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Mr. Massimo Pacetti

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• (1310)

[English]

The Chair (Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.)): Good afternoon, everybody. Thank you for taking time out of your day and coming to see us.

We want to thank you for your invitation here in Saskatoon. Lynne has already welcomed us—thank you, Lynne. This is our last panel in Saskatoon. As they say, we've saved the best for last, so I hope you guys don't disappoint us.

We're here pursuant to Standing Order 83.1, on pre-budget consultations for 2005. I'll allow you a seven- to eight-minute opening statement for your brief. Please keep to that time. I really don't want to interrupt you if I don't have to.

Let's get started. The first group on my list is the Agricultural Producers Association of Saskatchewan, Mr. Hildebrandt.

Mr. Terry Hildebrandt (President, Agricultural Producers Association of Saskatchewan): Thank you very much, and good afternoon. It's a pleasure for us to be able to present to you.

Cecilia and I are representing the province's only general farm organization, with a membership of over 20,000 producers in the province.

We have a brief. We apologize that we didn't get it into French, but we are assured that the clerk will look after that for us, and we thank you for that.

In our document, we start by making a comparison of government or public spending between economics and social programs. We're certainly not here to pit one against the other, but what we see, certainly in agriculture, has been a lack of investment, a lack of strategic investment in some of the sectors that drive the economy. We've seen more of a focus on the social programs of health care and education, and again, we certainly know the importance of them, but our point here is that if we don't have a balance in the investment, we will not grow the economy and we will not be able to maintain or sustain some of those social levels, some of those programs that are needed, as a country.

I think that really sets home in Saskatchewan, where we have a very small population demanding the kinds of social programs that we are demanding. So in representing primary agriculture producers, ours is a plea to the pre-budget standing committee that there needs to be more focus on spending on the economic drivers, on the sectors where there is room to grow economics, where there is room to grow jobs, because as we pull away from this spending, we also pull back

from our competitiveness against some of our competing countries, which spend more in this light.

As a lack of competitiveness translates into a lack of profitability, it reduces investment in the Canadian economy that provides the growth the economy desperately needs if it's going to fund social benefits that are already in place in this country. So to this end, we must be very careful not to burden a small economy with large costs, but instead balance growth and investment with our social costs so that we can enjoy a high standard of living without spending ourselves out of existence.

In our brief we suggest that profitability will attract and retain both financial investment and human resources. Primary agriculture is probably the clearest example of a sector that needs this kind of focus. Government policy and government spending in the past have ignored profitability in agriculture for too long, and we are losing value that could occur to the economy if we would have focused on profit. That is to say, ladies and gentlemen, for too long a lot of our government spending in primary agriculture has been in a reactive mode. Try an ad hoc mode, if you will, in reacting to a situation where some of our competitors are spending strategically as an investment to grow economy. What we're seeing in the west and all over Canada is that our value-added is being drawn out of the country, right to the point of our people being part of that value-added draw.

I'll give you a quick example to illustrate this. In the United States of America, they spend a lot of government funds to keep grain and oilseeds cheap. By keeping grain and oilseeds cheap, they keep their raw material cheap, to which they can value-add. They can feed pigs; they can feed livestock; they can build ethanol; they can build biodiesel. So this is strategic spending. By doing that on the global market that we export in, it also pulls our price down, as you may realize.

Don't quote these numbers, but if they get a dollar out of the market and a dollar out of the government, we just get the dollar out of the market. We cannot sustain growing barley for value-added, or wheat for ethanol, because they have a constant supply of cheap value-adding raw materials.

Our point in the pre-budget consultations, as we roll to the next page, is to call for a focus on agricultural policy reform and on the way we spend money in these sectors. We must have a dramatic policy reform that is focused on and understands the necessity of profitability. Agricultural policy in Canada must focus on agricultural producers as an integral part of that value chain; they have the same need for profit as the rest of the sector does.

For your information—and this comes out of some of the work Mr. Easter has just done—we generate some \$80 billion of agribusiness in this country, yet the primary sector responsible for kick-starting this is losing money at about the same negative percentage as the growth in the overall value-added. This needs the same focus, so that the primary producer can also be profitable, or some of these value-added sectors will not be sustainable.

In Saskatchewan, if you get malt barley, it's about \$2.50 a bushel. If you miss malt barley, you get 97¢. We can't afford to take the chance of growing 97¢ barley—and that puts our malt and our brewing industries in jeopardy. It's not sustainable. So we must ensure that strategic money is spent to allow primary producers to be profitable as well.

In light of the time, I want to go into some examples that back up this philosophy we're speaking about.

Number one, as primary producers, we offer more than food and fibre. We can grow products that will make energy. It can be cleaner-burning energy than we have today. We can take some ownership in this. We can make it sustainable because we have ownership in the next steps. When we talk about the Kyoto accord and the need for a long-term look at the environment, landowners can play a major part in this. Saskatchewan has 47% of the arable land in Canada, and through our offsets and recovery of carbon, we can play a major role towards the goals the country has set.

In alternative land uses, as I said, we offer more than food and fibre. If we are creating riparian zones that filter for the rest of Canada the water running down the rivers, that is value for Canada that has to be appreciated.

There are new technologies. I guess one example is ethanol, but we have no research. One of the best things that would help us be competitive in ethanol is if we could develop a cereal that yielded 100 bushels an acre, a nitrogen-fixing cereal and a perennial that we wouldn't have to add fertilizer to; it would just grow starch, not protein. We have these technologies, but we've pulled public research away from them and turned it into private research.

Those are the kinds of strategic things we need.

Another little one—and it's a market-driven thing, not driven by government dollars—is the hunt. There are wetland conservationists in the United States spending millions of dollars to buy land and keep it in wetland form, so they can come up and appreciate the hunt. I would suggest that as landowners we could do that too, and we would do it, but we should receive that revenue; it's billions of dollars a year and it's new market revenue, but we need strategies and policies that will make us competitive and that will get behind us. We need a society and a bureaucracy that believes in us and sees the need.

Ladies and gentlemen, we have no food security as a country. We take it for granted. We're saying we can offer food and that sustainability is from ownership, pride, and stewardship. We can offer the wetlands that go with it, hand in hand, and work the two together. We can help with the environment; we are prepared to do that. It's not going to break the bank, but it just needs a different focus and a different policy. We really and truly call for reform in ag policy and moneys around that that are strategically invested.

We just had some federal money run towards ethanol, but it didn't address any producer or community-owned venture. It all went to multinationalists, which, I would suggest, have their own money.

Quickly, in closing, sir, in the interim I have to focus, as we're going into the budget...we do need transition—

• (1315)

The Chair: I have to cut you off, because I have more than one group. You're way over your time, sorry.

From KAIROS Anti-Poverty Network, we have Mr. Haynes.

Mr. Tony Haynes (Secretary-Treasurer, KAIROS Anti-Poverty Network): Good afternoon. Today I speak on behalf of the Saskatchewan KAIROS Anti-Poverty Board. KAIROS is a social justice ecumenical group across Canada.

I also volunteer as director of the office of justice and peace in the Roman Catholic Diocese of Saskatoon, and I'm a member of other organizations concerned with helping the poor and powerless in the world.

My concern, and that of all thinking Christians, is the plight of our neighbour, whom we are called to love. We can do this by a willingness to share in the material wealth with which we are endowed. Yet I would suggest that people of all faiths—and this country, through immigration, has a mosaic of beliefs from around the world—have this willingness. The tsunami and Pakistan are examples.

People in Canada can look around and see that we have been blessed with many gifts, but are we using them well, not just for ourselves but for the world population? The present state of world unrest, commonly referred to as terrorism, has ramifications for many. At the turn of the century, with the financial collapse in Asia, people were saying that if we don't look after the Indonesians, they will look after themselves. This ominous statement can be changed quite easily to say that if we do not look after the poor, the poor will look after themselves. The Katrina event, as seen on television programs showing the looting of essentials, has caused many in the richest country of the world to ponder.

A less obvious example in the breakdown in law and order is the rapacious disregard by many businesses and corporate citizens in their wanton destruction of the ecology of our planet. Brazilian rain forests, pollution by mining companies, and the wilful ignorance of fuel industries are examples.

How should these instances affect your deliberations leading to responsible advice being given to the finance minister? I'd like to place this in a biblical context. Consider the words of Paul's letter to Timothy, "The love of money is the root of all evil", not that money is the root of all evil. One more example for our reading is in Psalm 49:

Then do not fear when a man grows rich, when the glory of his house increases.

He takes nothing with him when he dies, his glory does not follow him below.

Five members of the Wal-Mart family are together worth over \$75 billion, yet their company gave a paltry \$1 million to the tsunami relief fund. Bill Gates, who we recognize as one of the richest people in the world, says he is only leaving \$2 million to each of his children, to each of his sons; however, the method of his acquiring wealth has brought his company into the courts.

Incidentally, because a money or stock exchange is open somewhere in the world every minute of the day, there are trillions of dollars of transactions, yet only 5% is invested in a company that would increase employment. The rest is speculation, another name for gambling.

The finance minister should enact the already approved legislation to implement the Tobin tax, always for the benefit of the powerless.

Let's consider the true state of corporate enterprises, especially trans-world. Plants are opened and shut in various parts of the world, employees lose jobs, and others are hired at lower rates. Profits are transferred to avoid tax being paid. Labour and environmental laws are ignored. The quality of love and care for neighbour to be found in health and education are completely missing.

The finance minister can take action to penalize such pure profit-taking methods. This applies not just to tax havens but also to income trusts. Furthermore, the purpose of increasing profits is usually caused by CEOs, boards of directors, and mutual fund managers seeking a larger return for their shareholders by reducing the number of workers.

Why do the powerful and comfortable act in this way? It is often the predestination beliefs of the Reformation, copied by the secularist view of economic determinism. Essentially, it says that God indicates you are going to Heaven because you are blessed with earthly success, usually money. The poor not so, so there is therefore no reason to help them. But Canada, a country of much natural and developed wealth, owes it to the third world to increase its percentage allocation of the gross national product much closer to the 0.7% stated by the United Nations over forty years ago—and I will refer to methods of improving the state of our nation's powerless later.

•(1320)

The second source of the response comes from the Bible, on the way people use their talents. Christians and other believers have the notion and the well-accepted idea that talents are gifts of God to be

used or misused. Talents do produce riches, but riches should lead to taxes. Taxes are part of the saying that we "Render unto Caesar the things which are Caesar's, and unto God the things that are God's". Taxes are not our money. We should all be grateful when we become taxpayers, for we are able to show our love for our neighbour. True, the system is not perfect. Some avoid, some evade paying taxes. Some taxes are wasted. Checks and balances are required.

But let us see the value of the tax system other than in economic terms. I quote from a recently published book, *The Impact of Inequality: How to Make Sick Societies Healthier*:

However rich a country is, it will be even more dysfunctional, violent, sick and sad if the gap between the social classes grows too wide.

Bad nutrition does more harm than depression.

The people of Bangladesh live longer than those in Harlem.

Low pay tells people that their labour and they themselves are worth little.

In closing, we, and you in your accepted task on this budget advisory committee, need to stand up for the powerless in the world in a sense of brotherly or sisterly love and charity. A government is society's way of showing that all members of that society care for each other. A government has the responsibility to see that the most vulnerable in society have the opportunity to savour much of the good that the elite accept as normal. A government is most useful when it uses small, targeted, and well-regulated methods, not to help the rich become richer but the powerless to have some satisfaction in their lives.

I recognize the immense task placed upon you, our elected representatives, to sift through the issues and ignore the myriad of mistruths, but I thank you for listening to me, and for these reasons alone I thank you for your dedication in participating in public life and your presence here today.

Thank you.

•(1325)

The Chair: Thank you.

From REAL Women of Canada, Ms. Forsyth.

Ms. Cecilia Forsyth (Western Vice-President, REAL Women of Canada): Thank you. REAL Women of Canada is a national organization of women from all walks of life. We are united by our concern for the family, the basic unit of society.

We believe government policies should remain neutral on the issue of career choice for women, including the option of remaining at home as full-time homemakers. Public policy should treat women at home and women in the workplace equally. In order to achieve a balance, an equitable tax system, the following recommendations should be implemented.

One, end tax discrimination against the single-income family. In 2003, an average single-income family earning \$80,000 paid \$2,743 more in federal income tax than a double-income family with the same household income.

Revenue Canada allows double-income families tax breaks and deductions that are not available to single-income families. This inequity between single- and dual-income families can be eliminated by allowing the single-income family to split the family income to file separate income tax returns or by allowing joint tax filing.

The government already recognizes the family unit when paying out benefits such as GST credit, the Canada Pension Plan, and old age security. It is not a new concept. Recognizing the family unit rather than the individual for tax purposes is the fairest way to achieve equality for families.

Two, convert CCED into a refundable child tax credit for all children. The child care expense deduction program is only available to parents with children in commercial substitute day care. It is based on the false assumption that parent-based child care has no expenses. All forms of child care have associated expenses. Child care costs exist because children exist, not because parents work outside the home. A refundable child tax credit available to all families would recognize and equally compensate the contributions of all parents, whatever child care method they choose.

Public policy should equally assist and not discriminate against parents if they choose to care for their own children in their home environment. All children are of equal value, and their care should be so treated in law.

Three, make the spousal deduction equal to an increased personal exemption. The spousal exemption discriminates against the full-time homemaker, as it is less than the basic personal exemption, which is one of the lowest in the industrialized nations. In the interest of tax fairness, the spousal deduction should be equal to the basic personal exemption, and both should be substantially increased to reflect today's cost of living.

Four, provide tax relief for all families. Taxes are the largest expenditure in the family budget. Excessive government surpluses in recent years clearly indicate overtaxation. Government must stop exploiting families by taxing them so heavily that they have little discretionary income, thereby forcing both parents into the paid workforce.

A comprehensive tax relief plan would benefit all Canadians. It would assist families to meet their financial needs, reduce poverty, and stimulate the economy. Leaving earned income in the hands of the taxpayer is genuine government investment in the economy of the nation.

Five, government funding of day care must go directly to parents, not to commercial day care facilities. The Liberal government's national child care plan for universal, publicly funded child care, now called early childhood education and development, does not meet the needs of Canadian families. It denies parents a choice of child care alternatives by restricting government subsidies to regulated day care facilities, to the detriment of every other type of child care arrangement.

Furthermore, this one-size-fits-all scheme will likely increase taxation, which will result in more and more women having to enter the paid workforce for the family to survive financially.

It is essential that child care legislation support a flexible system so that child care can benefit the needs of Canadian families.

• (1330)

Parents should decide whether the child should be cared for at home by a parent or other family member, in private day care, in community, religious, or ethnic-based care, or in a government-operated day care facility. A decision about child care is a decision for the parents; it is not a decision for government.

A government-operated child care facility is one of many child care choices available to parents. It is the least preferred by Canadian parents, as reported by the Vanier Institute. It should not be the only option of a national day care plan. Other options must be made available to parents by paying the child care funds directly to parents to allow them to choose the type of care most suitable for their children. Equal child tax credits should be paid to parents regardless of which type of care they choose, whether home care or substitute care.

Six, end funding of special interest groups. Each year, the federal government gives grants and contributions estimated at \$11 billion annually to numerous special interest groups, including businesses, labour unions, sport, and lobby groups such as day care advocacy groups and radical feminist organizations. For example, the federal Status of Women agency gave away \$10,840,000 in grants to feminist groups in 2004-05. Government funding of feminist groups is unacceptable and must stop. Women are not all the same. We are individuals, extremely different in our needs and interests. No single group or ideology can represent the views of Canadian women.

The federal government should end all special interest funding in order to provide a level playing field for all groups, to avoid government-initiated discrimination, and to decrease unnecessary government spending.

In conclusion, the future of our country depends on the strength of our families. The family, which is the foundation of a nation, should be central to the formation of all public policy. Government decisions, especially tax and social policy, must be fair and equally beneficial to all Canadians.

The Chair: Thank you, Ms. Forsyth.

From the Street Culture Kidz, Mr. Sutherland.

Mr. Kim Sutherland (Front Line Worker and Executive Director, Street Culture Kidz): Welcome to Saskatchewan, and thanks for allowing me a few minutes to offer an overview of the encouraging results that we've realized working through art with participants from a marked population, or at-risk youth.

My name is Kim Sutherland. I'm the founder and director and a front-line worker with the Street Culture Kidz project, a non-profit corporation and a registered charity in Regina. We provide school- and library-based programming for hundreds and hundreds of children annually, and we work intensely and intimately with 50 or more extremely high-risk youth each year.

I'm here today with a former participant who is now the assistant director of our agency, Mr. David Cowan.

Our hope is that by offering you a brief overview of the encouraging results of our front-line work, specifically using programs and projects with an arts component, we might help direct resources to where they'll have some of the strongest impact to youth over the coming years.

The Street Culture project began nine years ago as a temporary summer arts program in one inner-city area in Regina. We still provide programming in the same neighbourhood, but the project is so much more. In addition to delivering children's programs, we provide resources of personal support and skills development opportunities for high-risk youth and young adults. Relationship building is the base of programming, and art is at the heart of our programming.

Over the last nine years, our agency has grown from one person, which was me, with a dozen youth, to a very capable staff of over a dozen, engaging hundreds and hundreds of children, youth, and young adults.

The name Street Culture has become synonymous with art, employment, fun, support, mentoring, and so on, and though we continue to expand to offer our experience at regional levels, we maintain a very front-line focus.

We use art as a tool. We use it to support activity to assist the development of long-term relationships between our participants and the team members of Street Culture and the team members of partnering organizations.

We use art to connect, engage, excite, inform, educate, but above all else, we use it to build relationships by building trust. Then we work to increase the personal assets of the young people we serve and decrease their risk factors, working over a longer term of involvement, and we have very positive results.

A number of programs like ours are beginning to be seen across Canada, with similar mandates and results, but this is very much an emerging sector both in youth programming and in art programming, but with very little long-term sustainability for infrastructure and for core funding. Working with young people for long periods of time requires longer-term funding. At this time, there is simply little funding for programs such as ours, outside of project-to-project funding.

Over the past several years we've sought connection with other community-based organizations with similar mandates, and we were excited to discover a national organization that's taking the lead role in connecting organizations like ours across this country. It's called the Arts Network for Children and Youth, or ANCY. With support from Canadian Heritage, ANCY is providing us with connectivity to other groups, resources for pilot research, and it assists us with the

development of programs specific to engaging hard-to-reach young people.

It is my hope that you will meet with representatives from other agencies who specialize in this unique and engaging form of programming and that you will offer your support toward the goal of creating healthy children and youth, toward the creation of healthy communities. We are asking the federal government to take a leadership role to develop long-term funding strategies that will support organizations like Street Culture and other art-based groups across Canada that are delivering much needed programs. We encourage you to work with ministries such as Canadian Heritage, and national organizations such as ANCY, who in turn work with smaller organizations like ours. We also encourage the Government of Canada to continue its important support of the Tomorrow Starts Today program. Tomorrow Starts Today, although a national program, does have a trickle-down effect for our organization.

To close my presentation, I call on my friend and protégé, David Cowan, to offer a brief and personal synopsis of his experience with our process and of what is possible.

●(1335)

Mr. David Cowan (Assistant Director, Street Culture Project, Street Culture Kidz): As Kim mentioned, my name is David Cowan. Thank you.

I'm a professional face-painting artist. I also bake bread for the Street Culture Cafe, starting every morning at 6 a.m. I'm an entertainer and a puppeteer and I'm the assistant director of the Street Culture Project.

It has not always been like this. When I began with the Street Culture Kidz project, I was weeks away from becoming a father. I was jobless, friendless, and clueless. I spent my days on the couch abusing drugs and alcohol and playing video games. I knew nothing of my community and its events.

My idea of family time was planning a heist with my brothers or watching the drug bust across the street during dinnertime. Four of the five of us kids in my family have spent time in custody facilities across Saskatchewan. The difficulty for me was that I didn't know what kind of family to create for my coming child.

I've been with Street Culture now for over five years. I'm now the father of a beautiful five-year-old girl, whom I co-parent. Her name is Emily. I've just purchased my first home with the woman I plan to marry. I'm the assistant director of a well-reputed agency. I contribute to the community and work to make it a safer, healthier place for all to live. I'm an outstanding member of the community. I pay taxes. I'm almost one year sober—my birthday will be October 27. I inspire others.

I would like to take this opportunity to state that the only reason I am where I am today is because of the connections I have made at Street Culture, the connections to people like Kim who have allowed me to fall, pick myself up again, and fall again. It has taken me a long time to clearly identify my cycle and the steps throughout it and to be able to prevent myself from making the same poor choices over and over again.

I would also like to make it clear that using the arts as a medium to work with by myself and with others like me has been key in finding success. The arts are fun, attractive, inclusive, engaging, and flexible. I've enjoyed enhancing my skills in the arts. I have found it to be cooperative, not competitive.

I would also like to say that if I can do it, anyone can. Thank you.

• (1340)

The Chair: Thank you, David. Good luck in your future. You've done a good job up until now.

Mr. David Cowan: Thank you very much.

The Chair: Mr. Sutherland, you don't have to answer me right away, but I would like to see numbers, if you think there should be an increase in the program with Canadian Heritage.

We'll go to the next group, the Canadian Dehydrators' Association, and Mr. Pulkinen.

Mr. Dale Pulkinen (President, Canadian Dehydrators' Association): Mr. Chairman, we filed our submission some weeks ago, so in the interests of time I'm going to assume you know our industry.

Members of our association built up an export industry based primarily in Saskatchewan and Alberta. Today, five alfalfa pelleting plants and 14 plants in western Canada depend on offshore exports.

When we appeared before this committee last year, we explained that pelleting plants were battling against subsidized—

The Chair: I think I should interrupt you. I know some of us may have gotten your submission, but some of the members are new, so if you want to spend 30 seconds to explain what the industry does, it would be worth it—if you don't mind.

Mr. Dale Pulkinen: Okay, if you give me the extra 30 seconds, that's great.

The Chair: It puts it into better perspective. Some of the members are new around the table, so it's worth it.

Mr. Dale Pulkinen: Okay. The alfalfa processing industry is represented and largely owned by farmers throughout western Canada. We manufacture dehydrated and sundry alfalfa pellets and cubes. These are livestock feeds, and we export most of our product into the Pacific Asia market, Japan being our major market.

Does that give you enough of a background?

• (1345)

The Chair: Yes, thank you.

Mr. Dale Pulkinen: Okay, thank you.

When we appeared before this committee last year, we explained that pelleting plants were battling against subsidized European Union sales in our primary market of Japan. We asked you to support our appeal for one-time emergency assistance. We were pleased this committee responded favourably to our submission. In your report, you singled out our industry as one that was suffering as a consequence of significant agricultural support in the European Union.

All parties on this committee supported the recommendation. It's number 21 in your report, and I quote, "...the government should vigorously defend Canadian interests against unfair trade actions

initiated by our trading partners". You also recommended, and again I quote: "Where Canadian producers are harmed by unfair trade actions taken by trading partners, including high levels of subsidies... the government should consider support for affected sectors".

We thank this committee for those recommendations.

However, Mr. Chairman, we're here to tell you we're very disappointed in the government's response to both parts of your recommendation.

Let's take the vigorous defence of Canada's trade interests. We were encouraged in June when, in response to our representations, the government delivered a *démarche* to the EU. On August 24, the Minister of International Trade informed us that Canada had asked the European Commission to curtail the sales of subsidized alfalfa into third countries at market-depressing prices. But on August 6, the European Commission had already dismissed Canada's representations, stating that since there are no export subsidies for alfalfa in the EU, the commission had no intention of intervening.

Mr. Chairman, we do appreciate the government's support on the trade side, but we report this exchange simply to make the point that Canada's best efforts through trade channels are incapable of producing results in the short term.

Of course, the EU Commission is correct that there are no export subsidies. But there is a production subsidy, currently at about \$50 Canadian per tonne of processed alfalfa, and that's not counting the equivalent subsidy to the farmers who grow the alfalfa. That production subsidy has been and continues to be used to gain unfair advantage in the international marketplace.

During two years of drought in Canada, the Europeans were able to get a foothold for their subsidized alfalfa in Japan, and they continue to chip away at the market. They have made sales as recently as this summer. Their continued presence in the Japanese market remains a factor in Canadian price negotiations, and it will continue to do so until the EU subsidy is eliminated.

Everything we told you last year is still true, only worse. It's worse because of the government's rejection of our appeal for emergency assistance. In June, the Minister of Agriculture and Agri-Food told us his department does not provide emergency assistance to value-added industries by way of risk management systems.

Mr. Chairman, we consider this a significant statement because it signals a reversal of long-standing federal policy to support value-added industry on the Prairies. Processed alfalfa was included in the old WGT Act precisely as a means of supporting a value-added industry. It was also included in former safety net programs for exactly the same reason.

Last year, we reported 2003-04 exports of about 216,600 tonnes, valued at around \$41 million. Although preliminary export figures for 2004-05 are roughly the same as for 2003-04, the precarious state of the industry remains. The continued EU presence in the Japanese market continues to be a factor in our lack of profitability. Consequently, the number of plant closures in western Canada continues to climb.

Now I will turn it over to Jim Boxall for the balance of the presentation.

Mr. Jim Boxall (President, Tisdale Alfalfa Dehy Ltd, Canadian Dehydrators' Association): The committee has asked us to address the theme of enhancing productivity in Canada. You asked what measures might better encourage business to invest in the best possible machinery and equipment to improve productivity. You also asked us what specific measures, including program spending, should be used to enhance productivity, and what were the consequences of not doing so.

First, Mr. Chairman, our exporting plants have been investing in productivity improvements continuously, particularly since the removal of the Western Grain Transportation Act. We use transitional funding for new equipment and infrastructure to improve processing and shipping efficiency. Let me point out that if we had used that money to buy shares of CP Rail instead, we would have tripled our investment. The virtual monopoly of the railroad, because there are no joint running rights, allows them to make substantial profits on the backs of low commodity prices.

We have been forced to modernize and adjust to rising energy and transportation costs. At the same time, plants have faced natural disasters and subsidized competition. We have done our part. We continue to deal with energy and transportation costs, but we think the government has a responsibility to help with disasters and foreign subsidies—matters fully beyond our control. Productivity improvements, and their associated capital costs, become a moot point when, because of foreign subsidies, we have no assurance that there is a reasonable attainable market price for our products.

Let me also point out that the forage acres from one plant alone far exceed the government's one-tonne challenge for the reduction of greenhouse gas emissions. Our products are second to none in quality and nutritional value.

If you want to know some of the consequences of not responding—and that seems to be the government's position—talk to me. Last week, we closed our plant and I signed severance notices for our employees. Do you have any idea how difficult that is? We were one of the most efficient plants in western Canada. The realities of the marketplace made it irrational to continue.

In my remarks to this committee a year ago in Ottawa, I predicted this would occur if nothing was done to help protect our industry. I predict today that if the present policy of the federal government does not change, there will be more plant closures in western Canada.

When we first presented these issues to the government a few years ago, we represented 29 plants, exports were in the 700,000-tonne range, and values were well over \$100 billion and growing. Compare these with the recent statistics just presented by Mr. Pulkinen, which show that our industry is now less than half of what it was in the nineties.

Once again, we appeal to this committee: please follow up on your recommendations of last year. Please do whatever you can to help us rebound from difficult years, so that we can continue to make our contribution to rural economies, to Canada's trade balance, and, yes,

to maintaining the industry's contribution to greenhouse gas reductions.

Thank you, Mr. Chairman.

The Chair: Thank you.

Mr. Zdunich, you're here as an individual?

Mr. Lyle Zdunich (Chartered Accountant, Hergott Duval Stack & Partners LLP, As an Individual): Yes, I am.

Mr. Chairman, ladies and gentlemen, thank you for the opportunity to speak to you today on income trusts, royalty trusts, real estate investment trusts, and limited partnerships, all of which I'll use interchangeably. I'll just refer to them as flow-through entities or income trusts.

My name is Lyle Zdunich, and I'm a founding partner with Hergott Duval Stack & Partners LLP. Our firm of over 60 people provides accounting and taxation services to clients from Ontario to B.C. and is in most business sectors. Our tax group comprises 10 full-time CAs and partners and is the largest practising tax group in Saskatchewan.

I've restricted my area of practice to taxation matters since 1978, and the views expressed today are mine and not necessarily the position of my firm.

My perspective today is to speak to you as a CA with some tax expertise in respect of the tax implications of flow-through entities, and secondly as an investor in the market, as well as on behalf of business people who form and manage flow-through entities or income trusts.

I admit I find it strange, after a career of legally attempting to reduce taxes payable, that I'm asking the Department of Finance to tax me and other people personally, or their companies, and to leave the status quo alone. The issues are too complex to provide an appropriate overview in the brief time I have. Rather, I urge all of you to review this issue in depth, listen to both sides of the story, and attempt to remove the uncertainty facing the equity markets for income trusts and other flow-through entities.

Many Canadians have seen their investments in income trusts decline by 10% to 30% in value since the Department of Finance press release and consultation paper was released in September. This is not an issue for one geographic region or a particular business sector, but will directly or indirectly affect all Canadians.

First, dealing with the taxation issues, I have generally understood tax policy in Canada to provide full or partial integration of personal and corporate income tax. That is, the burden of tax for private companies should be no greater than if the funds were directly earned by individuals.

This is not the case with public corporations, and I refer you to the Department of Finance, page 14 of their consultation paper, where they confirm this additional tax cost to shareholders of public companies. The penalty is 11.63% of taxable income, using their assumptions. I think it is in fact more, but that's approximately a penalty of 32% more tax than if the same income were taxed to the individuals and/or taxable Canadian corporations.

Income trusts and flow-through entities only seek to remove this tax penalty of a public corporation structure. Income trusts do not defer tax. In fact, I would suggest that income trust unit holders are paying tax sooner than if we were operating through a corporate entity.

I'm sure we all recall past discussions and media coverage of the deferred tax liabilities of public companies, and the magnitude of tax deferrals is just not the same with income trusts. I find it odd that the government wants to repose and maintain the corporate structure when in fact the income trust scenario results in more tax.

The consultation paper, on page 25, addresses the tax revenue implications of flow-through entities. I suggest this data can be manipulated to show various results, depending on the assumed mix of taxable and tax-exempt Canadian investors and foreign investors; second, by whether the data accumulated is by the number of investors or the dollar amount invested; third, by the effective tax rate utilized for the particular investor; fourth, by the assumed mix of distributions from the trust as between ordinary income, dividends, and return of capital. Fifth, it assumes the taxable income allocated by the trust is the same as taxable income with a corporate structure. Sixth, the Canadian tax-exempt entities, which are shown paying zero tax under the trust structure, are primarily Canadian pension plans and registered retirement savings plans, and no recognition is given to the fact that the tax will be paid by Canadian individuals on withdrawals from their RSPs or the pension income.

Furthermore, the paper also ignores the impact of incremental taxes that would become payable due to incremental business activity and income; the paper does not quantify the benefits of increased economic activity in sectors due to the increase in capital available; the paper does not include the tax revenue from increased employment and personal tax paid by employees in these sectors; nor does the paper deal with increased or retained Canadian ownership in various businesses that otherwise might have been taken over by non-residential entities.

• (1350)

In summary, to simplify this, the provinces may have some distortion, but at the federal level, I do not perceive income trusts or flow-through entities to be a tax leakage, a tax loophole, or a similar term as defined in the media. An individual's federal tax bracket in Canada is either 16%, 22%, 26%, or 29%. Only individuals with incomes below \$35,000 are at a federal rate of 16%. The federal tax rate for public companies is 22%. Where is the leakage for the average Canadian investor receiving trust income, who is paying at least as much, if not more, federal tax than a public corporation?

Secondly, switching roles to that of an investor, it is my understanding that the Department of Finance is concerned with flow-through entities. It is their view that trusts are distribution-

based and, accordingly, that Canadian industry will suffer due to insufficient reinvestment in assets and research and development.

In response, most shareholders are looking to their investments to pay dividends or other returns. In the trust sector, good management will continue to prudently operate their businesses, incur sustaining capital expenditures and research and development, and only pay shareholders distributions that are reasonably maintainable. Management of any entity, whether a trust or a company, that does not properly manage the business will not be around for the long term.

Investors who have invested with or without the advice of professionals in various ventures—and I think we recall things like Bre-X in the mining sector, or the technology sector bubble of the late nineties and early 2000—or who have been caught by corporate governance and reporting irregularities, such as in WorldCom, Enron, and Nortel, and who are now faced with low yielding interest alternatives, are primarily concerned with business entities they have confidence in, confidence in their business model, confidence in management by the board of directors, confidence in all governance aspects, and confidence in obtaining reasonable returns.

Furthermore, I would suggest that many investors view cash distributions as confirming their confidence in the business, and that businesses that have a history of maintaining and increasing cashflow to investors while maintaining a strong balance sheet are worthy of the price being paid.

I will give you a brief, real-life example that I'm familiar with, not a theoretical one, of a private company that started in 1996. It started with a couple of dozen investors and went public in 1999, and its share price languished, as there was no ability to raise significant capital. Three years ago it converted to an income trust. Its market capitalization three years ago was \$20 million; last month, at the beginning of September, it was just under \$1 billion, about a 50-fold full growth in market capital. Today it is worth something in the order of \$170 million less, which investors have suffered the loss of. And who are these investors? They're not western Canadians; in this particular trust, 60% of the retail investors are in Ontario, and 90% of the institutional investors are in eastern Canada.

Am I out of time?

• (1355)

The Chair: Yes.

Mr. Lyle Zdunich: In summary, I would encourage your assistance to promptly and decisively remove this uncertainty for all Canadians.

Thank you for your time.

The Chair: I don't want to burst your bubble, but this is for pre-budget consultations. You should send your submission to the Department of Finance. They've asked for submissions on their website, and they are taking submissions until the end of December. So I would think—

Mr. Lyle Zdunich: This is my point, that there is a window of opportunity that is passing.

The Chair: Okay. Some of the members will want to address the issue anyway.

Mr. Pulkinen, do you want to give some thought to adding some numbers to your submission? I saw no numbers in it.

Witnesses, we'll do seven-minute rounds. Members have seven minutes for questions and answers, so if you can keep your answers concise, it would be appreciated by the members.

Mr. Penson, Monsieur Bouchard, Ms. Wasylycia-Leis, and then Mr. Holland.

Mr. Charlie Penson (Peace River, CPC): Thank you, Mr. Chairman. I would like to welcome the panel here this afternoon. I'll start by apologizing for how little time you and we have to explore these very serious issues you've identified. But in some cases we've heard these stories before, and I'm certainly aware of the seriousness of the problems.

Mr. Hildebrandt, I know you didn't have enough time to present. I'd surely be happy to meet with you at some point further down the road to explore some suggestions on how we can improve this. We are seeing a massive socio-economic disruption in the agriculture industry—I don't think we've ever seen anything like it happening in western Canada—as a result of these low commodity prices and subsidies by other countries. All of us are struggling with how to handle this. But something has to be done, or we'll be flying over this country and there'll be nothing down below but grass, the way it was 150 years ago. I'd be happy to follow that up further with you.

I want to get to a couple of others as well, and we'll see if we have time to get back to this.

This is for the dehy industry. I think it ties back very much into what Mr. Hildebrandt was saying earlier. Gentlemen, you were before our committee last year. You made your case about defending Canadian interests in the face of unfair competition and you requested some interim help. I thought our committee did a pretty good job of laying that out in our recommendations to the minister, to pick this up and help you through a transition time, and you've been abandoned.

Mr. Boxall, you're telling us that your plant has had to close, exactly as you predicted last year. I have the biggest dehy plant I think in my riding in the Peace River country. What is the fate of this industry—particularly when we had governments going around telling agriculture industries they had to diversify and had to value-add? They did that and then they've been abandoned. I can sense your frustration. I'm frustrated as well.

A little bit of help for the dehy industry could have kept you in the business while that adjustment period was being made. I'm not sure, but I hope we can make the same recommendation. Maybe it's too late for your plant, Mr. Boxall, but maybe it can save some of it.

Maybe you would like to comment a little further on this. In the interests of time, I want to get to somebody else as well, but I hope you can give us some advice on how we might proceed—although you might be a little wary after last year's experience.

• (1400)

Mr. Jim Boxall: First I'd like to say that I appreciate the recommendations of the committee from a year ago. We were encouraged when we saw the results, the recommendations that came out. We were really discouraged when nothing followed

through with it. You ride a roller coaster, and we were on it at that time.

Mr. Hildebrandt talked about what would happen with western Canada, and you talk about it as well. I guess we can all leave, sew it back to grass, and give it to the buffalo, and the people from the States can come up and shoot buffalo. Maybe that's what we should do.

I've never seen so much discouragement as I have this fall in agriculture in western Canada. Every farmer I talk to—and I'm a farmer myself—is totally discouraged. They say: "Why am I in this business? It's a tough place to be. We're on our own." The Government of Canada does not want to take part in doing anything with the subsidies that are coming out of Europe. They wring their hands about it and talk about it and consult. The Europeans are determined to keep a food policy that's going to guarantee a supply of food for them. In Canada, it would seem to be believed that we should import our food from Argentina and other countries and have cheap food.

Mr. Charlie Penson: You've identified a very important area, and that's security of the food supply. It seems to me I heard Mr. Hildebrandt say this last year, and maybe previous to that: any country that doesn't look after its own security of food supply is pretty vulnerable down the road someplace. There's a possibility of that.

I want to touch two other areas, and I hope to get back to Mr. Hildebrandt.

Mr. Zdunich, we're certainly aware of the income trust problem and a massive loss to a lot of people who were counting on that area for retirement in the future. We think the solution can be to make those adjustments to the dividend tax that would put them on the same footing. I think this very much is a pre-budget issue, and I welcome your presentation here today. Our party and the Conservative Party are aware of it and are working hard on this issue. It's distressing to see the kind of capital loss that's occurred, particularly to the retirement sector. I hope we can bring you back at some point.

Ms. Forsyth, I certainly think you're on the right track. I think common sense is going to prevail at some point on your issue that parents need choice in how they decide whether they're going to send their children to institutional day care or look after them themselves, and also on income splitting, or the problem that hinges around the whole way single-income families are treated versus dual-income families. We're aware of it; we've heard it a number of times. I encourage you to keep up the work. I think you're going to prevail in the end.

I don't know how much time we have, but I'd like to see whether we could get Mr. Hildebrandt to expand. I know he ran out of time on his presentation. If you could help us out here, Mr. Hildebrandt, I'd appreciate it.

Mr. Terry Hildebrandt: Quickly, one of the things I didn't get to was, again, unfortunately, the need for some interim support, for some immediate support, but I really want it understood that we want it in the context of a longer vision of strategic investment so we turn this thing around. I think I mentioned that governments won't have enough money to fill in the hole if we don't address the reason for the hole. So pre-budget, this is very important. We hope there will be some support.

In Saskatchewan, we're looking at a proposed \$480 million negative realized net income for 2005. It's an unsustainable road. We have to get a different focus on public policy. In the interim, we'll need support to get there, but we're not just here for a handout; we're here in the context of, let's sit down—federal, provincial, and industry—and let's work this out together and reform this public policy.

We are innovative. Our pulses proved it until they threw the pulses in the farm bill, and you can see what has happened to that. We are innovative in dehy plants.

We can't compete against other treasuries. We can compete against other producers in a fair market. We don't have a fair market, and we won't get a fair market in time, so we need society to back us with the same kind of support. It might not take a whole lot more money than they're spending now; we just have to spend it better.

Thank you.

● (1405)

Mr. Charlie Penson: Thank you.

The Chair: Thank you, Mr. Penson.

If you could give us an amount and how it would tie into your plan, it would always be better, how much money you're looking for in the interim measure.

Monsieur Bouchard.

[*Translation*]

Mr. Robert Bouchard (Chicoutimi—Le Fjord, BQ): Thank you, Mr. Chairman. Thank you as well to all of the witnesses for presenting some very interesting and valid arguments.

I would be remiss if I failed to congratulate David for making some really radical lifestyle changes. His testimony was very touching indeed. I'm always pleased to meet people, whether in my riding or elsewhere, who decided overnight to make some major, positive changes to their life.

My first question is directed to the Agricultural Producers Association of Saskatchewan. You compared economic and social programs and concluded that the government provided more funding to social programs than to economic programs. You also stated, if I understood correctly, that federal policies have resulted in farmers being neglected. You recommend an overhaul of agricultural policies and wiser spending by the federal government. You also maintain that farmers should have higher incomes, or earn a better living.

As farmers, you told us that can play a key role in terms of Canada meeting its commitments under the Kyoto Protocol. You called on the government to do research on methanol. In short, you want

federal policies to reflect a better strategic direction. Clearly, you're asking that the agricultural industry in Canada be supported.

You made no mention of the supply management system. I'm not aware of how important supply management is to farming here in the West. However, I do know that it's very important in Quebec. We want to guard this system very closely. Do you consider supply management to be important?

[*English*]

Mr. Terry Hildebrandt: By all means, we do, and you're most correct. The percentage of it out here is a lot less. We're more dependent on export. But I think one of the keys I'm getting at is that somewhere along the line there was some legislation, some vision, that enabled supply management to be successful, that enabled supply management to recapture their cost of production plus a little more.

You'll appreciate that most of these are perishable goods and eaten domestically right at home, so you don't have the freight and the transportation. In the world of wheat out here in the west, we rely on 70 different countries to market our grain. So that, I guess, in the same respect, is the kind of legislation that supply management got. If we could get that strategic thinking....

Right now, we can't even export Saskatchewan ethanol to Ontario or vice versa. We have these interprovincial things.

So I think there was some thought put behind supply management a few decades ago that enabled profitability. If we take that same kind of strategic vision thinking and create the environment for that, there's a lot of potential.

Forty-seven per cent of the land base is a huge asset, and we are not getting near the potential out of it that we could. So we have to get a little more strategic.

We see movements to pull supply management down to where we are, because they say, well, you know, it's because it's cheap grain that you have successful supply management. Ours is the vision that we want to ratchet up to where supply management is, because as I say, they do have the ability to retain profit after cost.

But again, those are the same kinds of strategics I think that were put into that, with the difference being that this is a bigger challenge because it's not a domestic market as much as it's an export world. The whole infrastructure out here is geared up for export—the terminals and the rail. All the big investment is for handling export, and that becomes a strong lobby when you tell them you want to grow grain to make ethanol. They have their investment to put it on a track, and it doesn't matter the price and it doesn't matter the quality, just as long as there's lots of quantity so that they get the handling, the elevation, and the freight.

We have a huge challenge because we are now reliant on export more so than supply management, so it needs all that much more vision. But of course, supply management and the profitability they've been able to retain, producer empowerment in the marketplace, is what we're after, and they somewhat have that.

•(1410)

[Translation]

Mr. Robert Bouchard: Thank you.

My second question is for Mr. Tony Haynes of the KAIROS Anti-Poverty Network. You made a number of timely comments with reference to the scriptures and to other observations that we've heard on more than one occasion.

What sticks in my mind is a statement that I hear often, namely that in today's society, the rich get richer. You would like to see the rich share their wealth. Furthermore, I understood you to say that it is your wish to see the powerless, the disadvantaged and the poorest members of society enjoy a certain quality of life and a certain level of satisfaction.

I have a question for you. In fact, I have three questions and I'll get to them right away. Which federal policies have proved most successful in the past in terms of alleviating the burden of poverty? What steps should be taken to bring about greater equality or, in other words, to narrow the gap between individuals, whether rich, poor, disadvantaged or homeless? Lastly, would alleviating poverty have a major impact on growth and productivity in Canada?

[English]

Mr. Tony Haynes: Thank you for addressing those questions to me. I'll take the last one first.

When people are employed in their work, they have a sense of independence and can do things for themselves, in the sense of looking after themselves. As Cecilia said, it's a question of family health. That means certainly that when you think of what makes a good family, it's very often a safe house. One of the very important things that could have happened is if the federal government had not left the market or the system some years ago, when they abandoned the affordable housing projects that were going on. I'm glad to say and see that it has now come back in, in the last government budget, and it's happening here in Saskatoon.

But the actual challenge is absolutely incredible to understand, particularly in the cities, where we have here in Saskatchewan a large influx of aboriginal people. They are coming in and they're in substandard housing. It's not a question of the city being able to help; it's a question of the federal and the provincial and the city governments all going together in that turn.

Housing, to me, is basic. When you take into consideration what housing does, it's that it creates a good family situation. It's been reported, and I agree with these statistics, that health conditions improve, stable families occur, education is recognized as a very important part of what happens—and not just the education in terms of A, B, C, but also the cultural effects that come from it. We have here sitting at the table with us today—and I don't want to embarrass him—David Cowan, but you heard his story. This is the kind of story we'd obviate very much if we had that project of housing.

That is in response to the second question also; that is, where we've seen alleviation of poverty, it gives an incentive to the family to do the things we see other people doing.

One interesting experiment in the States that I read about is when they were building new areas, they put so many houses into a

particular area for low-income people. And the low-income people looked around and said, "Oh, he's cutting his grass; that is something I must do." Children go to a school and they find out that somebody is taking guitar lessons and they do it. So it's a kind of osmosis. It's not a question of it being dictated by the government; it's setting an example. In that respect, I feel it's very important that we have the government support in small, targeted areas.

I'm working with a group that's recently had a grant from HRDC. We took 18 people who were drop-outs from school, unemployed offenders, and they went into a work training program on recycling computers. We had these computers recycled—given to us—and they learned a lot of ideas about what it is to be successful in life. Those kinds of things happen.

•(1415)

The Chair: Thank you, Mr. Haynes.

Ms. Wasylycia-Leis.

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

Thanks to all of you for your presentations today. They're very helpful.

What I would like to do is focus a bit on this tendency for people to look at productivity in such disparate ways that we never find the middle ground.

I'm going to refer to you, Mr. Hildebrandt, to start with, because you said directly in your speech that we should dramatically increase the focus on economic expenditure and investment rather than on this continuous involvement in social programming. It's almost as if, in dealing with productivity, it's "economic, good", "social, bad". Yet when you look at this internationally, some of the countries that do the best in terms of productivity are the ones that have addressed some very difficult social problems, such as the number of people living in poverty, or such as the kids on the streets.

I would like to see if we can get some common ground here, because I don't think we're going to get very far in addressing this issue unless we find that movement.

I'd like to start with perhaps David saying to Mr. Hildebrandt how you think government investment in this kind of program that you are a part of actually is important in terms of this country's productivity, and then have Mr. Hildebrandt respond in terms of how he would see the balance. Or is he not convinced yet?

Maybe you can start, Mr. Cowan, and then Mr. Hildebrandt.

Mr. David Cowan: Thank you.

I think the most important approach that was taken in working with myself over the last five years has been the ability to work with me for five years, the long-term ability. I've lived in a number of housing situations that have been acceptable, and I'm not acceptable. I've been in various schooling situations, have had access to a whole bunch of resources, and in all of the situations in my life, the resource itself was never really what made me successful. It was the connection to people, to people who cared, and to people who were willing to support me through my faltering, and certainly as I moved into nicer homes or as I took on more responsibilities along the way, they helped me to feel good about myself.

I know certainly those days that I had money in my pocket and I was living in a home that wasn't roach-infested or where the heat was there and on, I felt good. Throughout it all I think if I didn't have the support from the people—Kim and some others who were close to me—I wouldn't be where I am today.

• (1420)

Mr. Terry Hildebrandt: First of all, I want to make it very clear that our point wasn't to pit social spending versus economic spending; rather, there has to be a blend.

In your reference to other countries, developing countries, that have done grand things economically in a different social scenario, I guess it's part of the situation. Brazil is a major competitive...but they have labour costs that are a fraction of what we have to produce food on, and we want this standard of living, and every Canadian deserves it, and God willing we all get it.

Our point is, ma'am, that we won't sustain this if we don't keep a balance. Agriculture is an economic driver that will spin jobs and create economy. I'll use Saskatchewan as an example. We hover on a million people, give or take. There are about 250,000 carrying the tax load in Saskatchewan, and we have youth leaving west and south on an annual basis, most of them out of agriculture. So how do we sustain medicare in a province that takes so much pride in having developed it?

I would suggest we can't, we won't—that is my point—and more so if we want to be able to offer this for everybody, as everybody deserves. We have to have a balance of spending in the drivers and the building of economics. Otherwise we won't keep these social programs no matter what they are. We will have a real struggle to maintain them.

Ms. Judy Wasylycia-Leis: And I think we agree on that. I don't disagree. I think in fact, though, that the way you address that problem is you have to look at particular difficulties that the agricultural sector is facing; you have to look at how we can make the industry you're talking about, in terms of using alfalfa, more competitive on the international market. Yes, we have to deal with income trusts, but if we do not invest now in education and training and child care, we will never be sustainable either. In fact, we'll have a huge problem down the road that we just cannot possibly meet no matter how productive and how active our agricultural sector or our industrial sector is.

I think we're missing that balance now. I'm trying to get some attention to it.

Mr. Terry Hildebrandt: I think that's the key. The word is balance. We use agriculture as a good example because that's what

we represent, but we can take the same examples in industry, our lumber, what's happening up in Prince Albert. It's a lack of competitiveness. We're seeing that a lot of our value-added is foreign-owned. We've seen that in the BSE issue where we're controlled by foreign entities. So strategic plans that can get Canadians owning and operating this.... You have to really appreciate, because my in-laws are there, what an alfalfa beehive plant can do for a community, and that was twenty years before we got into this whole green world. That was before we all got on this green.... The added economics and the environmental benefits, we can do that to the tune of agri-forestry—we can do all those things—but we can't do it at a competitive disadvantage.

• (1425)

Ms. Judy Wasylycia-Leis: In terms of the dehydration industry, if we made one recommendation to make sure your industry would be able to survive and grow, and become competitive internationally, what would be the most important thing we could recommend back to the Minister of Finance?

Mr. Jim Boxall: I'll try to answer that for you. I can't speak for Mr. Pulkinen. I'm speaking for myself.

The removal of the export subsidies would really be beneficial for us. When the EU can put a product into Japan, that immediately becomes the benchmark price. We have to meet that price. We operate on a very slim margin in this whole thing, and to have that export subsidy removed would be very helpful. This applies to all of agriculture, and I will speak to that for a moment.

Saskatchewan exports 75% of its export production at this time. Of Saskatchewan's gross domestic product, 66% is on an export basis. We have to compete against countries that have lower health standards, lower educational standards, lower social programs—all these things. They have a lower cost of living for these people, but they don't live at the level we do. Canada is a wonderful country, but we are going to be forced to lower our standard of living if we're going to compete with these people—unless we start to look after our own borders and do something besides compete on a world basis without help from our governments to do so.

Mr. Dale Pulkinen: Could I add to that? In terms of the removal, we have upcoming WTO talks happening in Hong Kong, and those are key. We have production subsidies, import quotas, tariffs, and other programs in other countries. Those need to be removed as they relate to agriculture. Unfortunately, this takes time. It's going to take years before we see the benefits of any progress made in this regard.

For the interim, of course, we are dealing with a specific hurt, and what we're asking is for the government to offset the hurt we are experiencing as a result of the EU production and processing subsidy on processed alfalfa.

Ms. Judy Wasylycia-Leis: Thank you. That's very helpful.

The Chair: Thank you, Ms. Wasylycia-Leis.

Next is Mr. Holland.

Mr. Mark Holland (Ajax—Pickering, Lib.): Thank you, Mr. Chair.

First of all, Lyle, I'm sorry, your name isn't down here, so I'm using "Lyle". I should be using your last name, but I just can't see it at that distance, so I hope you don't mind.

The issue of income trusts has obviously garnered a tremendous amount of attention in Ottawa. The finance ministry has said it hasn't made any decisions on this and is conducting consultations, so your representation today is appreciated. I presume as well that you'll be making a similar representation directly to the Ministry of Finance as it undertakes its deliberations on that, but I think it's important to recognize that there hasn't been a decision, and we understand the complexities as well as the concerns that exist there.

Mr. Lyle Zdunich: Could I make one comment that goes back to Mr. Chair's comments? I know some of the people in Finance personally, and they do a tremendous job. In terms of the tax legislation, they are overworked. We are awaiting tax legislation, comfort letters, and other situations that go back to 2001-02. We've got draft legislation that's being kicked around again on the non-resident trust and foreign investment entities. There are a variety of issues, and again the question mark is just the uncertainty this represents—and I don't see a resolution.

This probably means an overview of the overall tax system. When you tinker with one aspect...I think it very well may be market-driven. A year from now it may not be an issue, and six or seven years ago, when the price of oil was below \$15 a barrel, it wasn't an issue either. What concerns me today, as a Saskatchewan taxpayer and a resident is that we're talking economic activity in this province. If you've got a drilling rig company that's a trust and they order a rig.... We've got construction and manufacturing processing going on in Estevan, Regina, Saskatoon, and Lloydminster, and all that activity has spinoff effects. Also, I come from an area where a lot of our young people are able to stay on the farm—and in Saskatchewan—because they're able to work in the resource sector and some of these enterprises we're talking about. So that's why I'd like to see the capital in those sectors maintained.

• (1430)

Mr. Mark Holland: Let me say I understand the uncertainty and I understand that uncertainty is not good for the markets or the economy. I know this is a priority to clear this particular matter up. I appreciate the comments, and I'd explore them further, but I have a limited amount of time.

I want to come back to the issue of both agriculture and also to the Canadian Dehydrators' Association. I think there's a dilemma here. The dilemma is exactly as you've articulated it. We need to be able to deal with an unfair trading environment in which in many cases there are violations of existing trade agreements on competitive practices that are exacerbating some of those other factors you referenced in terms of people having a lower cost of labour, different standards in terms of the quality of their life, and the subsidies we match it with.

The question I would pose to both of you is, how do we, for example, subsidize your industries in the near term until we get to the resolution of some of those trade issues such that we don't end up in a subsidy war? We could get into a situation where we then too start violating it and get into a war of subsidies? I'm interested in your comments on that.

Mr. Terry Hildebrandt: First of all, if I can use the United States, they're not so much violating it, but they've just put more expenditures to it, and not even per capita but more strategically. Yes, in the interim we're asking for additional ad hoc money to get us to new reform.

To answer your other question, how do we do it green, environmental expenditures are green. Appreciating what we do for ecological goods and services, what we can do for Kyoto—there's a green way to do it.

One of the differences in the way they spend money, and it'll address both.... Grains and oil seeds is a major one they subsidize, and I mentioned that becomes the feed or food stock to add value too. They subsidize, if you will, or support horizontally. They'll support me to grow the grain; then they'll support the ethanol production through mandatory use. So they subsidize at every level. That's similar to what happens with the dehy. I mean, these producers are taking raw material of alfalfa, value-adding it, and it's competing against European subsidies that will subsidize both areas. So it's a double whammy that we can't compete against.

Added to that, against some of the countries on a lot of commodities, we have the additional freight. We're the furthest from ports and all the good things. I think government took some of that support away a few years ago in regard to the Crow rate, which was to be replaced by value-added. We didn't put strategies to get it there, whereas our competitors did. They draw the value-added out, including the value-added of educated people, which really should raise the biggest flag. To lose our youth from Saskatchewan east or west in the same country's economy is one thing, but when the stats go up that they're going south to another economy, that really is a flag, and we've got to take a different look at what we're doing. It's not just in agriculture. It's hard to compete, hard to get investment, in many different economic drivers, be they raw materials....

We think biofuels, yes, and government is going to cut their golden goose off right now, which is fossil fuel, but I think there's room for both. Certainly there's room for 5% or 10% biofuels and diesels and still have the profitability of the fossil and address Kyoto at the same time.

Mr. Mark Holland: I can just give you a second to answer. I'm sorry, but I also have some questions I want to put over here.

I think there really is, and it would be impossible to deny it, a crisis in agriculture, and I think we have to do more. That's why I asked the question. I'm not going to do the issue justice right now. If you have something very short that you could add to it for now, and maybe follow up later, because I do have some subsequent questions....

Mr. Dale Pulkinen: That's a very good question you ask, and we certainly considered that issue when we first talked about approaching the government with respect to support. I guess the only answer we have is, because the plant profitability goes down, obviously it impacts on the ability to pay the producer for their hay. Our proposal at that time was to make that payment to the grower rather than to the processing plant. This perhaps would mediate, or, I guess if you want to call it, improve the palatability of how that might be viewed by others.

•(1435)

Mr. Mark Holland: Thank you.

The Chair: You have one more question.

Mr. Mark Holland: I first of all want to acknowledge David and thank him for coming out today, along with Kim. Thank you for sharing your story. I think it's a fantastic story. You're to be commended, not only on where you've come, but on what you're doing and contributing now.

I had the opportunity, back in my career in municipal politics, to chair something called the youth partnership initiative, and I really tried to drive a lot of the same types of things you are doing.

I guess that leads me to the question. I'm very much supportive of what you're doing. I think it's extremely important. I think it can go a long way to addressing some of the issues of poverty and lifting people up out of bad circumstances. The question is, what role do you see the federal government playing? A lot of times these things can be led municipally or supported provincially, but how would you see specifically the federal government supporting you in what you're doing?

Mr. Kim Sutherland: The greatest challenge we face as a small non-profit without a national body to represent us is that we can't afford clever grant writers who make it past the initial processes, because they write better than we do. It's not about the program; it's about the process of receiving applications. All of our passion is lost to the professionalism of very expensive grant writers who are employed by very high, privileged, national agencies that have the money to employ such people. It has nothing to do with the work that's being done; it has to do with the image that's being presented. I think we'd all agree that in clever marketing, image does not mean quality; it simply means image.

So what can the federal government do? Help us connect agencies with the criteria of being small. Bring us together in a way such that we can compete at a national level. We just can't do it right now because we're so fractured and have no financial resources for a marketing strategy to that end. That's one recommendation.

Mr. Mark Holland: I think what you're doing is extremely important, and I think we have to find ways to help you and help grow this in a grassroots way.

I've run out of time.

The Chair: Thank you, Mr. Holland.

I'd ask the witnesses if they can hang on for another five to ten minutes. Is that okay? Thank you.

Ms. Yelich.

Mrs. Lynne Yelich (Blackstrap, CPC): I will say quickly to the dehydrators and to APAS, this morning it was mentioned that there is money in APF. Do you care to comment on that? It's just that we're not educated. Would that help you? Certainly that's where Ag Canada has some money for us.

Mr. Terry Hildebrandt: Unfortunately, too much of it, or a grand per cent of it, is all in a reactive mode. Instead of addressing the competitive issues that will make us profitable, there's been no focus. "Renewal" is about replacing or removing us.

There's some environment stuff in the APF, but it doesn't directly put the benefit to the landowners. It's all reactive and, I might add, administratively costly, bureaucratic to administer, and it's job-creative kind of money. But it's Band-aids and it's not going to address the disease.

Mr. Dale Pulkinen: I guess I have no answer for that. We asked Minister Mitchell for some assistance, and the response came back that they do not provide support to industries for risk management systems. So in terms of where the money might be, we haven't been able to identify, ourselves, any specific areas where it might come from. But obviously this is something such that if the government has the will and feels that we have been hurt and that there should be some assistance to offset that hurt, then I think surely it can find the funds to provide it to us.

Mrs. Lynne Yelich: And to Mr. Zdunich, with the freeze you spoke about on income trusts, you said you saw 10% to 30% of many people's profiles go down. Would you like to expand on that?

Mr. Lyle Zdunich: I'm sorry, could you just repeat?

Mrs. Lynne Yelich: The freeze you said had occurred with the announcement of the freeze...you said there were portfolios that were affected as much as—

Mr. Lyle Zdunich: Well, yes, that's public information, if anybody wants to go and look at the quotes. There's an element, I guess, in the oil and gas trusts of a decline because maybe of the price of oil, but in business trusts and otherwise, there's been a decline. And when I—

Mrs. Lynne Yelich: And there are people's retirements too, I hear.

•(1440)

Mr. Lyle Zdunich: Definitely people's retirements. It's not just seniors, pensioners, but also people nearing retirement whose capital base has had a substantial erosion. Combine that with what all Canadians are faced with—rising utilities, rising property taxes, rising energy costs, rising vehicle costs—and it's a sort of double whammy of a whipsaw.

Mrs. Lynne Yelich: I was going to ask about the dividends. Would a lesser rate on dividends negate the need to use the income trust?

Mr. Lyle Zdunich: Investors in income trusts are indifferent about whether they invest in an income trust or a corporation. They're looking for returns, and they're looking for management they can trust. There are income trusts that will have their day of reckoning—where management is paying out too much cash and is borrowing to pay out cash—and there will be defaults. So it's not a magic wand that people are going to have income. But on the proper assessment—and I'm speaking as a CA—I think the average person does not understand financial statements, and they do not understand analysts' reports. So when they get cash distributions, and they can look at a company's balance sheet and see there's no debt—and the company maintains or increases its distributions—they can get comfortable. They don't get comfortable when you've got companies taking over other companies with share deals, and a variety of things that occur in the markets.

Again, I stress it affects all Canadians. I believe the Canada Pension Plan, if not income trusts and business trusts, are invested in flow-through entities. The Ontario teachers' pension plan has invested some \$2 billion in that. As I said before, the distribution of investment follows the population of Canada. This is not a western Canadian issue; it's an issue for all Canadians.

The Chair: Thank you, Ms. Yelich.

Thanks to all the groups.

Just to wrap up, Mr. Hildebrandt, could you please send me something that has good numbers.

Mr. Sutherland, I understand it's difficult for your organization to put together numbers. But in terms of percentages, if you're looking for how much you'd like to see the program Tomorrow Starts Today or Today Starts Tomorrow—I keep getting those reversed—do you have a number now?

Mr. Kim Sutherland: No. Similar to last year, the effectiveness is what I was highlighting—that it not be reduced. The trickle down is very much a trickle. I'm really looking at a national focus, and not our organization, when I make that statement.

The Chair: No, I understand, but it affects your organization. If you think there will be an increase in the funding, would your organization get more?

Mr. Kim Sutherland: No, it would not have a direct link to our front-line agency. But at a federal or a national level, it may allow the organization receiving the funding to meet more organizations like ours.

The Chair: Okay. I understand.

Mr. Pulkinen, could you please send us one page in terms of what you think it would cost to subsidize the industry? Of course, you send it through the clerk.

Mr. Zdunich, we didn't get your brief, so if you could send it to the clerk, we'd appreciate it.

Mr. Lyle Zdunich: Yes, I'll do that.

The Chair: You can send it by e-mail.

Thank you to everybody. Thank you for taking time out.

Again, this is tough. The panels are made up of different groups and different sectors, so it makes it tough on us.

So thank you, and thank you for having us in Saskatoon.

Thank you to the members. We're off to Winnipeg tomorrow. It's our final day.

Thank you to everybody.

That's it. The meeting is adjourned.

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