustainability of medicare; reducing waiting times; expanding the public system to include home care and palliative care; addressing high energy costs that are impacting people on fixed incomes; providing prescription drugs to address unmet health-medical services; and stemming the tide towards private, commercial delivery of publically funded health care services.

In regard to early childhood education and national public child care programs, specifically I would recommend providing more funding for early development learning and child care and working to eradicate child poverty. I also recommend developing the social policies that benefit and empower people on welfare and remove discriminatory barriers that are a serious form of poor bashing; working towards a more progressive initiative such as the homeless action plan in the city of Vancouver; and developing a more progressive welfare plan such as that developed by the former provincial Government of Quebec, which attempted to be pro-poor and tried to humanize the impact of common investor trade markets that affect both our human and financial economy.

Similarly, the provincial Liberal government attempted to tamper with a very successful provincial child care program last year in Quebec. They tried to cut this long-standing provincial child care program, which had been in effect since the early 1980s. Quebec parents made their disapproval very loud, and their “no” was crystal clear. Therefore, this progressive model, which has worked really well over the last 20 years, continues to be publically run and publically funded—about \$1.2 billion a year. Furthermore, it puts the rest of the country's private commercial child care programs to shame.

There are unfair trade practices that result in lost jobs, accelerated privatization of our public services, and public sector jobs going out of the country, which in turn forces so many adverse and unjustified social conditions that are contributing factors that directly result in deepening poverty for so many Canadians and their families.

I recommend making poverty and homelessness history and making Canadian women, children, and seniors a top priority by increasing budget funding by 25% for the Status of Women Canada in order for them to adequately provide stable funding for individual and national advocacy groups and organizations to be able to empower women across the country.

In addition, I recommend providing a more effective voice and an opportunity to give intelligent insight and feedback, providing Canadian women, their children, and seniors an effective means of promoting a more productive forum of communication, gathering

further input from our communities. This could be a very sound and productive idea from a humanistic perspective for properly utilizing human investment. I strongly believe this would be quite beneficial for pushing additional conceptual ideas and/or proposals that would offer real progressive changes to help legislators write clearer, more democratic policies/legislation into law that would have a more positive impact on the daily lives of all Canadian women and their families.

● (1110)

I've also included several items because I support the homeless action plan. I understand that Sheila Davidson was here to speak to you yesterday.

In closing, I've made suggestions and recommendations in my submission to try to alleviate many of the problems that we as Canadians are facing today. It's imperative that we deal with these social problems head on, starting right now—not 10 years from now, but right now.

It is also important for this minority government to continue to work more closely with Canadians from now on to restore and build confidence and trust, to keep the avenues of communication open, and to listen to what the average Canadian citizen has to say. I urge you to work accordingly to reinvest in these specific and holistic human needs and to really pay attention to the needs of our respective communities in all regions of the country, especially here in the west, whether they be big or small. Most importantly, I urge you again when decisions are made, be they financial or policy changes, please consider the impact they will have and be adaptable to change, as the needs of our communities do not necessarily fit into a one-size-fits-all mentality.

Thank you.

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

From the B.C. Government and Service Employees' Union, Ms. Zaenker.

**Ms. Anita Zaenker (Executive Assistant to the President, B.C. Government and Service Employees Union):** I am not George Heyman. President Heyman sends his regrets today. Unfortunately, he is unable to be here, so he sent me to deliver our presentation.

I wanted to let you know about the B.C. Government and Service Employees Union. We represent more than 56,000 workers in the province of British Columbia. About 45% of our members work directly for provincial government as child protection social workers, environmental protection officers, corrections staff, forest fire fighters, and administrative personnel. The other 55% of our membership works in sectors such as child care, health care, community social services, financial services, post-secondary education, and highway maintenance. So we cover a range of occupational groups that carry out important public services in British Columbia.

Our key message to you today is to urge the federal government to support strong public services accessible to all Canadians on an equitable basis in every province and territory.

The effects of cuts in federal transfer payments during the 1990s are still being felt. There are lasting inequities as provinces and territories cut services in different ways to make up for these federal funding cuts. These regional inequities will not be eliminated by increasing transfer payments with no strings attached. There must be accountability with any increase in transfer payments. Only the Government of Canada can ensure that all Canadians share equitably in the benefits and opportunities provided through public services. So we urge you to hold the provinces accountable for the way they spend federal money so there will be equitable access to public services for all Canadians.

I want to touch on the issue of health care. We welcome the federal government's additional funding for medicare, and we understand and appreciate that the federal share of funding will actually exceed the Romanow commission's recommendation of 25%, which is very commendable. However, there are relatively weak measures to ensure that provinces will spend the money as intended. In this area, as in others, we urge you to strengthen accountability.

We also congratulate the federal government on its public statements against the privatization of health care, and we urge you to follow through on this with action. Canadians overwhelmingly support a public health care system based on equity, fairness, and solidarity. Allowing the rich to buy faster health care is an insult to those Canadian values. Now is the time to renew health care to better serve Canadians. This can best be done with a health care system that is publicly funded, publicly administered, and publicly delivered.

I want to touch on the issue of a national public home support program. Surveys show that most British Columbians strongly feel that looking after sick people in their own homes, whenever that's possible, is preferable to institutional care. It's better for the patient and it's cost-effective and efficient. The B.C. GSEU urges the federal government to expand medicare to cover all home care treatment and services. It makes no sense to guarantee public coverage of medically necessary services provided in hospitals but to provide only partial coverage or no coverage when those same services are provided in homes. Canadians need a coherent national strategy that's publicly administered and is provided with sufficient money and staff to offer the necessary home care services. It's time for a national public home care system in Canada.

I would like to touch on the question of child care, which I'm sure you have been hearing much about from Canadians from coast to coast. We welcome the federal government's large commitment to child care and early learning programs in British Columbia. It will make a big difference in the lives of thousands of working families. Unfortunately, however, previous federal funding earmarked for child care was syphoned into general revenues by our provincial government. The federal government must ensure that its contribution is used to stabilize existing child care spaces, improve the quality of care, improve staff wages, lower parent fees, and expand the system to serve the thousands of families currently on

waiting lists or for whom child care is not an option because of affordability and accessibility.

On the issue of education and training, which is vital to our country's economic growth, I want to let you know that about a thousand B.C. GSEU members work in skills training and apprenticeship programs in the post-secondary sector here in British Columbia. The training they provide plays a vital role in helping to meet the severe skill shortage predicted for the years ahead. This shortage, as you well know, is a serious challenge for our economy. We urge the federal government to take the lead and work with provinces to strengthen apprenticeship training programs. I'll give you a couple of specific actions that our government should take.

• (1115)

We need increased funding to create more apprenticeship positions in the workplace and to provide additional support for apprenticeship hiring and completion. We need to strengthen the Red Seal process to provide greater mobility for skilled workers across the country and more standardization of provincial apprenticeship and certification programs. We need to encourage greater participation in skills training and apprenticeship by women, minorities, and persons with disabilities.

We strongly support the Canadian Labour Congress in its call for public investments in workplace training and expanded access to post-secondary education for workers. We need a national training policy that provides for workplace learning and training leave opportunities, with workers earnings insured under the employment insurance program.

On the question of community social services, community social services improve the quality of life for the most vulnerable people in our society, providing dignity and opportunity, our guiding principles. Government funding cuts, both provincial and federal, have increased the risk for children, reduced hope for families, and reduced support for people with disabilities. We believe that we must do more for our least fortunate citizens. We urge the federal government to create a new, separate transfer for community social services and social assistance. The federal government should increase the amount it transfers to provinces for these services. And the federal government should establish national standards, again, to guarantee that levels of assistance will exceed the poverty line and that a broad range of community social services is delivered through the public sector across the country.

And finally, the British Columbia Government and Service Employees Union supports the international movement to make poverty history. Our union supports the millennium development goals established by the United Nations and endorsed by Canada. We therefore join with the many who are calling for the Government of Canada to allocate 0.7% of gross national income to overseas development assistance by 2015. We also urge the government to make the elimination of poverty the primary goal of Canadian foreign aid policy.

Thanks for the opportunity to present to you today. I welcome your questions and discussion.

• (1120)

**The Chair:** Thank you.

From Benefic Lawyers, Mr. Bromley.

**Mr. Blake Bromley (Principal, Benefic Lawyers):** Thank you for allowing me to make this presentation to the Standing Committee on Finance.

The charitable sector in Canada depends upon gifts from millions of Canadians to fund its important activities. My presentation will focus on ways in which the legal concept of gift in the Income Tax Act is in itself a barrier to the common fundraising practices in Canada today.

The Income Tax Act does not define the term “gift”. However, no tax benefits are available to donors, whether they are individuals or corporations, unless there has been a gift of property to the registered charity. If property has transferred by contract or some other mechanism, then no tax benefits are allowed. The issue as to whether property passes by way of gift is an issue that the Constitution made a matter of exclusively provincial jurisdiction.

Canada is a bijural country. This means that in common law provinces, the common law determines what constitutes a gift. In Quebec, the civil law concept of gift should be applied. The Quebec Act of 1774 confirmed that French civil law would continue to cover private law matters in the province of Quebec.

Given that Quebec is guaranteed the right to apply civil law, it is troubling that the Canada Revenue Agency has not published a single interpretation bulletin, information circular, information guide, or registered charity newsletter that explains the civil law of gift and says that it applies with regard to gifts in Quebec. All of CRA's publications discuss only the common law, and seek to apply the common law to all charitable donations, even those from Quebec. Canada Revenue Agency effectively denies any recognition of the civil law concept of gift in spite of court decisions that say that civil law applies.

The legal concepts upon which the law of gift is based are very different in the common law and civil law. A comprehensive comparative analysis of the law of gift has been done in the accompanying paper, written by me and my daughter, Kathryn Chan. This paper, which I've supplied to you, advocates that the civil law concept of gift is better than the common law one applied to charitable gifts. We propose a uniquely Canadian solution that respects that Canada is a bijural country. Our solution is to move the determination of tax incentives away from an undefined concept of “gift”, which must be determined according to provincial law, to a new definition of “charitable gift”, which is within the legislative jurisdiction of the federal Parliament. The definition we propose focuses not on the legal mechanism for passing property but on the consequences of the gift once the property has passed, whether by gift or contract. To use non-legal terms, we recommend that the Income Tax Act focus on the noun, “charitable gift”, rather than on the verb, “to give”.

This change does much more than respect Quebec's civil law and the bijural nature of Canada's legal system. It removes the problem

that when charities engage in the extremely common fundraising practice of soliciting \$500 from a donor, with the promise that the donor may attend a glitzy fundraising gala dinner and dance and receive a charitable donation receipt for \$400, the donor may not legally have made a gift at common law.

Canadian courts rely on Australian legal decisions to determine what is a gift for charity. The Australian parliament came to the conclusion that the donor received consideration equal to the value of the gala dinner and dance—in the fundraising example just cited—and therefore the \$400 was not a gift at common law. Consequently, last year Australia amended the charitable gift provision in its income tax act to substitute the word “contribution” for the word “gift”.

The Income Tax Act already recognizes the distinction between gift and contribution. It uses the term “contribution” when donations are made to a registered political party for tax benefits, because it realizes that the donor might receive some benefits that amount in consideration of common law. The problem does not arise in civil law, because civil law contains the concept of a remunerative gift.

Our proposal is that the amount of the tax benefit granted to the donor be determined by the amount of net economic benefit received by the charity. This concept of benefaction is not as clear in common law as it is in civil law, but the proposed amendment to the Income Tax Act will bring harmony between civil and common law.

• (1125)

Canada should seriously consider the fact that Australia's parliament has recently removed the word “gift” from its tax provisions related to charitable gifts. We believe that Canada should not simply substitute the word “contribution” for “gift”, but should develop a tax definition of charitable gift that incorporates both common law and civil law principles and is a uniquely Canadian bijural solution to a serious problem faced by donors in the charitable sector today. Thank you.

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

Out of curiosity, where did this idea come from? I've never heard about somebody having a problem with redefining it. Is this a particular problem with a case, or...?

**Mr. Blake Bromley:** There was a case set out in the paper where a donor went to this type of fundraising event where \$1,000 was donated at lunch at the Vancouver Club and then a \$100 coffee-table book...[Inaudible—Editor]...to say that this was consideration at common law and the money should be returned. The court said it was a \$1,000 gift and then a gift back of \$145, but no authority was given as to why a charity could simply make a donation of \$145 to someone rich enough to buy a \$1,000 lunch. It is now going to the British Columbia court of appeal. The issue is that if there was consideration, then it was a contract, and the tax relief will be denied.



The other issue is that if it's consideration, then it will be compellable on the donor. Some years ago, the Supreme Court of Canada heard a case where a donor, Mr. Ross, made a promise to give McGill \$200,000. The war intervened, the gift wasn't made, and McGill asked whether he would give them the gift of \$250,000 for a different purpose. Mr. Ross subsequently went into bankruptcy, the Supreme Court of Canada said that the waiver of the earlier promise amounted to consideration, and McGill was allowed to succeed under contract to get the \$250,000.

So I think you will see more of this—also as the Australian jurisprudence comes across to Canada.

**The Chair:** Thank you.

Next, from the Coalition for the Re-formation of the Euro-American Demo, is Mr. Olteanu.

**Mr. C. Alexander Olteanu (President, Coalition for the Re-formation of the Euro-American Democratic Order):** Ladies and gentlemen of the committee, thank you for inviting us to appear today for the first time in front of you. My name is Alex Olteanu, and I'm here today with Valerie Olteanu, who is the vice-president and secretary of the organization.

CREDO is a non-profit organization trying to rethink what it means to be an active citizen in a 21st century democracy. We try to do this at the local, national, and international levels in Canada, the U.S., and western Europe.

[Translation]

We are appearing before you today because we have a particular vision for Canada. This vision is founded on the notions of democracy, prosperity and diversity which go hand in hand with the remarks made by Her Excellency, the Right Honourable Michaëlle Jean, Governor General of Canada. The Governor General, in her maiden speech, said that we must break through the spectre of the various solitudes.

In today's world, we firmly believe that Canada's future prosperity and the productivity of its citizens will depend largely on our ability to break through the spectre of old habits and revamp the manner in which we govern. I would briefly like to raise four points. As you requested, we will first deal with productivity in a knowledge society. We will then move on to the radical 21<sup>st</sup> century innovations, before dealing with the budgetary process and the renewal of the system of governance. To conclude, we will provide you with a number of practical suggestions.

• (1130)

[English]

When we think about productivity we think about men in white coats with stopwatches who time how long it takes a manual worker to accomplish a task. In today's society I think we are very far from that model or notion of productivity. Scientific management concepts derived from Taylor's study on improving the productivity of manual workers no longer really apply; fewer and fewer people work in the manufacturing sector in Canada, and more and more are working in the services sector, especially in the knowledge economy.

The key point is that we are transforming ourselves into a knowledge society. This must shift our focus to improving

knowledge worker productivity. Knowledge worker productivity is qualitatively different from manufacturing productivity. All three types of capital that you discussed—human capital, physical capital, and entrepreneurial capital—come together in determining knowledge worker productivity.

You must think about the knowledge worker as an investor who invests his time, his knowledge, his energy, and his enthusiasm in performing a job. In order for those workers to be productive, they must have the right kind of education, the right kind of environment, and the right kinds of incentives to perform at their peak. A lot of management experts are therefore researching the concepts of work design and knowledge management.

High productivity performance in a knowledge society can only be achieved by focusing on desired outcomes in all spheres of action and by combining entrepreneurial, human, and physical capital to achieve such an outcome. This is a really dramatic shift in what we understand by productivity.

The reason that productivity is such an important concept is that it embodies many other shifts that are just as dramatic, including in the way we govern ourselves and the way we develop ourselves as a country.

Nowhere is radical innovation more critical than in our structure of governance, and the budgetary process in which you play such a key part is a perfect example. As you tour the country, you have two kinds of groups appearing before you. You have one sort of organization that says you must be fiscally prudent, that you must pay your debts, you must not raise taxes, and you must pay for your investments. The second group that appears before you says that we need to invest in Canada's human capital, that we need more money for health care, we need more money for social programs, we need more money for education, and so on and so forth.

The paradox here is that both of these groups are absolutely right. Why? In a globalized world, Canada needs to remain competitive; it needs to have a system of low taxation and a low debt in order to be able to finance programs in the future, especially given the aging population structure of Canada. On the other hand, the tasks that we want to accomplish cannot be done without high investment in our human capital and community, so we must provide high-quality education for the knowledge society to develop and for Canada to remain at the leading edge of the future.

So how do we reconcile the two? I think this is one of the key issues that you have to face. The problem is that within a system in which the government is deemed the provider and the citizen is seen as the customer, the issue is not reconcilable. Radical innovation involves your rethinking of how you interact with the private sector, the non-profit sector, and with all other levels of government in Canada to re-conceptualize the manner in which the budgeting process works, in which financing is provided, and in which both business and social goals are achieved.

The Canadian government must focus not on more social spending but on how to create more lasting social value. It must not focus simply on whether it should lower taxes but on creating a new sustainable tax system for the rapidly globalizing knowledge economy. It must develop radically innovative ways to combine entrepreneurial, human, and physical capital to create lasting social capital. It must develop an entrepreneurial creative wing to develop radically innovative and new approaches to governance, generating new ideas, organizational models, and services. In short, it must place experimentation and risk-taking at the heart of its own activities, rather than avoiding or even suppressing them.

● (1135)

The budgetary process is absolutely critical in this respect because it provides the heart of the system of governance; it provides the finances for its various needs. By adopting a better budgetary process, the government can improve its own efficiency and productivity, and this I think is where the role of the standing committee here today is of critical import.

You are very close to the budgetary process and yet you are not part of the government as such. You have a wide selection of members from various parties representing various points of view. You have the resources to become the creative think-tank at the heart of government, to look at the long-term implications of the Canadian society that is developing into a knowledge society, and to go around the country and discuss with various groups, who are going to present to you various perspectives, and see how our way of governing ourselves can be improved and can be rethought in order to meet both the requirements of prudent financial governance and the requirement of investment in our future.

I think you will play a decisive role in determining whether in two decades from now we have managed to successfully bridge the gap between what we are and what we want to be, or whether we shall slowly slide along a long downward path that leads to all we want to avoid.

To conclude, I would like to mention some practical suggestions that, in the short term, will allow you to continue to behave in a fiscally prudent manner and at the same time, in the long term, open some spaces in order to ensure that Canada will progress towards a knowledge society in which a renewed government will be able to work together with other private and public bodies to achieve its objectives.

The first recommendation is that you will need to adopt a new, medium-term, focused public spending framework that would lay down firm limits to departments' spending, all the while guaranteeing their level of funding for three years, rather than one, and allowing them to carry over 100% of unspent resources to the next year. This will give each department a longer planning perspective; it will avoid the spending at the end of each financial year, and it will not result in each department not knowing whether its funding will be renewed each and every year.

Second, in terms of the budget surplus, which has been the focus of a new law passed by Parliament, you should continue to use half the budget surplus to repay the public debt and the other half to reverse the declining public infrastructure by investing in and renewing capital infrastructure, as opposed to current social funding

spending. You could set up a capital modernization fund, where funds would be allocated on a competitive basis to innovative new projects.

Third, it is very important that you set up a cross-departmental innovation fund for projects that are difficult to manage by any one department.

Fourth, it is critical to create innovation zones, where public bodies can find new ways of working together with private and non-profit sectors as well as with other levels of government in order to solve particularly difficult problems.

Fifth, you must create a benchmarking unit tasked with finding and disseminating best practices, locally and internationally. The problems we face today are not uniquely Canadian. They are faced in England, in Germany, in France, in Japan, and in the United States. In each of these countries people are trying to resolve the same problems. We should learn from them and also teach them how we are coping with these issues.

Sixth, we must promote innovation for new funding mechanisms disseminating good innovations and rewarding innovators.

Finally, we must encourage practical ways that social and civic entrepreneurs could generate social capital and increase productivity.

Our basic approach to all our proposals is that we must start from the social reality that exists now and actively plan for tomorrow's mobile knowledge society. It is only by looking in the long term and having a vision for the future for all Canadians and a vision for a more productive and a more innovative government that we can truly achieve the goals we have for all our fellow Canadians.

Thank you very much.

**The Chair:** Thank you.

Okay, for the members, try five minutes. We're going to go over the time, so try to respect the five minutes.

For the witnesses, the members have five minutes for questions and answers, so if you keep your answers concise, we'd appreciate it.

Mr. Penson.

● (1140)

**Mr. Charlie Penson (Peace River, CPC):** Thank you, Mr. Chairman, and I'd like to thank this panel.

Mr. Olteanu, I just want to remind you that the budget allocation bill has not been passed yet. I also want to remind you that surpluses, even though they've been designated one-third, one-third, one-third under that proposed legislation, can be managed, as you probably know. I think that was the point you were making. We see surpluses that disappear as we get close to year-end, March 31, as they did last year, in some crazy spending. I think the point you made about the departments being able to carry over their budget and not get into that wild type of spending is a good point. You've made a good contribution here today.

To the Vancouver Transportation Authority, I heard your presentation. I know Mr. McCallum had to go to campaign, and all of us around this table on the political side understand that very well. That's the most important part for us.

I know you're talking about a need for about \$11 billion in capital expenditure on the transportation grid in this area. First of all, I'd like to know over what period of time that is and what is going to lead the growth such that you need this. Is it just general growth in the area? Is it the container ports with the increased container traffic that's coming in? Is it the resource sector that's providing a need for more transportation for China? Maybe you could pinpoint that a little bit for us.

**Ms. Patricia Jacobsen (Chief Executive Officer, Greater Vancouver Transportation Authority):** Thank you very much, Mr. Penson.

The first is in terms of timeframe; it's over about a seven- to eight-year timeframe. These are very major infrastructure projects that have a long planning and delivery mechanism. The actual projects that were named have been developed jointly with the province, us, and the Gateway Council, which is the ports, the airport, and the rail and road networks.

In terms of what's driving it, it's almost 100% driven by the growth of the port. The current growth was with the third berth being built, and the anticipated growth in container traffic is estimated as tripling over the next five years. We think we have a tremendous opportunity nationally to meet that need, but it's the road infrastructure that distributes the materials coming in from the port.

**Mr. Charlie Penson:** I'm sure you're well aware that Prince Rupert is also developing a container port, hoping to do more business out of there. Are you taking that into account in all of this, if they will be draining off any traffic into Vancouver?

**Ms. Patricia Jacobsen:** Mr. Penson, it's not included in our numbers, but we've had significant discussions with the Port of Prince Rupert. We think there is such a volume that it isn't a question of competition between western ports; it's really a question of distribution. In British Columbia we see both of them as required.

If it is of interest to the committee, we could also forward the port's anticipation. Theirs is more rail-dependent, with rail infrastructure. More of their costs are dependent on creating the port capacity itself, whereas ours is more road distribution for the resulting cargo.

**Mr. Charlie Penson:** Ms. Jacobsen, it's one thing to make the capital investments, but it's another thing to be able to deliver in a timely manner when product needs to be shipped. We know that from time to time we see disruption in that, which hurts our international reputation and tends to send things down the seaboard a little to places like Seattle. Are you working with the other partners to try to make sure we don't spend a lot of money and then are not able to use these facilities?

**Ms. Patricia Jacobsen:** There has been a lot of discussion, particularly led by the disruption this summer and as to how vital that was to the country. There is in fact a task force that has been set up by the provincial government with the port to look at other structures. It's basically a trucking structural problem, and that is a separate project that is being led by the port and the province, to look

at security of port distribution. We can't as a country allow that length of time.

**Mr. Charlie Penson:** I'm talking about labour as well. I recall being here quite a few years ago when one of the big grain terminals was shut down by three official weighers and samplers who worked for the federal government. They were on strike and they had hundreds of people out of work. I'm hoping that you're looking at that aspect of it as well, to see if we can make things work smoothly so that even though these big capital investments are made...you know, they can still be shut down.

• (1145)

**Ms. Patricia Jacobsen:** I think we're aware of the challenges in the labour environment, and there are extensive discussions about the implications of that.

**The Chair:** Thank you.

Thank you, Mr. Penson.

Monsieur Bouchard.

[*Translation*]

**Mr. Robert Bouchard (Chicoutimi—Le Fjord, BQ):** Thank you, Mr. Chair. I'd also like to thank all of you for your presentations. My first question is directed to the B.C. Government and Service Employees' Union.

You briefly mentioned employment insurance. In Canada, several people have talked about establishing an independent employment insurance fund managed by representatives both of workers and their employers, in short, by the contributors themselves. We are fully aware that the employment insurance fund is running a substantial surplus; \$46 billion is the figure often referred to.

Furthermore, the employment insurance system has undergone major changes since 1992. A number of employees have been seriously affected, women in particular. In your presentation, you talked, among other things, about training geared for women. This reform of the employment insurance system has meant that workers, especially the young ones, have lost many benefits.

Does your organization support the idea of creating an independent fund managed by employee and employer representatives? Are you seeking improvements to the employment insurance system?

[*English*]

**Ms. Anita Zaenker:** Thank you for the question.

Certainly, our union is very concerned that workers have been paying into the employment insurance fund for years and have not seen the return on that investment, because it is an investment; it's an investment in our workplace future. It's also an investment in an individual's working future.

As to your specific question, I am not aware of our union's position on that; as I say, I'm here as a stand-in for George Heyman. But what I will say is that we need to find ways so that employment insurance is available to those in need. There are many changes to the economy that affect workers—particularly women, as you mentioned—that require them to access this service they pay into, and it should be made available to them. We need to find improvement, ways in which people can get what they've been paying into for years.

We also need to look at the issue of wages. We need to look at the fact that for some people employment insurance and social assistance are moderately comparable to working because wages are so low in certain sectors. We need to find ways to strengthen the wages in those sectors so people can find dignity through work and maintain regular employment. That's why we're also advocating ways in which we can address questions of poverty and low-income families in Canada; there's the issue of wages, and that's a federal and a provincial government jurisdiction.

[Translation]

**The Chair:** You have a minute and a half left.

**Mr. Robert Bouchard:** My second question is directed to Coalition for the Re-formation of the Euro-American Democratic Order.

You claimed that we are more interested in the knowledge economy than the manufacturing sector. Clearly, the effects of globalization are being felt. Canada must be competitive. I'm faced with this situation on a daily basis. You haven't provided us with many details on this matter.

Have you carried out any research in this regard? Would you like to add anything? Aren't we in some ways heading towards a two-speed society? Some people have jumped on the competition and knowledge bandwagon, while others, who lag behind in this respect, have remained in the traditional sectors which are less advanced. I'd like to hear your opinion on this.

• (1150)

**Mr. C. Alexander Olteanu:** We agree entirely that there is a growing divide, not only in Canada but also throughout all developed countries, between those people who are part of the knowledge society, who as a result will be more creative and get involved in large-scale projects, and others who have neither the education nor the means to catch on. This divide is not only being felt within countries but also between countries, especially between countries of what we call the developed world and those of the underdeveloped world.

We are primarily talking about Canada here. I think that Canada's mission and vision must focus on preventing this divide from growing within its own borders. Canada's ability to develop resources to help people living and immigrating to Canada to get a first-class education is indeed there, but not able to be capitalized upon in its current form. Clearly we can't ask any government, whether provincial or federal—and I'm fully aware that education is a provincial area of jurisdiction—to pick up the tab for the entire education system. We need to develop new ways of going about things.

This means working very closely with employers, and communities that, in the end, benefit from quality employers as far as funding the system in the long term is concerned. We also need to develop projects in which governments, at all levels, are partners in a position to play a key funding role, and where students and employees also contribute to the funding of research and education. Indeed, I'm thinking about a vision which reshapes the way our governments, students and the private sector each play their role. This is really the only way to prevent this divide from taking hold in Canada.

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

Ms. Crowder.

[English]

**Ms. Jean Crowder (Nanaimo—Cowichan, NDP):** Thank you, Mr. Chair, and I'd like to thank the panellists for their presentations today.

Ms. Young, I appreciate you bringing the issues around seniors to the table, since over the next several years we will see seniors facing increasing problems around housing, health care, recreation—all of the things that face seniors.

Mr. Kinar, I'm sure many Canadians are not aware that the helmets they and their children wear are not all CSA approved. I think that's a very important piece of information; the impact it will have on the health care and education systems is really important.

I have a question specifically for BCGEU. Mr. Olteanu actually referred to it, the fact that what seems to be really important is for us to look for innovative ways to work across government departments and also across government jurisdictions. One of the themes that has come up fairly consistently over the last few days is the issue around accountability. He specifically mentioned accountability around both child care and health care.

As you're probably aware, the mechanism that was put in place to provide the financing in the health care field in Bill C-39 did not actually contain any accountability measures. There are some loosely defined ones in other mechanisms, but really there is not much accountability.

One of the things we talk about is a dollar spent on a particular program, but what I don't hear us consistently talking about is how that dollar spent is a dollar saved in other areas or other jurisdictions. Because we operate in silos, we don't have that comprehensive look at how we're spending money. Would you care to comment specifically on that?

You mentioned home care, for example. My understanding for home care is that if we keep people in their homes, we actually save a substantial amount of money in the acute care system. Yet we don't seem to factor that in when we talk about home care. Could you comment on that?

**Ms. Anita Zaenker:** Certainly. And I'll also raise the issue of child care, because I do believe that's an area where a dollar spent yields at least \$2 worth of social benefits. This is something that has been studied by economists in Canada, and there's an abundance of international research to show that the investment in child care is one that yields social and economic returns for a country.

With home care, we're advocating for a national system to look at this issue, to examine those questions, to find ways in which trained practitioners who deliver those same medical services that you would expect to find in a facility can provide those to people in their homes, where the cost of overhead is not as high, where patients feel more comfortable and perhaps respond even better to that type of treatment because they're in environments that are familiar to them and don't disrupt their lives.

We are urging the federal government to really look at the issue of home care and to develop a national system to address that.

• (1155)

**Ms. Jean Crowder:** Has BCGEU put some numbers to what a home care program would both cost the federal government and save the federal government?

**Ms. Anita Zaenker:** I don't have those available right now, but I'd be happy to provide those to you and the committee at a later time.

**Ms. Jean Crowder:** I think it's really important when people are speaking about programs like that, where there is a social investment that we're asking government to make, that we also talk about the social savings that result from spending in that particular area. I think we often end up with a very narrow conversation around some of the program spending without actually talking about—to use an economic term—the return on investment. We don't talk about the social return on investment in a comprehensive way.

**Ms. Anita Zaenker:** Perhaps I might give an example from child care. Dr. Clyde Hertzman, a research associate with the University of British Columbia who has done extensive research on the situation of children in the city of Vancouver, has found that one in five children do not have access to pre-literacy materials in their homes—meaning books or things that are like books, such as story times. This is a great deficiency that will have serious consequences for our public education system, as well as later on when we are trying to train young Canadians to be more competent in the knowledge economy. I do support the comments of my fellow panellists. With this statistic, and also with the knowledge that our provincial government would like to make this province the most literate province in Canada by 2010, we need to address that through a nationally structured system.

Child care is such a service that can address the issues of literacy, pre-literacy, getting children accustomed to the things they will need to be more functional in school. So that's an area where, again, they cross jurisdictions, both provincial and federal, and they also cross sectoral jurisdictions in education, health, and social service fields. We need to be finding ways to strengthen our skills at a young age so that we'll be more competent 10 or 15 years down the road.

**Ms. Jean Crowder:** I might add that the justice system is one that doesn't get rolled into that. We know that many people end up in the justice system who often haven't had some of these programs much earlier in their lives.

**The Chair:** I think I'll have to interrupt you, though it is a great conversation you are having, Ms. Crowder.

Mr. Bell.

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

Again, it's a very diverse panel, and I thank you for your presentations. I'll just run through them quickly with my responses or questions.

First of all, with GVTA, two of the issues that I identified—or Chairman McCallum did—concerned the employer-provided transit passes. I notice you've got an extra handout or piece on this as well, which is something we've heard about, the encouragement of ways through income tax benefits, either non-taxable benefits or a credit, and the issue is whether it should be only for employees, employer-provided, or for the population at large. Certainly, the goal is to try to get the ridership up, and I know the experience in those communities throughout North America where there has been some kind of incentive has been to see the percentages climb dramatically. So I support that.

The issue of road infrastructure is something that very definitely needs to be addressed for this Lower Mainland area. It's not just for commuters. It is for the port, and as we look towards the Pacific gateway, there will be more statements on that forthcoming. It's very important that we address the movement of goods, which takes place primarily through trucks in the Lower Mainland.

Finally, your issue that is very important...I don't think too many people realize the problems that TransLink had in trying to get the urban rail lines going with the federal railways. Some of the secrecy agreements and provisions there are almost bizarre. So I certainly support the idea of public disclosure of those agreements so there can be a good, thorough discussion.

To Mr. Kinar, I support, as I have before, Richard, your goals there. You indicated that it's fallen somewhere...I forget. You didn't say "fell between the cracks"; I think you said it has been a square peg in a round hole and we're still pursuing it. There are those, as you know, in the B.C. caucus who do very strongly support this, and we're trying to get the ministry to find some way in which that \$500,000 can be found so that we can get some standards for helmets. It's very worthwhile, and you're to be commended for your persistence on the issue.

To the BCGEU, the message I got from you was that you wanted to ensure there was accountability for the federal programs, that we can continue where we are assisting, whether it's education, social programs, or health programs, that we ensure that certain national goals or criteria and minimum standards are being met and that we don't have provincial clawbacks on that.

Mr. Bromley, I'm going to have to reread your brief. I listened to it carefully. It's a complicated issue. I thought I understood it and then I thought I didn't, but I'll take a look at it and I may give you a call.

• (1200)

**Mr. Blake Bromley:** I think it needs to be read in light of the amendments to the eligible amount on charitable gifts that were brought into the Income Tax Act in 2002.

**Mr. Don Bell:** I appreciate that. Having worked with charities in a former life and role, I know it's a critical issue that does need to be answered.

Mr. Olteanu, I appreciate your thoughtful point. You're suggesting basically new approaches. It was a variation on Einstein's statement, which is, as you know, if you deal with the same old problems in the same old way and expect to get different results, that's the definition of insanity.

I also saw throughout your comment that you basically repeated over and over the word "innovation", which is what we're trying to look for. Productivity and innovation—the two go hand in hand.

Ms. Young, thank you for your thoughtful commentary on the need for maintaining social issues. I appreciated that.

**The Chair:** On that note, Mr. Bell, thank you for a fine job.

Again, I want to thank the panel. I know it's difficult because of the diversity of the subject matter, but thanks again for taking time out of your day and presenting your briefs to us.

That's it for Vancouver. Thank you to everybody, translators, members, research staff, people in the back—I'm not sure what your titles are, console people? Thank you.

So on to Calgary.

The meeting is adjourned.

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**Published under the authority of the Speaker of the House of Commons**

**Publié en conformité de l'autorité du Président de la Chambre des communes**

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