



House of Commons  
CANADA

## Standing Committee on Finance

---

FINA • NUMBER 113 • 1st SESSION • 38th PARLIAMENT

---

EVIDENCE

**Monday, October 24, 2005**

—  
**Chair**

**Mr. Massimo Pacetti**

All parliamentary publications are available on the  
"Parliamentary Internet Parlementaire" at the following address:

**<http://www.parl.gc.ca>**

## Standing Committee on Finance

Monday, October 24, 2005

• (1535)

[English]

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

[Translation]

Good afternoon, everybody. We are going to start immediately because we have another meeting after this one.

This meeting is on pre-budget consultations 2005, pursuant to Standing Order 83.1.

[English]

Basically, the groups will have an opportunity to make their opening statements or briefs. I'm going to allow you seven to eight minutes, if that's okay. I really prefer not to interrupt you, but I will if I have to, because the members are going to want to ask questions.

I have a list here of the groups. The first group I have is the Conference of Defence Associations. Go ahead.

[Translation]

**LGen Richard Evraire (Lieutenant-general retired, Conference of Defence Associations):** Mr. Chairman, members of the House of Commons Standing Committee on Finance, thank you for inviting me to speak before you.

The Conference of Defence Associations has, on a previous occasion, informed this Committee of its concerns and the potential consequences resulting from inadequate defence allocations.

[English]

This year I wish to respond to your committee's consultation themes of fiscal transparency, accountability, and the allocation of tax dollars, and apply these to the Department of National Defence.

It is becoming increasingly apparent that more than financial resources are necessary to transform Canada's military. Budget 2004 allocated sufficient money for the acquisition of a new fixed-wing search and rescue aircraft. Budget 2005 allocated an additional \$12.8 billion over five years. However, in spite of the government's intent through financial stimulus to transform the Canadian Forces, we have witnessed a tardiness in acquisition and an inability to spend the annual allocation.

[Translation]

In order to ascertain what is causing this stagnation, the School of Policy Studies, Queen's University, Kingston, in cooperation with the Conference of Defence Associations Institute, initiated a study

and have published their findings in the Claxton Paper series on research on defence policy.

[English]

The Claxton series publication, entitled *The National Transformation of Defence Administration*, concludes that for the new defence policy to succeed, the government must revamp major aspects of defence administration organization, as well as processes and methods, as the essential first step to transforming the Canadian Forces. The aim should be nothing less than to build—from the ground up if necessary—a modern, proficient, government-wide system of defence administration appropriate to the demands facing the Canadian Forces, and responsive to the needs of the government and Parliament.

These findings support former Minister of National Defence John McCallum's report of August 2003, entitled *Achieving Administrative Efficiency*. It concluded that the Canadian Forces, the Department of National Defence, and, by implication, other government departments and central agencies

...are not well positioned, from a management perspective, to meet the strategic-level challenges [they are] facing. The committee believes that without a fundamental transformation of the national-level management framework and practices of the Department of National Defence and the Canadian Forces, the CF will not be able to transform itself rapidly enough to adapt to Canada's changing security environment.

[Translation]

The evidence of the need to transform the administration of defence is plentiful. Claxton Paper No. 6, to which I referred a moment ago, entitled *Transforming National Defence Administration*, presents 70 pages of byzantine practices and outcomes that need transformation. Here are but a few examples.

[English]

The 1970s-designed personnel system of the Department of National Defence has created an organization that employs approximately 100,000 personnel, of whom only 26,000 are available for military operations. The current government and defence administration systems employ thousands, yet equipment acquisition delays of up to 16 years are occurring. Existing central government financial guidelines will certainly ensure that the Department of National Defence will spend \$1 billion over the next ten years to maintain and prolong the life of a 25-year-old truck that could be replaced by a new vehicle at less cost. As a final example, the same limitations keep the Department of National Defence in a holding pattern, spending \$385 million a year on the C-130 Hercules aircraft fleet, whereas the same annual allocation could outfit the Canadian Forces with sufficient numbers of new transport aircraft.

• (1540)

[Translation]

The defence of Canada and its citizens is the principal responsibility not only of the Canadian Forces and the Department of National Defence, but also of the government as a whole, including this Committee.

The Conference of Defence Associations strongly believes that a complete review of the public administration of defence is necessary in order to identify the full extent of defence administration responsibility across government and to recommend ways to realign and reform authority, responsibilities and procedures for defence administration and the rebuilding of defence capabilities.

[English]

Two years have passed since the release of Mr. McCallum's report. Nevertheless, innumerable inefficiencies in defence administration continue. The government has allocated a substantial level of defence funding over the next five years, and the expectation is that the Canadian Forces will be transformed, trained, and equipped to perform their assigned tasks in a much-transformed post-9/11 world.

The Conference of Defence Associations applauds this decision, but warns that unless the existing system of public administration of defence is itself transformed, the sought-after transformation of the Canadian Forces will be greatly delayed, thereby putting the government's foreign and defence policies, and the lives of the men and women of our Canadian Forces, at risk.

[Translation]

Mr. Chairman, ladies and gentlemen, unless the existing system of public administration of defence issues is transformed, the Conference of Defence Associations believes a real danger exists that the new International Policy Statement, released last winter, and its defence and foreign policy components, will merely be paid lip service.

Thank you, Mr. Chairman. We look forward to answering your questions.

[English]

**The Chair:** Just as clarification, you note in your brief that the committee's theme this year is fiscal transparency, accountability, and tax dollars. Actually, this year's theme is productivity. That's just for your information.

We'll go to the next group, the Canadian Medical Association, Ms. Collins-Nakai.

**Ms. Ruth Collins-Nakai (President, Canadian Medical Association):** Good afternoon. It's a pleasure to address the Standing Committee on Finance today as part of your pre-budget consultations.

[Translation]

I'm very pleased to be here today.

[English]

I'm joined by Mr. Bill Tholl, secretary-general and chief executive officer of the Canadian Medical Association.

In keeping with the general theme set by the committee, our presentation and brief, entitled "A Prescription for Productivity: Toward a More Efficient, Equitable and Effective Health System", focus on enhancing productivity growth in Canada from the perspective of the health industry. I will focus my remarks today on two specific areas that pose both the greatest opportunity and the greatest risk to productivity growth—notably, the under-investment in people and in public health.

Health and the economy not only can but must go hand in hand. Lower health costs and a healthy workforce are two important factors in making Canada an attractive place to live and to invest in. In fact, less than a week ago, Toyota International cited Canada's health care advantage as a primary reason for expanding its Cambridge, Ontario, manufacturing plant.

While the Canadian health care system provides a competitive advantage, that advantage is slipping, and we are poised to lose our health edge internationally. The Conference Board of Canada recently reported that our economic performance and productivity has fallen to twelfth place from third in only three years. The report also points out that our health system has fallen from superior to poor over the past few years.

This and other reports make it clear that our economic performance and productivity are flagging because of, in part, our declining health care system. For too long, governments and the economic sector have viewed health care expenditures purely as a cost and not as an investment. We must reverse this thinking. Health care investments lead not only to a higher quality of life for all Canadians; they also drive overall economic productivity and competitiveness. These economic impacts and the multiplier effect that health care investments create are quantified in greater detail in our brief.

• (1545)

[Translation]

There is no greater problem than the shortage of doctors, nurses and other care providers.

[English]

There is no greater challenge in our health care system today that affects our ability to provide timely, quality health care services than the shortage of physicians, nurses, and other health professionals. A healthy and productive health workforce is essential to a well-performing health care system, and sets the foundation for a productive labour force. This point was echoed recently, for the first time, by Health Minister Dosanjh when he stated, "...our government sees physicians and hospitals not as cost centres but as value centres."

The pressures on health care professionals working within the system are overwhelming. For example, Canada's ratio of physicians per population ranks 24 out of 30 OECD countries. Many of my colleagues are at the breaking point. Worse still, this situation is getting worse, not better. The cost to patients and their employers manifests itself through difficulty in accessing care, excessive wait times, lower quality of life, and a less healthy and productive workforce.

So a critical question is, what can we do to improve the state of the people working within the health care system to ensure an adequate, healthy, and productive workforce?

To increase opportunities for young Canadians to enter the health profession, and to meet the future health care demands of an aging population, we need to expand the capacity of Canada's medical schools and academic health centres in order to train enough health care professionals. What can be done to address immediate shortages? Currently, we have 629 qualified international medical graduates already in Canada, as landed immigrants or Canadians, who can't access post-MD residency training. However, Canadian medical schools provide post-graduate training to close to 900 visa trainees for foreign governments from abroad. Therefore, we propose that the federal government redeploy and supplement this capacity by purchasing some of these visa trainee positions so that we can train international medical graduates who are in Canada, who can then be deployed in Canada's health care system.

Staying on the human health resources theme, I must also remind the committee that the unfair application of GST on physician practices and the mandatory repayment of student loans during residency training remain significant obstacles to retaining and attracting physicians. These are points that the CMA has stressed before to this committee. To be blunt, these two policies are discriminatory and unjust, and they must be changed.

Turning now to the public health theme, one of the greatest threats to Canada's future prosperity is not high oil prices or a terrorist attack, it is a pandemic. Protecting and enhancing public health is our best defence against a future pandemic such as influenza. SARS served notice of what we could expect in terms of both human and economic costs wrought by an outbreak. The effect of SARS would pale in comparison with that of a pandemic. Dr. Sherry Cooper, chief economist with BMO Nesbitt Burns, stated that in the event of a pandemic, the economic effects could be severe, affecting virtually all sectors and regions.

We commend the federal government for its effort to date, but more action is needed, and it is needed now. Public health is about long-term investments in people, not just pandemics. I cannot stress enough that Canada's productivity is tied directly, and will continue to be tied directly, to the health of our population.

To ensure that the public health system has the necessary resources to protect and enhance the public health of Canadians, the CMA recommends: that the Public Health Agency of Canada be exempt from all current and previous expenditure review cuts; that funding dedicated toward pandemic flu planning and prevention be doubled; and that funding to further enhance and sustain public health programs throughout the country, the so-called Naylor gap, be invested. The investment figures for these, and all the CMA recommendations, are contained within our brief.

● (1550)

Our message to you today is clear: first, health and the economy not only can but must go hand in hand, and second, the most underinvested areas in health care are people and public health.

Merci.

**The Chair:** Thank you, Ms. Collins-Nakai.

From the Canadian Public Health Association, Ms. Wilson.

**Dr. Elinor Wilson (Chief Executive Officer, Canadian Public Health Association):** Good afternoon, and thank you very much for the opportunity to present to the Standing Committee on Finance.

I am the chief executive officer of the Canadian Public Health Association and co-chair of the Canadian Coalition for Public Health in the 21st Century. My colleague, Dr. Gordon Dittberner, who is from the Canadian Veterinary Medical Association, will be presenting that brief following mine.

As well, it's a pleasure to be here with the Canadian Medical Association, because they are the co-secretariat of that coalition. I feel surrounded by both ends of the health system here, of which public health is a very important part.

CPHA is a registered charity and a non-profit association. It is membership-based, not a professional association. We were formed in 1910 by an act of Parliament when Canada was facing a cholera epidemic. The wisdom of the time was that they needed an organization that could, from a pan-Canadian perspective, pull together some of the issues that were going to be addressed in that pan-Canadian fashion. There's no better time than now to start to look at the same types of issues that we will be facing in the future. Of course, one of those is pandemic influenza.

When we talk about economic productivity, we really feel that the health of the public reinforces the availability of a strong workforce and lowers costs for employers and the health system. Prevention of health problems obviously enhances productivity, because investment and prevention lowers costs for long-term and short-term disability, publicly funded health care, corporate-sponsored extended health benefits, sick leave, and out-of-pocket expenses by individuals. This creates a more resilient and robust economy, better able to plan for the future and to respond to unforeseen events.

We also know that health is determined by a complex interaction between social and economic factors, the physical environment, and individual behaviour—the determinants of health. The public health approaches look at the health of communities and populations, including living and working conditions. Healthy people need less access to health care and respond more effectively when treatment is required.

Three systems interact to keep people healthy: health care, public health, and emergency preparedness. Seamless operation of these three systems is essential. We know that preventable disease costs employers money. As an example, five conditions alone generated \$19 billion in indirect costs: influenza, injury, diabetes, lung cancer, and mental disorders—costs both to business and productivity.

I will focus now on one, pandemic influenza, which was introduced by Dr. Ruth Collins-Nakai, as one example of a public health issue that will affect the economy and productivity in this country.

The forecast for a pandemic in Ontario is that in this province we can expect 2.7 million people of working age to be sick. Over the eight weeks, we expect 34,000 people of working age to be hospitalized. The Bank of Canada's analysis of SARS pointed out the significant economic impact that SARS had when there were 44 people who unfortunately lost their lives in that epidemic, with several hundred ill. Can we only imagine the economic impact when a third of workers in any sector of the economy are predicted to be off work?

The World Health Organization states that Canada is among the best-prepared countries. In fact, at this point in time we are hosting an international meeting of health ministers in Canada to look at the issue of pandemic influenza.

Preparedness is not an exact science, but we need to be over-prepared, if anything. Cast your minds back to Y2K. Some of the issues we are going to have to deal with are antivirals, vaccines, human resources for surge capacity, inter-jurisdictional agreements, and public awareness, as the majority of cases of a pandemic will be cared for in the home.

We recommend that the federal government should immediately increase its funding for pandemic influenza planning and coordination.

• (1555)

Before Dr. Gordon Dittberner's speech on behalf of the coalition, which contains many of the recommendations that the Canadian Public Health Association shares, I would like to deal with two other recommendations.

The first recommendation is strengthening the partnership between the voluntary sector and the government. The Government of Canada has acknowledged the essential role the voluntary sector plays in Canadian society. It has endorsed an accord between the Government of Canada and the voluntary sector with two codes of good practice, one on funding and one on policy dialogue. Adequate appropriate funding was recognized as an important issue to the sustainability of voluntary sector organizations.

We recommend therefore that the Government of Canada be encouraged to fully implement the policies reflected in the voluntary sector accord, including adequate funding, to recognize the value-added of the voluntary sector to enable it to do its work in public health.

The last recommendation reflects on our commitments to safeguarding and ensuring global health. Throughout the global community, strengthening the local capacity and competence of essential public health functions and services is fundamental to protecting and improving the health and well-being of the world's citizens and, as we well know now with pandemics, ensuring our own health. Our health is dependent on the health of all peoples in the world.

The Canadian Public Health Association, through the Canadian International Development Agency, has worked for the past two decades with governments, public health associations, and other NGOs to build capacity in developing countries for public health issues. CPHA's projects and programs have helped to develop health human resources in countries where these resources are critical to the development of the millennium development goals.

Therefore we recommend that Canadian official development assistance increase beyond the current commitment of 8% annual increases, and meet the target of 0.7% of gross national income by 2015. ODA support to Canadian non-governmental organizations should be safeguarded and increased in relation to the support provided to multilateral organizations. An emphasis should be placed on social development priorities that address the public's health and its determinants.

Thank you very much, Mr. Chairman, and thanks to the committee for their attention.

**The Chair:** Thank you.

Next, from the Canadian Coalition for Public Health in the 21st Century, is Mr. Dittberner.

**Dr. Gordon Dittberner (Senior Advisor, Veterinary Affairs, Canadian Veterinary Medical Association; Canadian Coalition for Public Health in the 21st Century):** Thank you very much, Mr. Chair.

My name is Gordon Dittberner and I'm a veterinarian. I represent the Canadian Veterinary Medical Association as their senior advisor. As Dr. Wilson has mentioned, our organization is also a member of the Canadian Coalition for Public Health in the 21st Century.

The Canadian Coalition for Public Health in the 21st Century is pleased to make its second presentation to the Standing Committee on Finance. The purpose of our presentation is to reinforce the need for the forthcoming budget to recognize public health as the national priority it must be. We have six recommendations to make. I believe you have copies of those recommendations, so I'll try to go through the background as quickly as possible. I will initially provide some information on our coalition, and then will speak to each of the recommendations.

The Canadian Coalition for Public Health in the 21st Century is a partnership of 39 national non-government professional health and research organizations and coalitions committed to making Canadians the healthiest people in the world by advocating for an effective, integrated, public health system. The coalition came into existence in May 2003.

We note that the government has taken a number of positive steps, at least in setting up the Public Health Agency of Canada. These are what we would recognize as good steps. However, as has been said before, we have noticed that there's a gap between the recommendations made by the Naylor committee, and the federal government's actions.

Since Naylor reported, and since our last appearance before you, we've faced a number of other issues that have highlighted the importance of public health. In the face of Hurricane Katrina, earthquakes in Pakistan, mud slides in Guatemala, and the ever-closer threat of pandemic influenza, public health must be strengthened now. Disease and natural disasters respect neither borders nor jurisdictions. I think we're all very well aware of those factors that are facing us right now.

The Canadian Public Health Association has made a strong case for the link between prevention and productivity. Their analysis resonates with those of our many associations, which through their membership in the coalition have agreed to a multi-sectoral, multi-disciplined refocus on upstream activities that reduce illness, prevent injury, and improve the health of the public at large. Investing in the prevention of health problems enhances productivity because it lowers employer costs from long- and short-term disability, publicly funded health care, employer-funded health insurance, sick leave, as well as out-of-pocket expenses by individuals.

There is a concern about the surge capacity, in the federal government and the public health system at large, for dealing with emergencies. The entire public health system requires immediate, adequate, and sustained federal, provincial, and territorial investment in public health. Currently, nearly \$130 billion annually is spent on health in Canada, and of that, the lion's share, likely more than 90%, is spent on treatment, with the remainder going to the public health system that focuses on prevention of injury and disease, and protection from avoidable and unavoidable risks to health.

Public health's role in supporting and improving public health is hampered by its under-resourcing. In 2004, the first ministers' ten-year plan approved an additional \$41 billion in transfers to provinces and territories to address health system problems. None of the new transfer payments are earmarked for public health, but regional public health is the front line when a public health emergency strikes, and it's often under-resourced.

• (1600)

The Naylor report called for 5% of total health spending to be directed toward public health. This year, that 5% would equal \$6.5 billion. We know that the federal government is spending about \$0.5 billion through its funding to the Public Health Agency of Canada, and has pledged that its spending in 2004 was a first installment. However, we do not know how much the provincial governments are spending. In fact, it's a question that cannot be answered.

[Translation]

The first recommendation is that the federal government should call on the provincial and territorial governments to allocate a portion of the increased resources provided in the 10-year plan for public health activities and the search for greater transparency in health spending.

[English]

I will move next to the funding of the Public Health Agency of Canada. The agency's planned spending for the fiscal year 2005-06 is \$481 million. Meeting the Naylor gap would bring the agency funding to \$1.1 billion, an increase of approximately \$600 million over their current planned spending.

So our second recommendation is that the federal government increase to \$1.1 billion per year its core funding to the federal public health functions, including ongoing operations of the Public Health Agency of Canada, public health partnerships, the prevention and control of communicable and non-communicable diseases, and the promotion of the health of all Canadians.

The next topic we feel is of concern is the national public health workforce strategy—and again that has been addressed by other speakers. Experts all agree that Canada has a serious shortage of appropriately trained workers at all levels in public health. Many current front line practitioners are public health nurses, but the workforce also comprises staff from other disciplines, such as health inspectors, nutritionists, health promoters, veterinarians such as myself, community development specialists, public health dentists, research epidemiologists, etc. The list goes on.

The Naylor committee concluded that the only way forward was to have a coherent, national, public health human resource strategy.

• (1605)

[Translation]

The third recommendation is that the federal government should allocate sufficient funds, through the Public Health Agency of Canada, to allow Human Resources and Skills Development Canada to conduct a multi-disciplinary sectoral study of Canada's public health work force and the development of a long-term strategy for its renewal and sustainability.

[English]

Next I will move to a national immunization strategy. Vaccines are among the greatest public health achievements of the 20th century. Immunization is also one of the most cost-effective health interventions available. The World Bank calls it the first public health initiative in which governments should invest.

Canada's national immunization strategy has not yet been fully implemented. The Naylor committee recommended funding of \$100 million per year for a national immunization strategy. So our recommendation is that the federal government make a long-term funding commitment to a national immunization program, including \$100 million annually to initiate and sustain immunization programs, and \$10 million annually to support the national immunization strategy.

The fifth recommendation is that the Public Health Agency of Canada update the "Economic Burden of Illness in Canada" report every three years, and formally incorporate this concept into its sustainable development strategy with respect to the balancing of surveillance, prevention, programming, and research.

[Translation]

Finally, we recommend that the federal government should request the Health Council of Canada to include the performance of public health resources in its reporting to Canadians.

[English]

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

Next, from the Canadian Real Estate Association, is Monsieur Beauchamp.

[Translation]

**Mr. Pierre Beauchamp (Chief Executive Officer, Canadian Real Estate Association):** My name is Pierre Beauchamp and I am the Chief Executive Officer of the Canadian Real Estate Association. Mr. Chairman, I wish to thank you for inviting me to appear before your Committee and present the recommendations of real estate agents who are members of the Canadian Real Estate Association.

[English]

Mr. Chairman, I believe many of your members know who we are. The Canadian Real Estate Association represents the realtors who come to see you in Ottawa every spring in the context of our political action committee efforts. Even as we speak, Mr. Chairman, they are arranging meetings in the constituencies to discuss the issues that we've outlined in our pre-budget submission, which has been submitted to your committee and is in front of you.

Today there are about 82,000 realtors in communities large and small throughout the country. We recently asked Clayton Research to update for us their study on the impact of the nearly 500,000 properties that are sold through the MLS system every year. Their latest analysis says that each housing transaction generates an additional \$24,000 in spinoff spending, contributing \$12.4 billion to the economy over and above actual house sales.

Our number one issue, Mr. Chairman, is the Department of Finance's proposal to limit deductions for investors in real estate. We've recently discussed the revised proposals with officials at the finance department. It has become clear to us that the department is making only slight modifications and is repackaging its original proposal. Last spring, Mr. Chairman, realtors raised several serious concerns with members of Parliament. They talked to more than 160 members. Almost two-thirds of those members supported our concerns at that time and agreed that Finance needed to go back to the drawing board. In February, the federal budget referred to the fact that

The Department of Finance has sought to respond by developing a more modest legislative initiative that would respond to those concerns while still achieving the Government's objectives.

Just last month, officials from the Department of Finance told us that the essentials effectively remain unchanged. The department still plans to capture and penalize legitimate business practices. Deductibility of interest and expenses will be limited to situations in which the taxpayer can show that the expenses were incurred for the purpose of earning net income from a business or real estate investment. The key to deductibility will be the taxpayer's intention to have a positive income stream from the investment. Importantly, an intention to receive a capital gain will no longer count in this determination, or so we are told.

By excluding capital gains, the department is ignoring the fundamental reality that most real estate investment decisions are based, at least in part, on the expectation of a capital gain. Many investors choose an investment in real property knowing full well that the rental stream may not exceed ongoing expenses, but they proceed on the basis that the capital gain they expect to earn at the time of the sale will offset their costs.

Mr. Chairman, you wanted us to address issues of productivity. This proposal would impede productivity, not improve it. This would represent an enormous setback to entrepreneurs and their activity. The proposal would create overall uncertainty in the real estate market. It would discourage the level of future investment in real estate. It would disadvantage real estate in favour of other investment vehicles, such as common shares.

Furthermore, there is no provision for grandfathering. Investors who acted in good faith, based on an understanding of the law, could now be forced to sell at a loss. In other words, capital gains made on a real estate investment made in good faith two or three years ago would not satisfy the new net income purpose test. We feel this arbitrary change is fundamentally unjust.

The committee noted in its last report last year that a number of witnesses said the proposed changes would create a problem. We urge you to revisit this issue this year and take a position in opposition to the proposal in its present form.

Mr. Chairman, let me briefly highlight several other recommendations in our submission. You'll find a comprehensive set of recommendations on housing policy in our proposal. One of them says that updating the GST new housing rebate is overdue. The rebate hasn't been revised since the GST was introduced in 1991. Only homes priced up to \$350,000 qualify for the full rebate.

● (1610)

We say it's time to revise the thresholds, because if they were appropriate in 1991, they certainly aren't today, particularly in Vancouver, Calgary, and Toronto. We also urge this committee to recommend a new definition of substantial renovations in the GST rules: the current rules discourage owners from renovating properties to create secondary suites, which are increasingly recognized as legitimate and valuable housing options.



On the subject of thresholds, we also recommend that the maximum loan that an individual may borrow under the home buyers plan be raised from \$20,000 to \$25,000. Again, the numbers have remained unchanged since 1992, when the plan was introduced. Since that time the MLS residential average home price has risen by 51% and the consumer price index climbed by 25%.

Mr. Chair, since 1992 more than 1.4 million Canadians have borrowed \$15 billion from their RRSPs to purchase more than 746,000 homes. Many of these individuals are young Canadians. We would argue that this has been one of the most important federal policies in promoting home ownership and both real estate and estate planning. The evidence of success is clear, and the price thresholds of the home buyers plan must be updated to reflect nearly 15 years of change in the real estate market.

Finally, we suggest there's a direct link between a sound fiscal policy and national productivity. The higher the debt servicing charges, the less the government has to spend on services and the more it must raise taxes. As taxes and user fees rise, input costs go up for business and productivity goes down. Our submission advocates systematic national debt reduction, achieved through explicit budgeting for debt servicing charges and the use of rolling annual targets. We note that spending initiatives in recent years have far outpaced tax cuts. We recommend the reintroduction of the corporate tax cuts that were reallocated into spending increases before Parliament passed the 2005 budget. We strongly recommend that the budgets for 2006 and beyond make tax cuts a higher priority than spending increases.

Thank you, Mr. Chair.

•(1615)

**The Chair:** Thank you, Monsieur Beauchamp.

[Translation]

I now give the floor to Mr. Roschlau, of the Canadian Urban Transit Association.

**Mr. Michael Roschlau (President and Chief Executive Officer, Canadian Urban Transit Association):** Thank you, Mr. Chairman and members of the Committee.

[English]

Mr. Chairman, committee members, the Canadian Urban Transit Association thanks you for the opportunity to address the critical role that public transit plays in moving Canadians and our economy and its productivity. Many of you probably know that we represent the public transit systems in communities across this country, which operate the buses and trains allowing your constituents to get to work, to get to school, to get to health care.

I'm the president and CEO of the association.

[Translation]

I have with me today Mr. Robert Olivier, Chairman of the CUTA Board and Chief Executive Officer of the Société de transport de Montréal.

[English]

Let me begin by sharing some breaking news. CUTA has just released the final transit ridership figures for 2004—and they're

dramatic. Last year we saw a significant acceleration of the growth shown in previous years, with over 1.59 billion transit trips taken across Canada, including a lot of your constituents getting to work, to school, and to health care. This represents an increase of 40 million trips over 2003, or a 2.57% growth, equivalent to the entire ridership of a system the size of Edmonton, Winnipeg, or Quebec City.

Public transit can and will attract more and more Canadians under conditions where the right balance between expanded service and the provision of fair incentives can be provided. Thanks to the support from this committee, the government has been very responsive in supporting transit and in ensuring that this growth continues into the future.

[Translation]

**Mr. Robert Olivier (Chair, Executive Director, Planning and Operating Support, Société de transport de Montréal, Canadian Urban Transit Association):** In the February last budget, the Minister of Finance announced that over the next five years the government will be allocating \$5 billion of new funding from the gas tax to sustainable municipal infrastructure projects.

Public transit is a priority in that investment project. Later on, the budget was completed by Bill C-48 which provides an additional \$800 million over two years for urban transit. CUTA welcomes those investments. It should be noted however that public transit systems are yet to receive those funds which they need to have before they are able to develop their facilities and provide better service to Canadians.

Based on what has been achieved so far, CUTA would like to make two recommendations which will improve both the supply of and the demand for public transit.

With regard to supply, we need to make sure that there is sufficient capacity. This is why CUTA would like the government to take the next logical step and make the funding provided for in Bill C-48 an ongoing commitment instead of stopping it in 2007.

To reap the economic, environmental, social and cultural benefits of public transit and to optimize its productivity, we need to be able to rely on ongoing investments, which could be done by maintaining in the long run the vital support provided through Bill C-48.

Although the investments made this year will make a considerable difference, there is still a lot to do. In its reports on public transit infrastructure needs between 2004 and 2008, CUTA has determined that an investment of \$21 billion was required to renew and expand the public transit infrastructure in Canada. This includes Line 5 of the Montreal Subway, which I am sure you are very interested in, Mr. Chairman.

•(1620)

[English]

**Mr. Michael Roschlau:** While permanent funding—as well as enhancing capacity and attractiveness—is essential to the supply side of public transit, something must be done to boost the demand side as well. In last February's budget, the government outlined the different ways it had at its disposal to generate sustainable growth. One method of supporting sustainability was through the tax system. The budget set out a framework for evaluating proposals, which specified five criteria: environmental effectiveness, fiscal impact, economic efficiency, fairness, and simplicity.

CUTA has long believed the tax system could be used to encourage a shift from commuting by car to using transit. To support this, we commissioned a study to examine our proposal to make employer-provided transit benefits tax-exempt. The results of this study clearly demonstrate the potential of implementing this simple and cost-effective proposal. They're summarized in this blue sheet called "Tax-Exempt Transit Benefits," which you have in your package.

Under the federal Income Tax Act, benefits such as parking and transit are currently designated as taxable income. In practice, however, the percentage of commuters paying taxes on parking benefits is quite small. Surveys show that free parking is a common benefit provided to about 80% of auto commuters thanks to a loophole that excludes non-reserve parking spaces from taxation. In contrast, employer-provided transit benefits are practically non-existent due to the tax burden imposed on employees.

One way to compete with free parking is to encourage employers to offer transit benefits as an alternative option. A tax exemption gives employers the necessary incentive to provide transit benefits, and allows employees to accept these benefits without paying more in income tax. Transit benefits, in turn, provide equity for non-drivers and motivation for drivers to switch their mode of transportation. Several transit agencies across the country have started offering employer transit benefit programs, but their impact is limited without the tax exemption.

CUTA has been advocating this position since 1995, and we're pleased there's been interest from all parties in tax incentives in support of transit. In its climate change plan, the NDP specifically endorses tax exemption for employer-provided transit benefits. In August 2005, the Conservative Party promised to make bus and subway passes tax-deductible, if they form the next federal government. A 16% federal tax credit would apply to the purchase of monthly passes by individuals for themselves or their dependants. And Bill C-306, introduced by a member of the Bloc Québécois in 2004, recommends tax-exempt status for all individual expenses related to transit fare purposes. The bill passed second reading last month and has been referred to this committee.

While neither of the Conservative or Bloc initiatives are identical to this one, they indicate clearly that using the tax system is the right approach to supporting increased transit use. Our second recommendation, therefore, is to amend the Income Tax Act to eliminate the inequity between employment benefits for drivers and transit users by making employer-provided transit benefits exempt from income tax.

[Translation]

**Mr. Robert Olivier:** CUTA believes that this amendment to the Income Tax Act as well as the provision of long-term government support for the public transit infrastructure will provide Canadians with a better mobility and a better quality of life while ensuring that the government's investment will be profitable.

I thank you for listening to us. We look forward to answering your questions.

[English]

Thank you.

[Translation]

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

[English]

From the Credit Union Central of Canada, Ms. De Laurentiis.

**Ms. Joanne De Laurentiis (President and Chief Executive Officer, Credit Union Central of Canada):** Good afternoon, Mr. Chair and committee members. Thank you for this opportunity to come before the committee today to discuss our recommendations as you prepare for the next federal budget.

My name is Joanne De Laurentiis. I'm president and CEO of Credit Union Central of Canada, commonly known as Canadian Central.

Canadian Central is a federally regulated financial institution that operates as the national trade association and finance facility for our shareholders, the provincial credit union centrals, and through them for 534 affiliated credit unions across Canada. Our credit unions employ more than 21,000 Canadians serving our members, who number over 4.8 million. At the end of the second quarter of this year our credit unions held close to \$82 billion in assets. Between the second quarter of 2004 and 2005 the Canadian Central affiliated credit union system experienced asset growth of just under 10%.

Although primarily known for serving the consumer market, credit unions are in fact a rapidly growing presence in the small and medium-size enterprise lending market. On a consolidated basis, credit unions' participation in the SME market in Canada equals approximately \$18 billion, the second largest in Canada.

Credit unions are committed to Canada's communities, and this is evident in our efforts to purchase bank branches in communities where commercial banks have decided to leave. Since 2000, credit unions have purchased 74 bank branches: 14 in British Columbia, 21 in Alberta, 17 in Saskatchewan, 16 in Manitoba, 2 in Ontario, 2 in New Brunswick, and 2 in Nova Scotia.

In the interest of time, I'm going to share just two of the concerns we've expressed in recommendations we've put in for the budget.

The credit union system is a significant lender to both the agriculture and agrifood sectors in Canada. Our presence as lenders to the rural economy is becoming even more important as many charter banks leave rural communities to focus their business activities on urban centres and internationally. With this in mind, Canadian Central has noted with interest the wide-ranging recommendations in the July, 2005, report on Canadian farmers completed by the Honourable Wayne Easter, Parliamentary Secretary to the Minister of Agriculture and Agri-Food, entitled "Empowering Canadian Farmers in the Marketplace".

We agree with the view found in the Easter report that the challenges of Canadian agriculture go beyond trade issues and that these issues can only be addressed if the federal and provincial governments in Canada commit to taking a more comprehensive and coordinated approach to dealing with the agricultural sector. We support the Easter report's position that any new policy framework for Canadian agriculture must be multi-faceted and address issues ranging from managing producer costs, product development, efficient and fair environmental management regulations, international trade, marketing arrangements, and the market power of agribusiness.

Thus, Canadian Central recommends that in the upcoming budget the federal government publicly indicate that it will carefully consider the recommendations of the Easter report with a view to developing a comprehensive policy framework to address the concerns of Canadian farmers. We believe that such a commitment must come with an additional commitment to provide the financing to adequately deliver any new programming that may arise out of the review.

Our second issue is one of concern to my members, and it is with respect to Competition Bureau policy. In recent years the government has reduced the tax burden borne by businesses in Canada. Credit unions appreciate the government's sensitivity to the need for tax reductions on business. However, as the government increasingly employs user fees to collect revenues, greater attention should be paid to ensuring these are fair and efficient and do not work to reduce innovation and competition. In this regard, credit unions have indicated that fees paid to the Competition Bureau to review mergers should be commensurate with the complexity of the mergers under consideration.

• (1625)

Canadian Central submits for consideration two alternative approaches that would increase the fairness of the bureau's fees. The first is to replace the current \$50,000 merger review charge with a lower base fee combined with a sliding scale fee. This could be based on assets and/or revenue of the merger partners or based on a billable hours approach.

The second approach would adjust the merger notification thresholds. Financial institutions accumulate assets in a different manner from those of commercial organizations. Applying the \$400 million notification threshold to financial institutions requires transactions with limited competitive implications to be subject to the bureau's review. For example, there are in excess of fifty credit unions in Canada with assets of \$300 million or more. Any merger involving these credit unions will likely trigger the \$400 million notifiable transaction thresholds and require the payment of review fees to the bureau. However, the competitive implications of any such transactions are limited, given that a \$400 million credit union has assets of less than 1% of the assets of the Royal Bank of Canada.

In keeping with your theme of improving productivity, we believe this can be achieved with dealing with issues such as those we've raised because they promote efficiencies and competition in key market segments. Achieving efficiencies is what will lead us to greater levels of productivity.

Thank you for your time today.

• (1630)

**The Chair:** Thank you.

We have a bit of a problem here. We have half an hour and I have to keep on schedule. If I can, I'll just remind the witnesses that the members have five minutes for questions and answers, so if you keep your answers concise and brief, it will be appreciated. There's a wide variety, and I'm sure the members will want to ask more than one question to more than one group.

If we can, we'll get started. Ms. Ambrose, Monsieur Desrochers, Monsieur Holland, and Ms. Wasylycia-Leis, for five minutes.

**Ms. Rona Ambrose (Edmonton—Spruce Grove, CPC):** Thank you, Mr. Chair, and thank you to the presenters for your presentations today.

I just wanted to quickly make a comment to Mr. Roschlau, thanking you for your presentation and your position in support—I know many parties have put forward similar positions, including the NDP and the Bloc—of our tax deductibility program for commuter passes. I think it's very important for the environment and it's about conservation. In my estimation, conservation is a Conservative principle.

I know there are different approaches. Yours is one that relates to employers only; ours is more universal. I had a chance to talk to your counterparts in Vancouver about the difference between the two policies; I hope we continue to push in that direction. I think we're all going in the right direction on that.

I'd like to ask some questions of Ms. Collins-Nakai, Mr. Tholl, Ms. Wilson, and Mr. Dittberner on health care funding.

I think no one disputes the importance of putting money into the public system. I know in our province, Alberta, just two weeks ago we put another \$1.4 billion into the public system. I sense there's very much a focus on funding treatment in the system, and a lot of that is a response to cutbacks in the past and what not.

I wondered if you could talk about preventative health and the need to fund preventative health. We've heard in the last few weeks, in pre-budgetary hearings, groups quantifying the billions that would be saved in investing in preventative health, but it's hard to make the argument, when you're competing against treatment and core services, for the need to put money into marketing, campaigns, and things for preventative health. Could you talk a little about the challenge and the need to put money in investment targeted specifically at campaigns around preventative health?

**Ms. Ruth Collins-Nakai:** By all means, and thank you for your question.

There's no doubt we need to fund both areas. You cannot leave people requiring acute care when they're injured or sick without that care, but we certainly need to invest more heavily in prevention. That's part of the reason we feel it's very important to fund public health and the Public Health Agency. We need to do things like creating healthy public policies, where the healthy policies are actually more effective than economic policies. Right now oftentimes it's true that healthy policies, healthy processes, are more expensive.

We certainly agree with funding prevention strategies. We've recommended immunization; we've recommended strategies to decrease obesity, strategies to increase physical activity, especially in children; we have a need to increase the activity of Canadians generally. We've asked for healthier public policies in terms of food additives and food labelling. There are a whole series of things we've recommended that could be done, and some of them won't cost.

**The Chair:** Ms. Wilson.

**Dr. Elinor Wilson:** Thank you very much for the question.

Just to add to what Dr. Collins-Nakai has said, I think there's a saying that public health is a success when nothing happens. So part of the issue around public health is that it operates in the background of the system.

I think what we're looking for is a recognition that we have a health system that goes all the way from public health through acute care to rehabilitation, and so on, and it's not just about what we think of traditionally as the health issues. It's about the other determinants of health as well, which of course are poverty, lack of education, and social isolation. So even some of the things that are being talked about by our other colleagues on the panel, such as the transportation issue, are part of that approach to public health.

Our challenge is that to have an effective public health system, it's going to require an all-of-government approach. It can't merely be in the health part of the system, because all of these things go across government.

As one quick example, when you think about tobacco control, the successes in tobacco control were not just about telling the public about smoking and how bad that was and what it did to you. It was a combination, as you pointed out, of social marketing, high taxation,

and healthy public policy that brought us from a rate of 50% of smokers two decades ago to 19% today. If we think about where our health care costs would be today if we were still at 50%, it's a wise investment.

Thank you.

• (1635)

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

Monsieur Desrochers, Mr. Holland, and then Ms. Wasylycia-Leis.

[*Translation*]

**Mr. Odina Desrochers (Lotbinière—Chutes-de-la-Chaudière, BQ):** Thank you, Mr. Chairman.

I wish to thank all the people who have come to meet with us this afternoon. I regret however that we have so many witnesses and so little time to ask our questions. I have sat previously on the Committee of Finance with both less witnesses and less diversity in the issues that we dealt with, so it was easier to achieve some form of consensus. Today, we are jumping from the medical field to the real estate sector as well as credit and public transit, and it makes our task more difficult.

Mr. Chairman, I would ask you to be more vigilant in the future so that we have more time and our witnesses can better express their views.

My question is for the representatives of the Canadian Medical Association. In your statement, you say that the Conference Board of Canada recently reported that our economic performance and productivity have fallen to 12th place from 3rd. The report also points out that our health system has fallen from superior to poor over the past few years.

Do you know if it is two, three, four or five years? Is it a vague or specific statement?

[*English*]

**Ms. Ruth Collins-Nakai:** The Conference Board of Canada released a report on Tuesday of last week that stated that we went from third to sixth to twelfth over the past three years in terms of economic performance and productivity.

[*Translation*]

**Mr. Odina Desrochers:** You also talk about the excessive workload for health care professionals. You say that out of 30 countries, Canada ranks in 24th place. Could you give us the figures for countries that compare with Canada? I do not know which countries are ahead of us.

[*English*]

**Ms. Ruth Collins-Nakai:** Yes. In Canada, the current ratio of physicians to population—and there is further information in the brief—is 2.1 positions per thousand population. The average for all OECD countries is 2.9 per thousand population. If we were to do our calculations on the basis of 2.9 per thousand population, we would be short 20,540 physicians in Canada right now, to get to the OECD average. So we're significantly behind.

We're also significantly behind in number of entry spots to medical school or to nursing school in Canada. In particular, in number of spots per medical school, Britain, for instance, in dealing with their long wait lists, decided to increase the number of health personnel. They increased their numbers to over 12 per hundred thousand population. We're at a rate of 6.5 per hundred thousand population.

[*Translation*]

**Mr. Odina Desrochers:** Ms. Collins-Nakai, you say on page 2 that we have currently over 600 qualified international medical graduates already in Canada who cannot access postgraduate residency training.

Is that problem caused by universities or by medical colleges? How come those people are not able to provide their services to the Canadian people?

• (1640)

[*English*]

**Ms. Ruth Collins-Nakai:** In Canada, once you've completed medical school, you are required to do what is called residency training, or post-graduate education. Physicians who come into Canada can qualify to write the licentiate examinations, which are equivalent to our medical school finishing examinations, but they still have to do the post-graduate training in Canada. Those post-graduate training spots are controlled by government. Right now they're funded through the universities by provincial governments.

In addition, there are foreign governments, like Saudi Arabia and a variety of the gulf states, that will pay the universities outside the number of government spots, that are purchasing positions to train what we call visa trainees, who then go back to their own countries—they don't stay here in Canada to practise. What we're suggesting is that the federal government buy enough to train those 600-and-some international medical graduates who are already here in Canada as landed immigrants or Canadian citizens, and allow them to get that post-graduate education so they can then be working in Canada.

[*Translation*]

**The Chair:** Thank you, Mr. Desrochers. For your information, I would note that once we complete our pre-budget consultations, we will have heard approximately 400 witnesses. We have heard about 380 so far. Due to the long waiting list, we had to add two more panels today. By having a greater mix of people, we help them understand better how complex and difficult the task of the Committee members will be when they draft their report.

[*English*]

Mr. Holland, then Ms. Wasylycia-Leis, Mr. Penson, and Madam Boivin.

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

Thank you to all who have appeared today. I know we are hearing from a lot of witnesses, and it's extremely appreciated. It's very helpful through the course of our deliberations to hear from you. We would, of course, love more time to ask questions, probably to all of the 200 witnesses that have come forward, but I will quickly address a couple of items as time permits.

The first question is to CUTA, the Canadian Urban Transit Association. I was a municipal councillor for seven years and had a lot of opportunity to work with your organization. I'm very appreciative of what you've done and what you continue to do to promote transit.

I have just a couple of comments. We're talking about growing ridership, which I think is a goal for all of us. We mentioned that it's a goal of the health professions. It's a goal of environmentalists. It's a goal for those who are involved in industry and real estate. So it crosses all sectors, there's no doubt about that. Obviously, one of the things we have to do first is the infrastructure side, because you can have all the incentives in the world, but if you don't have the infrastructure, it doesn't matter. It's one of the reasons why I think a new deal, and putting that first, was so important. I'm so happy that transit was such a big part of that.

The second component, beyond that infrastructure, of having a successful transit system that is efficient and moves people well becomes things like incentives, which I think are going to be increasingly important as we move down the road. The things you've talked about I think we're going to need to look at. One thing I just want to reference quickly, and it's something we also are trying to work on through our creation of sustainability plans, is to ensure that communities are designed in such a way and built in such a way that transit is feasible.

Let me give you an example in the region I'm from, which desperately needs more transit. We have populations that are spread over large geographic distances that may or may not have centres to them. It becomes very difficult to drive buses, kilometre after kilometre, to pick up one person here and then drive ten kilometres over there to pick up somebody. We need to have centres and we need to focus on those cores and transit through those corridors so we can move people efficiently. I don't know if you have any comment on that, but it's one element that I think is very important when we try to address our sustainability plans, which you didn't have an opportunity to touch on in your presentation.

**Mr. Michael Roschlau:** Absolutely.

Mr. Chair, the honourable member raises an excellent point, and certainly in the larger cities the whole issue of supporting the investments in transportation with the appropriate densities and mixed uses of land development is critical along corridors and around nodes. And I'm so pleased that the region of Durham is getting together and having a regional transit system as of next January. It's one more step. But I expect that the whole concept of integrated community sustainability plans in each community—which are going to be required, as I understand, as part of the new-deal implementation in negotiation with the provinces—will also have a specific requirement with regard to targets on ridership growth and how the community is going to invest the new money in bringing them about and integrating them with what's happening on the ground. That link is absolutely the most critical as we go forward. The trouble is, it's a long-term issue, and hence, it's difficult for a lot of people to get their heads around it in a couple of years.

•(1645)

**Mr. Robert Olivier:** I would just add that in Montreal we're very careful about that, and we ask our different municipalities. We produce a small guide for new towns or new sectors, just to let people think about that when they're building a new sector in a city, to make sure that at least there's one artery that can be used by buses or something like that, or stay open-minded to other types of services such as taxicabs or things like that. It's very important to have the most productivity from our services.

**Mr. Mark Holland:** Thank you.

I would like to move for a second to the issue of health and those who were good enough to present on the issue of health in general, but specifically public health and the issue of prevention.

There's no question that health is absolutely critical to having a productive and strong economy, as well as having a high quality of life for the residents who live within Canada.

One of the issues that was quickly addressed in one of the questions that was answered was the issue of obesity. I think that's one we really have to grapple with. I know you said you had made some recommendations. I'd like to expand upon those, because if we don't recognize the enormity of this issue and the effect it's going to have in the future....

We see the rising rates among children. Type two diabetes, which was something almost unheard of before, is now prevalent. We're looking at hypertension and asthma and all of the impacts that obesity is going to have, and I'm very worried, as I think most of us should be—and I raised it today in the House—that for the first time in generations, we're looking at actually the life expectancy of our children to be less than that of the current generation.

I think this has to be an imperative for us, and I wonder what your recommendations would be on this.

**The Chair:** Thank you.

Quickly, Ms. Collins-Nakai.

**Ms. Ruth Collins-Nakai:** We're concerned about that, and one of the early-warning indicators that something is wrong in the population is that infant mortality rates change. The infant mortality rate is going up in Canada. It's the only OECD country where it's going up. We've dropped from fifth to 22nd place in terms of infant mortality rates. And we have the second-highest preschool obesity rate in the world at the present time.

There's no question that we have to do things. We have to look at the fat foods that are available, the high-sugar foods that are available to children—pop, and so forth, and what are we feeding them in the schools? And hugely, we have to look at what our activity levels are. If public transit can help us get kids moving better, we need to do that.

There are a whole series of recommendations that have been made. The Ontario Medical Association, the Alberta Medical Association, the Canadian Diabetes Association, and the Canadian Cardiovascular Society are all focusing on the issue, as is, as you know, CIHR, the Institute of Nutrition, Metabolism and Diabetes.

So there's research being done. There are some public policy things that can be done, and I'd be pleased to discuss those with you at a later time.

**The Chair:** Thank you, Ms. Collins-Nakai.

Ms. Wasylycia-Leis.

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

Thank you to everyone for your presentations, which are wide-ranging and making it difficult for us to zero in on any particular area. So I'm not going to focus on one specific issue; I think I'll just take the time to see what any one of you might be able to contribute towards our deliberations on the macro policy side.

Many of you have talked about investments, which I don't disagree with, and see as part of productivity. Mr. Beauchamp wants investment and he wants tax cuts and major debt relief.

If the government has its way, we are going to be faced with a surplus bill that will take the anticipated \$12 billion—according to our independent experts—for the fiscal year of 2006-07 and divide that one-third, one-third, one-third, after leaving aside \$3 billion for contingency, which will go to the debt if it's not spent on an emergency. That means that there would be about \$3 billion for spending, if we're really lucky and no other games are played.

You've just given us all a list of spending that goes far beyond that. Is there anybody who wants to give us advice on the right balance and the right approach as we grapple with these competing demands?

•(1650)

**Ms. Ruth Collins-Nakai:** I'd be quite happy to take that question. Thank you very much for asking.

If you want better future health and productivity in this country, invest in education and health and children—100% for that matter. It has to be directed toward the future health and productivity of this nation.

**Ms. Joanne De Laurentiis:** Could I add a note? The agriculture sector is a good example of where the approaches that we've been taking have been band-aid solutions. From our perspective, being on the front lines of lending to farmers, we think a framework approach is the way to go. It doesn't need to cost a lot of money. It's a case of reviewing what policies are in place and what approaches are in place, and putting in place a framework that works. That's one suggestion.

**Ms. Judy Wasylycia-Leis:** It would be great to hear from Mr. Beauchamp, who actually suggested that we put a heck of a lot more into housing. At the same time, he criticized Bill C-48, which was the NDP budget for the \$4.6 billion, which we got from corporate tax cuts, in order to put \$1.6 billion into housing, without which there would have been nothing in last year's budget for housing. So I think it would be useful to hear from Mr. Beauchamp which way he'd like it, and what advice he might have.

**Mr. Pierre Beauchamp:** Thank you for raising those issues.

Firstly, I'd like to maybe point out that on the investment side, all we're asking is for the tax act to not limit the deductibility of interest and other expenses unfairly and to not discriminate in the process against smaller investors who in fact are supporting the economy. We have to consider that those who buy and invest in real estate and in other products are people who are stimulating the economy. That is a purpose or a direction for productivity that your committee has espoused.

The other issue that you've raised is with respect to surpluses and the one-third, one-third, one-third formula, which I might have misunderstood. If we leave things the way they are today, would we not be better off? Right now, all of it would go to reducing the debt. By adopting the one-third, one-third, one-third formula, we're going to take much longer to reduce our debt and we'll be paying for a much longer period if government doesn't adopt a strong position to include in the budget, every year, a fixed amount to reduce our national debt.

**Ms. Judy Wasylycia-Leis:** The point is that it does that anyway through the contingency. It has had that automatic allocation to the debt. In fact, over the last decade, we've had \$80 billion in unallocated surpluses, most of which has gone against the debt. As a result, health, education, housing, the environment, and transportation have suffered because we haven't been able to invest strategically to the point where our economy is gaining in productivity. That's why I ask this question of balance. How do we get the appropriate balance? Perhaps the Conference of Defence Associations could—

**Mr. Howie Marsh (Conference of Defence Associations):** Actually, I won't come in on the defence part, but my understanding of economics is that there are four quadrants to the economic circle that are very important in macro-economics. One quadrant is the human resource, another one is innovation, the third is finances, and the fourth is natural resources. When all four of those are invested in well, the economy grows and things go well.

The problem that we have in Canada is under human resources, I agree. We're not investing enough in youth. We actually have too much wealth in those who are about to die, so we need to get more money back into youth.

The second quadrant is innovation. In the innovation quadrant, we lag way behind the OECD nations, and we need to start to innovate.

The third quadrant is finances. In Canada, we have this oddity that 5% of Canadians pay 95% of income tax, so we have an over-concentration of wealth.

The fourth one is natural resources. We have to move toward sustainable resources. We need to invest in those innovations that make our resources last longer.

• (1655)

**Ms. Judy Wasylycia-Leis:** I appreciate that. Excellent. Thank you.

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

Mr. Penson, then Ms. Boivin.

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

I know that our time today is short, and there are so many questions we'd like to ask.

I'd like to make a comment to Ms. Collins-Nakai and Ms. Wilson. I think it's vitally important that we have a public awareness program targeted at our youth on this obesity problem. In my view, it's a ticking time bomb. When combined with an aging population, who's going to pay the bills for that when more people are using our health care system? I encourage you to continue to work on the public awareness side as much as you can. That's an important part.

I'd like to ask you some questions, but in the interests of time, I'd like to move on to the Credit Union Central.

I notice that you've made the comment that you're concerned about the 15% increase in program spending last year. There has been some talk on debt repayment here today, but it's interesting to know that 12 years ago, when this government came to power, the national debt was almost exactly the same as it is today. Although some payment has been made on the interest, it is simply about the same amount, almost \$500 billion, as the amount was when they came to power. We still have a national debt that is pretty high. I can understand your concern about the 15% increase in program spending, because it was the kind of wild spending that got us into difficulty back in the 1970s and 1980s.

I also note that you have made some recommendations on the capital cost allowance, on the agriculture side. I think it's a good move. I would only ask you this question. Because you are so heavily leveraged on the agriculture side, are you following the WTO negotiations to try to get better market access and a reduction of export subsidies through the work that's going on in Geneva? Are you supportive of it?

I would put it in this context. I believe that Canadian farmers can compete on the basis of production with anybody in the world, but they have trouble competing with the treasuries of the European Union and the United States. I would hope that Credit Union Central and your members are supportive of Canada's attempt to bring those international subsidies down worldwide.

**Ms. Joanne De Laurentiis:** That's why we thought the Easter report was so well crafted. In the report, it's pointed out that the trade issues are certainly very important, but we have other issues within the sector that are critical as well.

We are in communities across the country. One of our concerns is that if we are not managing the agriculture sector appropriately, we're going to have a mass exodus. We are seeing a pretty major exodus out of the smaller regions and the smaller communities and into larger communities. We think that is very bad for the country.

But more importantly, as agricultural producers, we have an important role to play. We think we need a balanced approach. The trade issues are large issues, there's no doubt about that. But we have some issues internally between primary producers and processors as well. We need a bigger outlook.

**Mr. Charlie Penson:** I'm sorry that I cut you off.

I notice that you're concerned with some of the government programs, but it seems to me that if farmers could get more out of the marketplace, they wouldn't require the support of these programs so much. It seems to me that even with the best programs in the world, maybe the Government of Canada doesn't have a big enough budget to carry the agriculture sector, if the market isn't carrying a significant part of it.

**Ms. Joanne De Laurentiis:** We agree with you.

**Mr. Charlie Penson:** I would hope that we would be in support of trying to improve things on the international side as well.

**Ms. Joanne De Laurentiis:** I totally agree with you on that point.

**Mr. Charlie Penson:** Okay. Thank you.

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

Madame Boivin.

**Ms. Françoise Boivin (Gatineau, Lib.):** Merci, monsieur le président.

I'm still pondering the statement that we invest too much in those who are about to die, but I'll have the night to reflect on that one. I'm not sure we have to take it in the way that it sounded, but I get your point.

To my friend from the Conservative Party, I'll never apologize for reducing the debt. I think that when we're talking about our children and their future, we should never apologize for reducing the debt, because they'll be the ones having to pay for it.

Thank God they're not listening to what I'm saying. I can talk all I want about them, and they're not listening. I'm only kidding.

• (1700)

[*Translation*]

Doctor Collins-Nakai, I am interested in the issue of health human resources. You say quite rightly that there is no greater problem in our present health system. This is why we are unable to provide timely services and we are all involved in a debate which is far from over about the issue of privatization versus the public system.

You mention one step that could be put in place immediately regarding international medical graduates who are in Canada. Are you referring to foreign doctors who arrive in Canada and are ready to start practising medicine immediately, or are you thinking only of those who are still studying and undergoing residency training? If that is what you actually have in mind, how many foreign physicians arriving in Canada would be in a position to start working tomorrow morning, according to your association statistics?

I have to say — and some people hate it when we talk about our previous life — that I am a new MP here. However, as a labour law lawyer, I had some cases in medical colleges which were not

necessarily clear cut. Mind you, as members of the Corporation professionnelle du Barreau, we are not necessarily doing better.

This being said, in your opinion, on this issue of the recognition of foreign credentials, how many people are actually ready to start working in a hospital tomorrow morning?

[*English*]

**Ms. Ruth Collins-Nakai:** Apparently, last year there were 629 qualified physicians who applied for the match, of whom only 80 physicians received placement. There is a Canada-wide match.

During the early 1990s, when they cut enrollment to medical schools, they cut the numbers of post-graduate training positions at the same time so that there's a one-to-one relationship between entry to medical schools and the number of post-graduate training positions. We believe that ratio of post-graduate to undergraduate has to increase to 1.2 to 1, to allow for things like foreign graduates who come to Canada to live and to be committed to Canada in the future to get appropriate training; to bring back medical students who have had to go outside of Canada because they can't get into medical school here and would like to come back to Canada and work; and to allow those physicians who have been working in Canada, perhaps in family practice, who may have worked for five or ten years, and they want to go back and do specialty work and can't get into the system. So we're recommending an increase in the number of post-graduate training positions.

But the immediate need is...we're so short of physicians across Canada right now. We have 3.6 million Canadians who don't have access to a family practitioner. What we're saying is that we need to get these 600-and-some physicians into the system as quickly as we can. That could be done if the federal government purchased these positions, because the provincial governments say they're already funding to the maximum.

**Ms. Françoise Boivin:** That's one of the answers, and I agree with you, but on the other side, we feel that maybe it's not true. From the experience I have had, personally, representing some doctors from outside of the country, the resistance within the corporation was not easy; the process was not friendly. I couldn't understand...between provinces also. It was incredible. A doctor who was refused in Quebec would be accepted in New Brunswick. So what gives?

**Ms. Ruth Collins-Nakai:** There is no question. It turns out that the examinations you take, either as a family practitioner or as a specialist, are national examinations, but the licensing is done province by province.

One of our recommendations as well, which you'll see contained in the report, is setting up a professional, long-term, federal-provincial, pan-Canadian health planning organization along the lines of the Canadian Coordinating Office for Health Technology Assessment. We're saying that we need a Canadian coordinating office on health human resources that would plan not only physicians, but nurses, dentists, nurse practitioners, pharmacists, physiotherapists, and public health—long-term—and do it so we break down some of these interprovincial barriers.



We believe that Canadians want to maintain the standard of health care in Canada, so we don't want people practising who cannot pass Canadian exams.

• (1705)

**The Chair:** Thank you, Madam Collins-Nakai.

I have a quick question before we go.

Ms. Wilson, in one of the recommendations you talk about working with Human Resources and Skills Development Canada. We heard from the association of sector councils. I wonder, do you work with them?

**Dr. Elinor Wilson:** No, we do not at the moment.

**The Chair:** Are you aware of them?

**Dr. Elinor Wilson:** Yes, we are. And that recommendation... Many professions have had a sector study done, and that's what

we're looking for in public health, because it's very hard right now to define who is a public health professional. For example, would a school teacher be considered a public health professional when he or she does health education, or physical education, etc.? We have no real definition of what the core of public health is, nor do we know how many of these people there are. All we know is we lack capacity.

**The Chair:** Thank you.

Again, thank you to the witnesses. This is a perfect example of the complexities we have to deal with. Thank you for taking time out of your day.

We're going to try to start as soon as possible with our next meeting. Thank you.

The meeting is adjourned.

---





**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**

**Also available on the Parliamentary Internet Parlementaire at the following address:  
Aussi disponible sur le réseau électronique « Parliamentary Internet Parlementaire » à l'adresse suivante :  
<http://www.parl.gc.ca>**

---

**The Speaker of the House hereby grants permission to reproduce this document, in whole or in part, for use in schools and for other purposes such as private study, research, criticism, review or newspaper summary. Any commercial or other use or reproduction of this publication requires the express prior written authorization of the Speaker of the House of Commons.**

**Le Président de la Chambre des communes accorde, par la présente, l'autorisation de reproduire la totalité ou une partie de ce document à des fins éducatives et à des fins d'étude privée, de recherche, de critique, de compte rendu ou en vue d'en préparer un résumé de journal. Toute reproduction de ce document à des fins commerciales ou autres nécessite l'obtention au préalable d'une autorisation écrite du Président.**