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Chair

Mr. Massimo Pacetti

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● (1000)

[*English*]

The Chair (Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.)): Good morning. I hope everybody is fine. Thank you for taking time out in your day to come and present us with your briefs.

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

The way we will handle this is I'll allow you a seven- to eight-minute timeframe to present your opening brief. If you could respect the time allotted to you, it would be useful—so the members can ask questions later.

I have a list of groups and the order they're going in, but I think Health Partners International of Canada has asked to go first. That's not a problem.

Mr. Epp, you'll do the presentation. The floor is yours.

Hon. Jake Epp (Chair, Board of Directors, Health Partners International of Canada): Mr. Chairman and members of the committee, good morning. I'm chairman of Health Partners International of Canada. With me is John Kelsall, who is the president of HPIC.

As we all know, Canada enjoys an enviable reputation as a prosperous and compassionate nation. We're mindful of our responsibilities in helping those less fortunate around the world to meet the most basic of human needs. HPIC is honoured to be part of the solution that Canada presents to some of the world's most daunting humanitarian challenges.

Our particular contribution is in the area of health care. Health Partners International of Canada receives medicines, vaccines, and supplies donated by Canadian companies. We then organize these in our own facilities before distributing them as needed into the hands of hundreds of Canadian physicians and non-governmental organizations that work tirelessly in the developing world.

Some of our major programs are operated on behalf of the Canadian International Development Agency, including our response to natural disasters. The need, however, is greater than our current capacity to provide medicines through philanthropic programs. While we readily acknowledge the Canadian health care industry's wonderful support, we know all too well the extent of suffering that occurs in some of the countries of our interdependent world. Indeed, Canada's economy is, in many ways, tied to those of countries in Africa and elsewhere, and our government actively supports development in the poorest parts of the world in order to reduce poverty and to contribute to a more secure and equitable and prosperous world.

While Canada is committed to contribute 0.7% of GDP to aid struggling countries, our government has been criticized for not achieving this target. The Prime Minister has answered this criticism by stating that our commitment will be met over time. We believe our proposal could be of assistance in achieving Canada's stated goal. Part of the problem, as we know, is that gift-in-kind assistance does not technically count towards the 0.7% commitment. To add gift-in-kind donations to the mix of contributions from Canada would provide evidence at home of the public-private sector partnerships the government seeks to forge. According to numerous public declarations made to this effect by the Prime Minister and others, I believe this is an affirmative statement.

Indeed, we were encouraged to hear our Minister of Finance say recently to the Development Committee of the World Bank and International Monetary Fund, "We would also consider financing proposals that would harness private contributions."

HPIC's proposal invites the government to include, in its next budget, an innovative donation incentive that encourages the private sector to provide and, if necessary, manufacture products that are most urgently needed. It must be noted there is currently no economic incentive for companies to give gift-in-kind donations out of inventory. The strongest benefit of our proposal, we believe, is that it encourages companies to donate humanitarian aid for use in countries targeted by government programs, while reducing the real cost of aid underwritten by the government. Rather than spending money to purchase goods, governments would incur a substantially lower cost by combining the cost of the incentive with CIDA funding for handling and shipping, where appropriate. The purchasing power of actual cash donations to buy products is minimal in comparison with the much larger volumes of goods that can be obtained for charitable purposes through product donations.

For example, the application of this incentive to medicines donated by Canadian industry, which is the sector with which we are most familiar, would have the effect of generating $20 in product for every dollar of tax incentive, based on wholesale values. For those of us in the private sector, those are good multiples.

We are aware that such a change in tax policy for the purpose of increasing the donation of pharmaceutical products would create a demand for other products to be included. It is reasonable that the government would be concerned about the cost of such an incentive. Nonetheless, our position is that the government should consider for inclusion only those products that support the government's own priority programs in the developing world. Moreover, we suggest consideration be given only to products that are easily valued and that are essential for saving life. This initiative would take the form of a cost-effective incentive, in addition to the current provision that allows a company to deduct the cost of inventories.

If I could use the United States as an example for this committee, a program of tax incentives working there is adding huge value to that country's aid programs. For example, proportionately speaking, the United States ships much more donated aid than does Canada. We believe that is largely attributable to incentives built into the U.S. system that strongly encourage companies to become actively involved in international development programs. While Canada would want to develop its own approach, it is worth noting that companies in the United States are able to deduct one-half of the gain that would have been realized if the inventory had been sold at its fair market value, up to a maximum of twice the donated inventory's cost.

● (1005)

To avoid possible misuses, we recommend that certain parameters be set in order for the donation to qualify for the incentive. For example, the donation must be made by the company that manufactures or sells the products in the regular course of its business—in other words, no third-party donations. The donation must be needed and useful to the Canadian NGO receiving it, and it must help Canada meet its overseas aid and development goals. NGOs would receive the right to refuse any donations. And one could also add World Health Organization programs, which we're very familiar with and which have further conditions that could be used as a template.

Over the course of the past few months, we have consulted numerous experts in Canada and the United States. They generally agree that this concept is both feasible and important, in that it would put Canada in a much stronger position to deliver the most needed goods to people who need them most.

We know Canada's humanitarian programs are an important part of our country's sacred trust. Canadians are just, and they are a compassionate people. They want their government to give a helping hand to those who cannot access the most basic necessities of life. For us, that includes medicine, and we often take that for granted.

I think Canadians also want their government to be not only effective but also efficient in the stewardship of the public purse. That's why we have proposed a mechanism to increase donations made by the private sector.

You have a lot of things to think about. We thank you for the time you've given us. If you have any questions, we're willing to answer them afterwards.

The Chair: Thank you, Mr. Epp. As a quick comment, you say, “that are essential for saving lives”. Do you have a definition for that?

Hon. Jake Epp: Where do you want me to start? I'll just give you a quick example: antibiotics in Africa. Some of the product goes into a place like Malawi. There's a Canadian doctor there. He had more pharmaceutical product in his clinic than the entire country of Malawi. Canadians donated that. I think it puts it into perspective.

The Chair: Thank you.

From the Consumer Advocare Network, we have Ms. Wong-Rieger.

Ms. Durhane Wong-Rieger (Chair, Consumer Advocare Network): Thank you very much.

My name is Durhane Wong-Rieger, and I am the chair of the Consumer Advocare Network, which is a network of consumer-based health care organizations and health charities throughout Canada. I'm also here as president of the Canadian Organization for Rare Disorders.

I'm here to talk about Canada's need to have an orphan drug policy, and the implications for Canada in terms of not having such a policy. I think most people might notice that Canada, among all of the developed countries in the world, stands alone in being the only country that does not have an orphan drug policy. The United States, Japan, Australia, and the European Union in 1999, have all passed legislation that essentially provides incentives for companies to stimulate the development of treatments for neglected disorders and to reduce the barriers to regulatory approval and patient access.

Without a parallel Canadian orphan drug policy, the problem for Canada is that patients with rare diseases are among the very last in the developed world to gain access to new treatments. Some of these treatments are really for debilitating conditions, and oftentimes are life-threatening conditions—and I can define that later if you wish.

The exact definition of an orphan disease is a little bit varied across the world, but it's considered to be one that affects so few patients that there is little incentive to invest in developing either diagnostic tests or treatments. There are probably 6,000 orphan diseases worldwide.

If we take a very conservative prevalence of one in 20,000, there are at least three million Canadians who would suffer from some kind of a rare disorder. About 80% of these are inherited, so there's a genetic abnormality to them as a base. Many of these are undiagnosed, so patients often suffer unexplained and oftentimes severe and fatal consequences without ever knowing what the cause of that illness was. And because there is a lack of public and medical awareness, even when we do have screening and even when we do have diagnostic tools, many people do not get diagnosed. Even worse, many people do not get access to treatments that are available.

I'm also here to say that without an orphan drug policy, it's not just the patients who are losing out in Canada. Since 1983, when the U.S. implemented the first orphan drug legislation—and they basically provide incentives in terms of tax credits, research grants, and market exclusivity for researchers and for companies that develop these treatments—they have in fact generated hundreds of new treatments for hundreds of thousands of patients.

Coincidentally, I was just down at the NIH and its Office of Rare Diseases, and one of the reasons why the U.S. was compelled to pass this orphan drug legislation was that in the 1980s, Americans were not getting access to drugs that Canadians were in fact developing. They were upset because their American patients had to cross the border to get the drugs into the States. Today, of course, the situation is quite the reverse.

In 1999, the European Parliament passed their orphan medicinal products program. In five years, they've launched over two dozen new products.

What happens for Canada without an orphan drug program? Our Canadian researchers, who have been among the leaders in genetic research, and our biotech firms, which still stand as some of the leaders in the world, risk marginalization in the global research community. Our Canadian-based biotech firms risk falling further behind as investors choose to go elsewhere.

Quite frankly, the investment and research into orphan diseases is right now the most important growth sector in the pharmaceutical industry. Canadian patients, of course, risk being excluded from these clinical trials and the benefits of this new knowledge about rare disorders.

Right now, rare diseases sit in about the same position as HIV/AIDS did about twenty years ago. What we've seen is the investment for treatment of AIDS has not only generated new diagnoses and treatments to allow patients with AIDS to live—in fact, to be able to now live, we believe, nearly normal life spans—it has also generated a whole lot of new knowledge about the cause of the disease, and it has created a whole new category of medicines and generated much important research.

We are recognizing that much of that work is being done in the orphan disease community today, with comparable benefits and while attracting clinicians, researchers, and pharmaceutical interests. Therefore, we're going to see more and more of our researchers and more and more of our industries going south or going to Europe, where there are in fact incentives for investment in orphan drug research.

We have put together a larger brief, which we already submitted to the committee. Just briefly, however, what we have recommended is that we need to recognize the right of patients with rare diseases to the same standard of care and access to treatment held by those with more common diseases.

● (1010)

We do a reasonable job in this country of treating and diagnosing people with common diseases. We are probably the last in the developed world for people with rare diseases.

We need to have expedited regulatory reviews and a harmonization of the data, which would allow Health Canada to take advantage of the expert reviews conducted by the European Union, the U.S., and others. In fact, it is a very cost-effective way. When the research has already been done, when the reviews have already been conducted by international experts elsewhere, we need to take advantage of those reviews and not repeat the same degree of review.

We need to have reimbursements for drug plans, so with the manufacturers, they can in fact provide some fair way of providing what overall are fairly expensive treatments to a very small disease group. We have to have funding for the post-market research and a patients' registry, because often these drugs come to market with not as much research as what might be done for a more common disease. We need to push for the expansion of a catastrophic drug plan that would include not only Canadians who don't have access to drugs because of their income ability relative to their medical needs, but absolutely for patients with rare diseases, whose treatments can often run into the hundreds of thousands of dollars per year.

Coverage within the private drug plans, tax incentives—especially for research and development to make our Canadian-based companies competitive with those in the U.S. and elsewhere.... Market exclusivity is a strange and often contentious concern with regard to any kind of a commodity. It has proven to be the single most important incentive for pharmaceutical investment in both the U.S. and Europe. We need to be investing through CIHR and our universities in the development of appropriate types of clinical reviews for the development of these treatments for rare diseases and some of the disease subgroups, such as cancer or arthritis. In and of themselves, these are not rare diseases, but the subgroups could be extremely rare, and again, they suffer from the same problems of having a lack of investment.

As I said, we have a fuller brief we have submitted, but I'd be happy to answer any questions you might have.

● (1015)

The Chair: Thank you.

From the Canadian Trucking Alliance, we have Mr. Bradley.

I believe you are going to make the presentation.

Mr. David Bradley (Chief Executive Officer, Canadian Trucking Alliance): Thank you very much, Mr. Chair and members of the committee. I'm David Bradley, CEO of the Canadian Trucking Alliance, and I'm joined by Stephen Laskowski, our vice-president of economic affairs.

The CTA is a federation of the Canadian provincial trucking associations. In turn, we represent over 4,500 trucking companies in the country.

Trucking is the dominant mode of freight transportation in Canada. We move 90% of all consumer products and foodstuffs, and we play a vital role in terms of our trade with the United States by moving over two-thirds by value of Canada's trade with the U.S.

We're a labour-intensive industry employing in excess of 400,000 Canadians directly. Of those, approximately 265,000 are truck drivers, which according to the Census of Canada is the leading occupation for males, at least, in the country.

We are a very good leading economic indicator of economic activity, and I can talk about that later if you like. Clearly, things are not too bad, but there are some storm clouds on the horizon. Notwithstanding that, I'm here today to talk about some measures involving sustainable transportation, the need to build a world-class infrastructure, and tax fairness in the transportation sector.

First, a glorious opportunity currently exists for the Government of Canada working with the trucking industry to help accelerate the penetration of a new generation of smog-free engines into the marketplace. By law, and coming into the market about a year from now, new truck engines both in Canada and in the United States must reduce the emissions of NOx and particulate matter by about 90%. Both are the precursors of smog, and particulate matter has also been linked to lung cancer.

The problem is that these environmental gains come with a hefty cost. It's estimated that the purchase and operating costs—the incremental costs—of this new generation of trucks will be in excess of $40,000 Canadian. When you consider that the current cost of a tractor is $100,000 to $120,000, that's a significant increase in cost.

If you look at the pattern as new engines have come on stream over the last decade or so, you'll see that when these sorts of things occur there has been a pre-buy situation where companies, in order to avoid the increased costs, buy existing equipment, therefore delaying and putting off the environmental gains that could be made from these smog-free engines.

There are plenty of precedents in different budgets where other sectors of the economy, by moving to more environmentally friendly equipment, have received tax incentives through investment tax credits, accelerated CCA, and the like. We're recommending that to encourage, even on a temporary basis, the move to the new engines, Canada could adopt a capital consumption allowance system harmonized with the United States.

At present in the U.S., truck tractors are three-year assets. In other words, they can be written off in three years. In Canada, it takes six years, which again just delays and puts off the ability to re-equip the fleet.

So we think there's a significant gain to be made in terms of air quality in Canada, but we have to act now.

At the same time, while Canada is reliant upon an efficient, productive, safe, and environmentally friendly road transport sector, Canada remains the only G-7 country not to have a national highway policy. The federal Government of Canada has made some significant investments in highways in the last few years in partnership with the provinces. They total about $250 million. We're appreciative of that. However, those have been ad hoc investments, not part of an overall long-term funding strategy.

We would like to see a meaningful portion of the money that the federal government brings in with excise taxes on fuel—they bring in about $6 billion a year, investing about 5¢ of every $1 of that back into the highway system—go into a national highway trust fund.

While we're spending in the order of about $250 million a year at the federal level on highways, the U.S. federal government recently introduced, or passed, their new trust fund legislation, which will mean an investment of over $300 billion Canadian over the next six years.

● (1020)

We're persistently told by our political leaders that we need to compete and seize the opportunities that exist in the new emerging economies in Asia. While there's no doubt that China and India have to play some catch-up in terms of their highway infrastructure, it's absolutely incredible the investments that are being made in both of those two countries. So while it's true that they're playing catch-up, it's also equally true that we are falling behind.

Similarly with the borders, while there have been some significant investments made in the last couple of years, they have been ad hoc in nature and not part of an overall strategy. We've also found that even when announcements of funding are made, it seems that we are so hamstrung in certain circumstances—I'm speaking specifically of Windsor, where local politics, combined with federal and provincial politics, and the absolutely stifling Environmental Assessment Act, which seems to have less to do these days with protecting the environment and more to do with protecting property values.... One wonders if we could ever, in a crisis situation, make a significant investment in infrastructure in this country any more. We think that has to be reviewed.

Finally, in the area of tax fairness, I mentioned the tax revenues that are being brought in from excise taxes on diesel fuel—and Mr. Epp may even remember some of this. Excise taxes are an old-fashioned way of taxing consumption in this country. In fact, the excise taxes on fuel were brought in specifically with the purpose of slaying the deficit. We were told, during the run-up to the introduction of the goods and services tax, yes, those taxes should be harmonized with the GST, but the government of the day couldn't afford it.

Well, the deficit situation has changed significantly. There's now no policy purpose whatsoever for excise taxes on fuel. They're not being used for road-building and they're not being used as environmental incentives. We say either use them appropriately—in other words, put a meaningful portion of them into the trust funds for our border infrastructure and highway infrastructure—or get rid of them.

Finally, it's interesting how the trucking industry can be singled out for tax treatment when taxes are going up, but we don't get the same sort of consideration when we need taxes to go the other way. Truck drivers in Canada now spend a significant amount of their time on the highways, out of town, away from their homes, and they need subsistence nutrition in order to survive. Presently the tax deductibility of meals in Canada, for all sectors of the economy, is 50%. That was introduced in the mid-1990s, because the Americans were going from 80% to 50%. Now the U.S. has passed laws and the 80% meal deductibility for truck drivers will be restored in 2007. We're not talking about $200 dinners at the Rideau Club across the street, but subsistence nutrition—and certainly much less than current civil servants get on a tax-free allowance basis. We'd like to see some measures taken to try to equal the playing field in that regard.

I thank you, and I'd be pleased to answer any questions.

The Chair: Thank you, Mr. Bradley.

From the Association of Canadian Publishers, Mr. Howard.

Mr. Kirk Howard (President, Association of Canadian Publishers): Thank you.

The Association of Canadian Publishers is honoured to appear before you once again. My name is Kirk Howard. I'm the president of the ACP and the president of a publishing company called the Dundurn Group. With me today is Margaret Eaton, the executive director of our association. We've submitted a written brief to the committee, so I won't read from it this morning, but I'll touch on some of the highlights.

The Association of Canadian Publishers represents over 140 Canadian-owned book publishers, with members from all provinces and from one territory. We publish books in all sectors, including literary, general trade, scholarly, and educational sectors. In all its activities the ACP aims to encourage the writing, the publishing, the distribution, and the promotion of Canadian books.

Two years ago, at this very meeting, we stressed the need for the continuation of the book publishing industry development program—what we fondly call BPIDP—of the Department of Canadian Heritage at the then current funding level, which was approximately $30 million. Last year we asked that the Tomorrow Starts Today funding, which was about to expire, be continued. This program provides an additional $10 million for the publishing program. We are very grateful that you heard our concerns and that the funding in these programs has remained secure.

This funding has allowed Canadian-owned publishers to develop marketing and operational strategies that enable us to compete with the large multinationals operating in Canada. These multinationals have two distinct advantages: significant financing from head office, and a large backlist from whose revenues they can develop new projects. The DCH funding has also enabled the Canadian-owned sector to undertake export initiatives to find new markets for Canadian books and for Canadian authors. We do not seek additional funds for the programs at this time. We do, however join our colleagues in the cultural industries in urging Parliament to increase the appropriations for the Canada Council for the Arts, which is about to celebrate its 50th anniversary.

The Canada Council, through the writing and publishing section, provides about $19 million worth of grants to Canadian writers, publishers, and other literary organizations. These grants are absolutely essential to the support of our industry and to the creation of a strong national literature that speaks to Canadians.

We heartily endorse the platform to increase the funding to the Canada Council by $150 million in 2006, and given the contributions that the arts make economically and culturally to our country, this seems to us to be an appropriate amount.

We also recognize the need for a national translation program, a program that will increase significantly the amount of translation between the two official languages as well as into aboriginal languages. We support the project brought forth by our colleagues and our French language counterpart, ANEL, Association nationale des éditeurs de livres. This will not be a program to subsidize book production. Instead, it will pay for translations and offer a small incentive for publishers to market these translated books in new markets.

Over the past 25 years the federal government has invested a significant amount in the Canadian publishing industry. This private-public partnership has been a success. We think we've delivered the goods. We've created a national literature. In fact, we like to brag that we are the most successful of the cultural industries, and we have a significantly greater share of the domestic market than our colleagues in the Canadian film industry or our colleagues in the Canadian music industry.

The one concern that is increasing in importance is the succession issue. Many now substantial and successful publishing houses were founded in the afterglow of centennial year. Their owner-founders are now entering their retirement years and are looking for ways to hand down their companies to the next generation. So our association has been working with officials at the Department of Canadian Heritage to examine strategies that seem to work in other industries. We have no specific suggestions yet, but if we're invited back next year, we may have some detailed proposals for you to consider.

It's important to us and it's important to the government, we feel, that this sizeable investment over the years be protected and be sustained.

Thank you.

● (1025)

The Chair: Thank you, Mr. Howard.

I have Mr. Polito as an individual.

Mr. Joseph Polito (As an Individual): Thank you.

My wife suggested I should start with something nice, so let me say that this submission is very much in support of the worthy requests you've just received. It's designed to help provide the funds so that these economic incentives and investments and cost-efficient ideas can be employed.

There's something very wrong with the Bank of Canada. It raises interest rates because our economy is at full capacity, yet one in fourteen Canadians are unemployed. Worse, one in ten immigrants and one in six youths are unemployed, and the aboriginal rate is tragic. There's something very wrong when we are told we're not productive enough, yet we have many highly educated people, both Canadian-born and immigrants, unable to find work equal to their education. There's something wrong. We have an EI premium structure that actually increases unemployment.

One major strategy that will address these problems and will also increase productivity is reducing unemployment. With less money spent on the unemployed, there is more for investing in entrepreneurial human and physical capital. Without the option of surplus employees, employers use productivity, increasing capital investment, and training to increase output.

In 1997 Professor William Scarth proposed a remarkable zero-cost strategy to reduce unemployment in a C.D. Howe Institute publication. It was fittingly titled, "A Job-Creation Strategy for Governments with No Money". Professor Scarth is following your long successful strategies of subsidizing the desirable. Politicians like you made it possible for every child to have a K to 12 education free. Your other strategy is to tax the undesirable, and politicians like yourselves created high sin taxes so that far fewer people smoke or drink. The former strategy mix is much more productive, and the latter reduces health costs.

Scarth's strategy benefits millions of harried supermoms, countless dissatisfied immigrants, and young people. It benefits firms and cash-strapped, debt-burdened provinces and municipalities that all pay EI and CPP. His strategy also means reduced inflation and the substitution of more productive, energy-efficient capital for scarce workers.

This proposal is a zero-cost version of a proposal that has been endorsed in the past by this committee. The submission is based on the work of Canadian economists, including David Foot, William Scarth, Arthur Donner, and Frank Reid, who would all be happy to meet with you and the finance department. They've been promoting this remarkable, innovative, market-oriented tax strategy to create a powerful bias to full employment in good times and in bad by increasing new hiring, reducing overtime, increasing flexible work arrangements, and reducing overwork.

The 2% to 4% unemployment reduction is shown in the paper “Working Less and Enjoying it More” by Frank Reid. I put a chart in my speaking notes and it's also in my brief. The workforce has increased by over 50% since this table was calculated. Potential gain is now 600,000 jobs.

Arthur Donner's work suggested up to 50% of the job creation potential would be instead taken up by productivity increases, which was demonstrated in Britain between 1973 and 1974 when Prime Minister Edward Heath imposed a three-day work week during the coal strike. The output did not decline with that three-day work week.

Professor Reid's other proposals, such as prorated payroll taxes by proportion of the week worked, are in an appended document with my brief. The existing ceiling will remain for full-time, 40-hour workers, while those working half time would have a ceiling that is half that amount. Those working 30 hours would have a ceiling three-quarters of that amount, and so on. For example, young lawyers working half time for $50,000 each and tending to children would pay only half the EI and CPP premiums instead of the full premiums, making part-time less expensive to employers.

One of the most impressive successes of the potential job gains listed in Professor Reid's chart was the Etobicoke Board of Education. In all of Canada, this board had the worst case of declining enrolment. It was the ultimate example of Professor Foot's analysis of the collapse of the baby boom. The board and the teachers devised a plan that meant all the pent-up demand for job sharing, education, child leave, reduced workloads, and so on.... The result was that the board kept its young teachers and parents. Women who were having children were able to stay in the workforce and eventually find positions of responsibility. They avoided large payouts for layoffs and they boosted morale.

This strategy permitted the implementation of two shelved reports: the 1994 Donner report and the 1997 “Collective Reflection on the Changing Workplace”. In the latter, Lars Osberg explained a perverse market incentive. The design of payroll tax-based programs such as UI and CPP now encourages firms, when they need more labour, to increase overtime hours rather than to hire new employees, or if they do hire, they rely on contract work to avoid the payroll taxes. To reduce payroll premium costs and slowdowns, these same employers lay off employees, rather than reduce everyone's hours a little.

● (1030)

To reduce premium costs, employers resist family friendly flexible practices, such as reduced hours, job sharing, and educational leave. David Foot has described the impact on the sandwich generation, most acutely felt by women with careers, young children, and aging parents.

Perhaps the most overworked segment in society is you folks. I've worked in enough riding associations and election campaigns to know that you all need clones to do all that's expected of you.

We're in the ludicrous situation of overworking to transfer income through taxes to the unemployed, who would much prefer to have hours transferred to them. Worse, we've created a bias against the best social program—a job.

Who are the first to lose their jobs and the last to be hired? It's our youth, our immigrants, and our young parents. Hence, we increase child poverty, which we still haven't licked.

To improve productivity, most smart employers wish to keep employees in bad times, because of the enormous training costs for new hires in a knowledge economy and the cost of severance for layoffs. Our payroll structure impedes that desire.

You have recommended a form of Professor Scarth's policy in the past, and I've given the website where you've done so. Experts tell us that Canadian governments at all levels must spend from $30 billion to $90 billion, including enormous indirect costs involving health, justice, social services, to relieve unemployment and its pathology. Overwork also has enormous costs, both to the health system and to employers.

By creating a bias for full employment, we could apply some of the saved billions to necessary investment that has been asked for here today, in human capital, health, the environment, and infrastructure necessary to optimize our economy and to make it more productive.

To apply Professor Scarth's strategy, I've listed a zero-cost approach that applies essentially to the employer's premiums. That's where it works best. Basically, you would raise the current EI rate back to the 1994 rate of $4.30, and the increased revenue would be applied to the basic exemption of $8,000 or $9,000, whatever it might equal. The net cost to the employers would be the same, but if you created that exemption, employers would now find it much more attractive to keep employees, they wouldn't see great expenses in new hires, and so forth.

You could do a similar thing with employee premiums, but there'd be a cost to it, so I have a different proposal there. When you endorsed the Restaurant Association proposal, it had a cost, and that I think prohibited its being carried out.

The final thing I'd like to say is that in the appendix—I've actually attached it to the speaking notes, but it's better in the brief—I've listed a whole array of benefits for this strategy. They far exceed those for any other tax measure you can think of. In fact, if you were to put a tax cut in to help employers, this cut would be the best of all, including the capital tax cut.

Not only does it have more benefits than any of the other tax cuts; it also applies to the public sector. Municipalities, universities, libraries, hospitals, school boards all pay payroll premiums, so you'd be helping them out as well. And you don't have to be earning an income. If Nortel's in trouble, what good does a capital tax cut do them? What good does a corporate income tax cut do them? A payroll tax cut would be better.

Thank you very much. I'd be happy to entertain any questions later.

● (1035)

The Chair: Thank you, Mr. Polito.

That was one of the better groups: you all respected the time. This is going to allow members to ask questions.

I want to remind the witnesses that we're probably going to give the members six or seven minutes. The time is limited, so if you can keep your answers to a brief intervention, I think the members would appreciate it.

Let us start with Mr. Solberg.

Mr. Monte Solberg (Medicine Hat, CPC): Thanks very much, Mr. Chairman.

Thanks to all of you for your presentations. I'd like to ask a lot of questions, but I just don't have time.

I want to start by asking a question of Mr. Epp.

I read through your proposal. If I understand the essence of it, getting down to the nuts and bolts of what you'd like to see, if you adopted the U.S. model and had a drug that cost $10 to manufacture and, say, the fair market value was $20, or, if you used the U.S. model, you could only double the cost—so that would be a profit of $10, but they could only deduct half of it, so it would be $5—the drug company would get a $15 deduction in total, for a donation of a drug that cost them $10 but has a fair market value of $20. That's basically the essence of it. Is that correct?

Hon. Jake Epp: That's correct.

Mr. Monte Solberg: I know initially this was a bit more of a wide open proposal, if I recall it correctly, and there were concerns about it being wildly expensive. Really what it amounts to is that the government would subsidize the donation of these drugs, in this case to the tune of $5 over and above what it would usually do. That's how it would work. It would then go to NGOs who could have the right to refuse them if the drug itself was not what they needed.

But let's say it's some kind of HIV drug for Africa. There is no limit on this, and I'm just worried about it. Potentially, every NGO in Africa would say that they could use $3 billion worth of drugs this year—the HIV inhibitors and those kinds of things—and it would be a huge hit to the fisc all in one year. Am I describing this correctly, and is that potentially what could happen?

Hon. Jake Epp: Mr. Solberg, you're right—and this is always the problem when one makes a presentation to a finance committee—the extrapolation is always taken, and understandably so. This is the third time we've made this presentation, and we have been modifying it as we've been speaking to the government. We had proposed earlier that there be limits that could be incorporated to address exactly the point you make. That's one.

Secondly, the experience that some of us have had, for example—I don't want to name any country, and it wasn't an HPIC experience, but as I was doing international work for a corporation in Alberta, I found out very quickly that much of the way in which international aid is calculated varies dramatically country to country. On the international stage, countries are unwilling to say they've made 0.7%, or whatever the figure was at the time, yet you find out that a lot of their aid is tied aid. For example, an engineering contract can only go to that country's engineers, but it's calculated into the international expenditure of GDP, or GNI, depending on what figures you want to use. So I think Canada, quite bluntly, can be a little more creative in terms of meeting some of the goals that have been stated.

In terms of how the program would work, we have modified it since our last appearance before the committee, and if you don't mind, Mr. Solberg, I'll ask John just to give any elaboration.

● (1040)

Mr. John Kelsall (President, Health Partners International of Canada): Mr. Solberg, we have in fact taken a typical $1 million donation from an actual company—an actual basket of 14 products that was donated to us—and the current cost to the government would be about $70,000 out of that $1 million donation when you take into account the cost of goods, so that's about 7%. The proposed additional tax incentive, based on one-half of the gain that would have been realized if the inventory had been sold at its fair market value up to a maximum of twice the donated cost, is about 5.5%, which is about an 18:1 payback. We have worked through the numbers and determined that the incremental cost over the current tax cost to the federal government would be in the range of $8 million to $10 million a year.

Hon. Jake Epp: And, John, you could leave those figures with the committee.

Mr. John Kelsall: Yes.

Mr. Monte Solberg: Okay. Thank you.

Mr. Chairman, I'm going to just allow my colleague to go ahead and ask a question here, and I'm going to excuse myself. Pardon me.

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

I'm not sure how much time I have, but I'd like to direct a question to the Canadian Trucking Alliance. I know you've said in your presentation that your industry is responsible for handling about two-thirds of all the goods traded between Canada and the United States. Considering that makes up 40% of our GDP, the total export on the export side alone, that's significant.

I notice you're asking essentially for the government to use a carrot rather than a stick approach on the incentives if we want to move to lower emission fuels and engines that support them. You're asking for a quicker writedown.

Now, why would you ask for a separate category on a capital cost allowance? Couldn't this be achieved just in moving the rate of recovery to a shorter period—three years, I think, is what you're suggesting?

Mr. David Bradley: It could certainly, and in the past we have asked for that, but in this particular case what we're asking for is a sunsetted provision. There's precedent for this in previous budgets. There have been certain types of capital where there has been an accelerated capital consumption allowance for a period of time. That's why we separated it out.

Were we to achieve a situation where we had parity with the U.S. on a go-forward basis in perpetuity, obviously we would appreciate that as well.

What we're really trying to do here is, with the 2007 and the 2010 model year engines—these are the two most significant steps in terms of emission reductions from our equipment—focus on those two generations of equipment.

Mr. Charlie Penson: I understand that, Mr. Bradley.

One of the things we've heard a lot about is that one of the ways to encourage Canadian companies to invest and create jobs in Canada is to have a faster writedown of their machinery and equipment, especially with the new technologies, so this fits into the pattern we've been hearing. It seems to me the same can be true of your industry, where we want to achieve certain goals such as lower emissions that can be accomplished in the same way.

You've also asked for the 3¢, this anticipated rise in low-sulphur diesel cost to you, to be absorbed through the excise tax. In other words, if we want to use low-sulphur diesel, the Government of Canada should give some incentives to do that. Is that what you think?

● (1045)

Mr. David Bradley: Precisely. Trucking is the only freight mode whose emissions from engines and fuels are regulated. Presently the limit on sulphur in truck diesel fuel is 500 parts per million, and in 2006, by law, we will move to 15 parts per million. The same has not been asked of the other modes of freight transportation. For example, for the railways, they're still using 2,500 parts per million for diesel fuel—dirty diesel fuel. We're saying, look, we're doing our bit for the environment here, but this shouldn't become a competitive wedge for us.

There are two ways you could do it. You could increase the excise tax on the dirty diesel or lower it on the clean diesel. Either way, we want to maintain some competitive balance here.

Mr. Charlie Penson: This is a concern, because my understanding is that the better qualities of oil have been used up throughout the world and we're going to be moving to lower-quality product that needs to be upgraded through the refinery process. We are going to be into this low-sulphur diesel requirement for some time; there has to be some method of dealing with this if we want to clean up the environment.

The Chair: Thank you, Mr. Penson.

Monsieur Loubier.

[*Translation*]

Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ): Thank you, Mr. Chairman. I'd like to ask a question to Mr. Epp.

Mr. Epp, I have a lot of admiration for your actions. I think it is a noble project. It is really a good thing. I heard you talk about it a few times.

You are saying we could limit ourselves to the products essential for saving lives. This definition is really vague. All depends on the country and the situation. Products essential for saving lives are not the same in a country at war, where you have warlords, and in a country facing a pandemics, for example.

Do we have a dynamic list, modified year after year, from the World Health Organization, Doctors without Borders or the International Red Cross, with which we could target periodically the medicines needed everywhere in the world?

[*English*]

Hon. Jake Epp: Merci.

I'm going to ask Mr. Kelsall to answer as well, seeing as our headquarters are in Montreal.

But before I go there, I want to say that the answer to your question is well established, and it's that we use World Health Organization criteria. Mr. Kelsall and I were in Geneva just a few weeks ago to verify that again and see whether Canada could become a first responder.

I'll give it to you very quickly. Number one, we use only World Health Organization standards. For example, you can't send a product not asked for. It is based on World Health Organization requirements and national requests, and something can only be provided through recognized channels. While it will vary country to country, the standard doesn't; in other words, you still have to meet the same criteria. I think for us as NGOs it's important if we're in the health care field that we have a standard, and we have opted for the World Health Organization standard.

Now, this varies country to country, and John has been in these countries more than I have. Maybe he wants to add to it.

Thank you.

Mr. John Kelsall: I would add that, for instance, last November we sent a $2.3 million shipment of specified medical aid to Afghanistan. It was all laid out by the World Health Organization. Before any product is shipped, it is approved by the World Health Organization, which of course works in conjunction with the ministry of health of Afghanistan.

This year we sent $11 million in medical aid to Sri Lanka to counter the tsunami. Everything was preapproved, preauthorized, by the World Health Organization and the Sri Lankan ministry of health. That's the model we use. We are demand driven, not supply driven.

● (1050)

Hon. Jake Epp: In fact, if I might just add, sir, I think Canadians sometimes don't blow their own horn enough. We got messages from the World Health Organization that the program the Government of Canada, along with HPIC and the industry, had put together—and it's their words, not ours—may have been the best shipment they received during the tsunami. Why? It was directly pointed to a demand and a need, rather than taking the approach, “We have this on our shelves in Toronto or Montreal, so we'll send it over”. It's become much more professional than that kind of good response, but it's not the right response.

The Chair: Thank you, Mr. Loubier.

Mr. Angus.

Mr. Charlie Angus (Timmins—James Bay, NDP): Mr. Howard, what would be a standard run for non-fiction or fiction in Canada?

Mr. Kirk Howard: Between 3,000 and 5,000, unless it was thought to be a bestseller, and then it might get as high as 10,000 or 12,000.

Mr. Charlie Angus: So in terms of distribution, being that we basically have one agent now, Indigo Chapters, and you have to supply books across the country, is there a problem for smaller publishers in Canada? Is it a problem for them, in order to get books into basically the one chain in the country, to supply enough to that chain and then have to deal with the remainders coming back on consignment?

Mr. Kirk Howard: It is true that Chapters Indigo and its subsidiaries, Coles and W.H. Smith, account for about 70% of the marketplace in trade books. Is there a problem with getting enough books into each of the stores? There are about 270 stores. I don't think so because the orders have been decreasing from Indigo. They're smaller and smaller because they have a new software system called SAP with which they can reorder quickly.

The emphasis now is not stocking in September all the books that you might sell between now and Christmas, but in fact ordering weekly or biweekly.

Mr. Charlie Angus: Okay, so that's been a change then. Can you supply that?

Mr. Kirk Howard: Yes. We can respond to that. There are enough systems in place now that warehouses can respond quickly through electronic ordering to reorders from book stores.

Mr. Charlie Angus: This request for $156 million for the Canada Council, is that figure based on a restoration of what was taken out of the Canada Council through the nineties?

Ms. Margaret Eaton (Executive Director, Association of Canadian Publishers): I can address that.

Actually, it isn't. The Canada Council funding has remained quite stable over the last few years. It's more a recognition that the council receives upwards of 12,000 requests for subsidies every year that it cannot address. The growth in arts and culture in our country over the last 10 years has been outstanding, so really the request is just a recognition that we need to support this growth in activity and creativity in the country.

Mr. Charlie Angus: In the mid-1990s, when they had the exploration grants for new and emerging writers, that launched my career in books. I don't think that would be possible for a young writer now. If I was starting out today, would that be possible, to go to the Canada Council and expect to get such help?

Ms. Margaret Eaton: It's incredibly competitive for those types of grants, exactly. The idea is that there could be talent out there lying fallow on the ground that the Canada Council could be helping and cannot right now because of the tremendous demand.

Mr. Charlie Angus: Okay. Thank you.

Mr. Bradley, when you live, as I do, in a small mining town where there are no mines, most of your men go to work in trucking, so many of my family friends are truckers. I hear a lot of stories about decreasing margins, the increasing difficulty of maintaining a family economy driving a truck.

I can give you one example. A friend of mine was accepted for work at a trucking firm, and when he was given the package he said to them that he would love to work for them, but he'd have to take a mortgage out on his house first so he could afford it.

Can you give me an example of some concrete steps that you would suggest in terms of tax breaks and financial incentives that we could provide to drivers to keep them going?

Mr. David Bradley: Well, it's a complicated issue. It sounds to me like the person you were talking about owned his own truck.

● (1055)

Mr. Charlie Angus: Yes.

Mr. David Bradley: We've talked about things in terms of the accelerated capital consumption allowance. We could either use the excise tax revenues for something that is going to reduce the costs of congestion and reduce the wear and tear on vehicles, and those kinds of things, or weave those taxes in with the GST, which is where they really should be. As I said, it's an old-fashioned way of taxing consumption.

An important thing for drivers is the issue of providing meal deductability. They are simply trying to eat to survive. This isn't entertaining clients, and all those sorts of things. They're seeing the U.S. competition get an 80% deduction and they're only getting 50%. Those are the kinds of things.

Taxes aren't the total solution to the issues our industry faces. With regard to whether drivers are company drivers or owner-operators, it's the rates we're paid as an industry and our ability to pass our costs along to the customer. I think we're getting better at that. It has now been 15 years since economic deregulation. I think we're starting to emerge from that bloodbath, but it's still a hyper-competitive business.

I don't know that it's by design, but trucking has not been viewed as an industry. I think that freight transportation in general in this country is looked at either as taken for granted or as a necessary evil, yet if the trucks were off the road tomorrow, the economy would stop.

We're looking for the same kind of consideration and the same kind of incentive for investment that is accrued to either the oil patch or the manufacturing sector. We want to be treated like an industry in this country as well.

Mr. Charlie Angus: Thank you.

The Chair: Thank you, Mr. Angus.

Mr. Holland.

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

Thank you to all the presenters.

I want to start, if I could, where Mr. Angus left off with Mr. Bradley.

I think you paint a good picture of some of the other issues. I want to come back for a minute, if I could, to the issue of capital cost allowance and some of the measures to reduce greenhouse gases. I am certainly one who believes we should be looking at the incentive end of the picture more than anything else.

Obviously, one of the big drivers of not only smog but also greenhouse gas emissions is the age of the fleet and trying to roll over that fleet as quickly as possible. I imagine the difference you are talking about in the United States, in terms of the period of time over which you are allowed to write off the vehicle, has also had a substantive impact on the age of both of the fleets.

Could you first comment on that? Do you know, relatively speaking, what the average age of our fleet is relative to the United States?

Mr. David Bradley: Yes. If you were to look at my members and their U.S. competition, the people they compete with on the road, the average age of a tractor in the truckload fleet, for example, in the United States would be four to five years at the most. It would be five to seven years in Canada.

Whether it's environmental issues or safety issues, the longer you have to hold on to a truck, the higher the preventive maintenance costs and those kinds of things. It's very much a competitive issue, and it's an environmental issue.

It's interesting that with these new engines we don't have a coordinated policy in Canada with regard to the environment. I'm not saying you did in this instance, but too many people breath GHG and emissions in the same breath and think they're the same thing.

As an industry, one of the things we're looking to do is to have government mandate the activation of speed limiters on our trucks, for example, so that all trucks can't go above a certain speed, because it eats into fuel efficiency and whatnot. We'll be seeking government support on this. We haven't quite got all of our provincial associations on side yet, but I'm hopeful.

Part of the cost we're going to be faced with for these new engines is that it's the nature of the beast that you can't have lower emissions and higher fuel efficiency at the same time. The technology doesn't permit it, and we're going to be seeing a 5% loss in fuel efficiency with these new engines. We need to be able to make that up somewhere else. We shouldn't be penalized because on the one hand the government regulates our engines to reduce smog and then on the other hand they're telling us to look at our GHG performance. We need a coordinated approach to this to get the cleanest vehicles we can on the highways and, quite frankly, to make sure that all industries, certainly in the freight transport sector, are having to do their bit as well.

● (1100)

Mr. Mark Holland: I completely agree with you. It needs to be a holistic approach.

I think the other issue is, as you stated, the tremendous misunderstanding about the issue of emissions and about what is clean and what is environmentally friendly. We have the issue of smog, which is separate from the issue of greenhouse gas emissions, which is separate from the issue of reducing dependency on petroleum. All three of those are important issues, but they are different issues, and each has to be discussed separately. It is important to try to work as much as we can with every sector to try to find ways that we can incent the right sorts of things to happen. As you mentioned, there are things like fleet age. You can also get into safety benefits and other efficiencies that come through doing that, so I think that is important. I think it's an important distinction to make.

I'll go just for a second to the Association of Canadian Publishers.

First I'll comment that we heard a lot of different groups talk about the need to increase funding to the Canada Council for the Arts by $5 per Canadian, an increase of roughly $150 million. Minister Frulla has been very supportive of that particular increase, as am I. I think it's important.

Mr. Angus was touching on something I want to delve into a little further. If we had a burgeoning Canadian author today, somebody who is talented and wants to enter the market, how difficult is it for that person right now to enter that market as a talented new person? How difficult is it relative to other jurisdictions? For example, how will funding the Canada Council help, if at all, to promote new artists?

Ms. Margaret Eaton: It is difficult to get published today, but we know that about 9,000 books are printed each year in Canada.

There are many ways authors can get published. They can be published through what we call “over the transom door”. They submit a manuscript, and many of our publishers are still reading those manuscripts. In fact, Robert Munsch came over the transom door—that was how he got started in his career—so sometimes you can have great success just by cold-calling a Canadian publisher. Many of our authors, though, were found and developed by the publishers through their own connections and knowledge—people they know from a freelance writing career who end up writing novels and becoming published.

The Canada Council is actually incredibly key, particularly in the fiction area, in terms of producing writers. Yann Martel got his start in writing *Life of Pi* through support from the Canada Council. A writer's grant enabled him not just to have financial support while he wrote the book, but also to be encouraged. He got the moral support of the Canada Council, the assurance that he was doing good work and should continue.

It's tough out there. I know that artists and writers who are being turned down by the Canada Council would perhaps be discovered, or would not have such a long row to hoe, if they could get that funding, so I am very pleased to hear your support for the Canada Council.

I think we'll see more emerging artists, more emerging writers—like our own Charlie Angus, who has been published a number of times by our member publishers—contributing to Canadian culture and telling Canadian stories, not just to Canadians but to the world.

Mr. Kirk Howard: There are about 175 publishers in Canada, reflecting the incredible diversity of Canada. I think it would be difficult to say a worthy manuscript does not get published in this country, as long as the author is persistent.

Mr. Mark Holland: That's important. Thank you.

Mr. Epp, I want to come to you last, as time permits, to talk about incentives and incenting donations as a way to achieve our foreign aid objectives. That's certainly something I would concur with. I'm just wondering about your thoughts.

You referenced tied aid. We were also talking, I think, in reference to a question by Mr. Loubier, about making sure you are actually meeting a demand, as opposed to just sending a product that's not needed. That's the question: how do we incent, and, in a broader context, how do we ensure, when we do incent, that we're not incenting something that would be better served, as an example, by being purchased domestically, or being developed domestically, because it also helps their local economy?

Sometimes we have to supply those goods because there is no other choice, but when the choice exists, I think experience has told us it's better to develop it domestically, because it helps their economy. It has a multiplier effect there. What are your thoughts?

Hon. Jake Epp: Do you mind if I ask Mr. Kelsall?

Mr. Mark Holland: Sure. Absolutely.

Mr. John Kelsall: I could just take the Afghanistan example.

● (1105)

Mr. Mark Holland: Sure.

Mr. John Kelsall: The international community sends finances to purchase medicines. They are required, because of bidding processes, to purchase low-cost generic medicines from countries around them, and they are often of very suspect quality. Sometimes the capsules are empty.

I was in Kabul and toured hospitals there last year. When Canadian aid came in, they said, “Ah, your medicines actually work. They actually heal people. They actually help people live.” We met that reaction at the ministerial health level as well as at the hospital level. Certainly many of these countries need support to develop their own industries, but often, particularly in crises countries, pharmaceutical industries aren't available, and we encourage their development.

There are many circumstances throughout the world where first-quality aid from Canada really does bring excellent results. Through this tax incentive we're talking about, rather than sending $2 million to Afghanistan to purchase medicines, Canada would donate first-class quality medicines, at very little cost to the federal treasury. That's what we're talking about.

Mr. Mark Holland: Okay. Thank you.

The Chair: Thank you, Mr. Holland.

Mr. Penson.

Mr. Charlie Penson: Thank you, Mr. Chairman. I'd like to ask a question of Mr. Polito. I'm very interested in trying to get better participation in the labour force in Canada. I come from an area that is experiencing real difficulties getting enough people for the jobs available in Alberta. I don't think there's a business in my home town that isn't advertising for help, yet we have an unemployment rate somewhere around 7%. So something's wrong with the system we have.

But I don't quite get the association. I've been reading this C.D. Howe paper by Scarth that you provided for us, and I see where it says that a tax for employers for EI payroll benefits also affects high-income or skilled workers, in that it lowers their wages. It doesn't lower employment, but it is a job killer for the unskilled. I understand you're proposing lowering the payroll taxes for unskilled workers.

Mr. Joseph Polito: Basically he suggests that if you want to see the cost to employers reduced for hiring and retaining new hires in the unskilled areas especially.... What we have now is a constant premium. No matter how much you're earning, it's the same rate. What he really wants to do is make it progressive, and the most progressive way is to have an exemption in the low end and add the cost to the high end.

The employer wouldn't see a cost difference. It would just be calculated differently for different employees, but the total cost to the employer would be the same.

Mr. Charlie Penson: But wouldn't it lower the wages for skilled workers, if you're following Scarth's suggestion that if it's a tax on skilled workers—

Mr. Joseph Polito: Any tax is ultimately paid by the consumer, and any cost in wages is ultimately paid by the consumer. But I think Scarth's feeling was that the wages for highly skilled people were more inelastic and they were more elastic for lower-skilled workers. I think that was the way he drew his graphs. So it wouldn't impact the high-end workers very much at all.

In the United States, payroll taxes are double ours, and at a much higher wage level. Incidentally, their natural employment rate always tends to be lower than ours, which is another support for Professor Scarth's approach that we're actually creating unemployment with the structure of our payroll taxes. That was supported by all the other economists there.

I might add there is an American economist, Edmund Phelps, who some people might describe as right wing. He's been considered for the Nobel prize; he's been on the short list. He wrote a book called *Rewarding Work*. He was most dissatisfied with the fact that his very market-oriented economics had left a ghetto of poverty, had left a large group of people unemployed. He proposed something very similar, where welfare and unemployment money would be redirected toward a subsidy for income. We would have no minimum wage, so the market would be cleared. Someone might work for $3 an hour, but the government wage incentives would kick in.

It is the same concept, but there's a cost to that. This is a zero-cost approach. That's where to start.

● (1110)

Mr. Charlie Penson: Mr. Polito, I'm sorry to interject, but our time is short. I was just going to say that the minimum wage issue is certainly not all one-sided. Some people tend to believe that people who enter the workforce at minimum wage are going to be there all their lives. I don't happen to believe that. I believe people often take jobs at low incomes and then move up very rapidly, or move on, or might supplement that to go to university or whatever.

So minimum wages in the Scarth example—I'm not sure what you believe about that, but he's also saying that this is hurting employers. I know there are industries in this country that are suffering and have to bring workers in from Mexico, for example, to fill those jobs. I'm wondering what your thoughts are on that.

Mr. Joseph Polito: I think they're trying to alter the immigration policy to meet that need. And this makes sense. It makes sense to me that we should tailor our immigration policy to help the unfortunate in other countries to come here and get a start.

Mr. Charlie Penson: But that isn't what's happening right now. The people who are coming in are only seasonal workers. They have to go back.

Mr. Joseph Polito: Yes, but I understand that the new policy is trying to improve on this, and I hope it does. But the big thing we're looking for, in this knowledge economy, is that we have a full employment economy so that employers are always investing in capital as opposed to using surplus labour, which is inefficient. It's our investments that make us efficient, not our hands.

Mr. Charlie Penson: Thank you.

The Chair: Thank you, Mr. Penson.

Before we wrap up, I have a quick question, since we're talking to Mr. Polito.

In terms of the $9,000 ceiling that you suggested, and obviously it could vary—I think the restaurant association was asking for a lower ceiling, and I think the Liberal Party supported that last year—would you propose that the $9,000 ceiling would also mean that the unemployed would not be able to collect unemployment if they earned less than $9,000? It's just an employer-based—

Mr. Joseph Polito: No, it would be a recognition such as the one we have in our income tax program, where we have a large exemption, recognizing that those are low-income people and it's silly to tax them on their first chunk of money. Ultimately, this is a way of creating an incentive for employers to retain people and to hire new people. There is a bit of a give there, but it's an investment on our part and would give us incredible savings.

The Chair: Is this a way the employers can plan around low-wage earners by saying that once they attain the $9,000, we'll flip them and get somebody else in? I don't think it would be.

Mr. Joseph Polito: No. I think what would happen, if Professor Reid is correct, is our unemployment would drop 2% to 4%—and it's lower in the United States I think because their payroll structure isn't so negative in its structure—and then you would have lower unemployment. When something is scarce—employment—then it's treated more respectfully.

The Chair: Has this initiative gotten any support from any of the business groups or any of the labour groups? We haven't heard it before.

Mr. Joseph Polito: Except for the restaurant association, of course.

The Chair: That was last year. They haven't presented this year. Has there been anybody else? The other problem that I see with businesses is the administration part, having to have $9,000, or whatever the base would be, trying to administer the exemption part. That's why I was asking.

Mr. Joseph Polito: I think the supports from businesses can be inferred, because they work so hard at avoiding paying payroll taxes, whether it's contract workers, or people working overtime, or denying them job sharing and all the rest of it; it's a tremendous disincentive. All businessmen I've talked to individually, anecdotally, are great supporters of this because they see it as saving them money, ultimately—saving us all money.

The Chair: Thank you, Mr. Polito.

Mr. Bradley, for the Trucking Alliance, in regard to your proposal for moving the meal deductibility from 50% to 80%, it would be tough, I would think, to recommend it just for the Trucking Alliance. We'd probably have to do it on a global basis. Would you have any comment or any costs?

● (1115)

Mr. David Bradley: That's what the Prime Minister tells me too.

In the U.S. they found a way. They recognized that there are workers, including the trucking industry, who operate under an hours-of-service regulation, and with that hours-of-service regulation they don't have the kind of flexibility that other employees have to decide when they stop, where they go for dinner. They were able to find a way.

I think we have proposed in the past, and would be quite amenable again, setting some sort of a low limit or a ceiling in terms of the amount of the deduction that, at the end of the day, would have the desired impact for those employees who are, again, not out spending lavishly. They would still get some solace from this.

I think we need a bit of creativity and a bit of understanding that, as I said, this is not an extravagant expenditure we're talking about here.

The Chair: Do you have any idea what that non-extravagant expenditure should be?

Mr. David Bradley: I would like to start with what the civil servants have, which is about $75 tax free a day.

The Chair: My next question, again just to clarify, is for Ms. Wong-Rieger.

In your presentation you're stating that Canada does not offer competitive R and D incentives and there is no Canadian-based pharmaceutical bio-technical research and development. We really haven't heard that before. We've actually been hearing that the R and D has been working and it's been doing a pretty good job here in Canada. Of course, they're looking for more money.

Ms. Durhane Wong-Rieger: No, you've not heard that at all from the bio-tech, and certainly I think BIOTECanada has a very similar proposal, which I am not sure they've presented to this committee.

We have been seeking very strongly with Health Canada...and Health Canada, in 1997 and again in 1999, turned down the necessity for an orphan drug program, claiming again that some of those tax incentives and credits can in fact be found elsewhere.

But in fact without the support that has happened in other countries, we are finding that our companies are not investing in the drugs for orphan diseases. To whit, there is not a single company—I should not say that; there are probably a couple of companies in Canada that are in fact focused on development of drugs for orphan diseases, but really not at all to the extent.... And certainly BIOTECanada—

The Chair: This is specifically the orphan drug disease, not the overall R and D.

Ms. Durhane Wong-Rieger: Not the overall R and D. I think the recognition is that the orphan diseases need a great deal more in terms of support because the cost of bringing a drug to market for a disease that affects only a very small part of the population is much greater than it is for any other kind of disease.

The Chair: In the bio-tech sector, do your groups not do any work with Genome Canada?

Ms. Durhane Wong-Rieger: Genome Canada again does enhance support in support of research. One of the challenges, of course, in terms of Genome Canada is bringing anything to market. The Canadian Genetic Diseases Network in B.C. is a very good example of having been able to take a lot of the work that has come out of Genome Canada and spin it off into bio-tech firms, but again, there's the level at which we're doing it and the ability for us to work internationally, and none of these programs are happening collaboratively internationally.

When I was in Europe last week at the European Platform for Patients' Organisations, Science and Industry, on orphan diseases, I noted that there is huge collaboration taking place between the European Union and the U.S. Nothing at all is engaged with Canada because we do not have the same kind of incentive, so we're bypassed entirely in any of these international programs.

So, yes, there are some, but there are the issues of the level of incentives, the level of tax credits. And as I said, the other issue that is huge in Europe and the U.S. is market exclusivity. None of those exist in Canada.

The Chair: Those partnerships between Canada and Europe, are they at the corporate level or at the government level?

Ms. Durhane Wong-Rieger: Not between Canada and Europe, but between the U.S. and Europe. They're at all levels. For instance, the U.S. and Europe are working very hard in terms of harmonization, which means they have one review process that they're beginning to put together in terms of the design and in the approval of clinical trials for rare disorders. Again, Canada is not included in any of those discussions.

Once a clinical trial has been designed and patients are enrolled and the product is being brought forth for licensure or approval, the U.S. and Europe are very much in sync and are able to move that through quickly in order to get the drugs on the market.

Canada typically follows two or three years behind that process because the process has to start all over in Canada, and companies just do not have the incentive, given the small population, to bring the drug to market in Canada.

● (1120)

The Chair: So is it Health Canada that has to take the lead on this?

Ms. Durhane Wong-Rieger: Health Canada has spoken about it previously. We believe it needs to be a combination of Health Canada and Industry Canada. Because of the concerns around tax incentives, market exclusivity, and even some concerns around pricing, it has to include Industry Canada as well.

The Chair: Thank you, Ms. Wong-Rieger.

Mr. Howard, we saw *les éditeurs* yesterday, so I think we asked the questions yesterday.

Thank you to the panel. We only had five groups, so you can see the dilemma we have as a committee. The requests are varied and different, but in any event, we have to keep to a schedule. I want to thank you for taking time out of your day and presenting us with your brief.

The meeting is adjourned.

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