HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

Standing Committee on Finance

FINA	•	NUMBER 007	•	2nd SESSION	•	41st PARLIAMENT

EVIDENCE

Tuesday, November 19, 2013

Chair

Mr. James Rajotte

Standing Committee on Finance

Tuesday, November 19, 2013

● (1100)

[*English*]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): I call to order meeting number 7 of the Standing Committee on Finance. Pursuant to Standing Order 83.1, we are continuing our pre-budget consultations 2013.

Colleagues, we have two panels here today of an hour and a half each. In the first panel we have a professor from the University of Toronto, Dr. David Hulchanski. Welcome.

Next, we have

[*Translation*]

Mr. Girard, from the Agence métropolitaine de transport.

Welcome to the committee.

[*English*]

We also have from the Canadian Real Estate Association, Mr. Gary Simonsen. From Sunnybrook Health Sciences Centre, we have the president and CEO, Dr. Barry McLellan. From the Tourism Industry Association of Canada, we have Mr. David Goldstein. Welcome.

I think we are still waiting for our contact in Calgary via video conference, Mr. Justin Smith from the Calgary Chamber of Commerce. Hopefully he will be tied in here shortly.

Gentlemen, you all have five minutes maximum for an opening statement. I will hold you to that fairly rigorously.

We'll start with Professor Hulchanski, please.

Dr. David Hulchanski (Professor, University of Toronto, As an Individual): Thank you.

I'm pleased to have been invited.

In a democracy, government budgets reflect democratic compromise. This is true in most western democracies where voters are proportionately represented in Parliament based on election outcomes. As we know, this is not true in the case of Canada, where 39% or 40% of the vote is usually enough to capture a majority of seats in Parliament.

Since the mid-1980s, Canadian minority governments with a majority of seats in Parliament have not simply allowed, but actually assisted, the redistribution of income from middle-income groups to higher income groups. When we compare ourselves to 15 wealthy western democracies, Canada ranks near the bottom in measures of income equality—in my brief I have a figure from the OECD showing that—and in measures of the role of government in assisting those in need. I have two figures in my brief showing that. Thus far, Canada is doing nothing to halt the upward redistribution of income and wealth. Government budgets, economic policies, and labour market policies are responsible for much of this upward redistribution of income and wealth. The result is an increasingly polarized society in which a minority of very high-income individuals, households, and neighbourhoods co-exist with an increasing majority of low-income individuals, households, and neighbourhoods. I have two figures that show this for Canadian metropolitan areas, where the middle-income group and middle-income neighbourhoods are becoming far less numerous than they have been in the past. Fortunately, these trends are reversible. They are not inevitable, but the outcome of choices we make annually in our federal, provincial, and municipal budgets.

I have three recommendations for doing better, starting now.

One, do not make income inequality and income polarization worse. Some examples are that we not double contribution limits to tax-free savings accounts; do not introduce income splitting; and do not allow the temporary foreign worker program to expand in large urban centres, which is where most foreign workers go. Toronto has 19% and Montreal and Vancouver have 10% each of the temporary foreign worker population. This program adds competition to the bottom of the wage spectrum, reducing the likelihood of wage gains at the bottom, which is where we need them.

Two, promote income equality by assisting with the biggest budget item for low-income Canadians, which is housing. First of all, simply spend the money already allocated for affordable housing; this is the $253 million annually that the federal government committed for investment in affordable housing programs, which is to be matched by provinces and territories, producing almost half a billion dollars annually. I understand there has been no allocation of this federal funding since the March 2013 budget. While occasional funding such as this is helpful, proper planning for meeting housing needs must begin by developing and implementing a national housing strategy. This should be done within one year in cooperation with the provinces and territories, municipal representatives, the private sector, aboriginal people, and NGOs.

Three, and finally, reduce income inequality by reducing poverty. For example, enhance the Canada Pension Plan; increase employment insurance payments and introduce new rules to make the system fairer for all Canadians; make major new investments in the working income tax benefit; introduce a national care agenda, including child care and elder care; and join with the provinces and territories to create a national, anti-poverty strategy with real goals and measurable objectives.

These three affordable categories of measures are important first steps that can be taken right now. These and similar measures each succeeding year will stop the redistribution of income from the majority at the bottom to the minority at the top, and eventually lead to a much fairer society.

Thank you.

● (1105)

The Chair: Thank you for your presentation.

[*Translation*]

Mr. Girard, you have the floor.

Mr. Nicolas Girard (Chief Executive Officer, Agence métropolitaine de transport): Mr. Chair, members of the committee, good morning.

I am happy to have the opportunity to speak to you today on behalf of the Agence métropolitaine de transport, but in particular to talk about prosperity, particularly that of the Montreal metropolitan area.

The federal government will have important decisions to make in the coming months, which will have a decisive impact on the prosperity of the entire region. I am referring here to the new Champlain Bridge and to the implementation of a light rail transit system in the downtown A10 corridor, and to the federal funds that will be allocated to this.

Created in 1996, the mission of the Agence métropolitaine de transport is to increase public transit services so as to improve the efficiency of people's movements in the Montreal metropolitan area. To execute its mission, the agency plans and operates five commuter train lines—soon there will be a sixth—and promotes public transit.

In our Vision 2020 strategic plan, we set ourselves the objective of increasing ridership on the metropolitan public transit network by 33%, by increasing trips from 480 million, the 2011 figure, to 640 million in 2020.

We have a number of projects, including extending the subway, the east train and the Pie-IX BRT. All of these projects represent an investment of over $16.8 billion over a period of 10 years.

We talk about money a lot. However, recent studies have clearly shown that investing in public transit generates many economic benefits and contributes in a structuring way to the wealth and dynamic character of the city of Montreal. As proof, I would simply mention that in 2009, public transit generated value added for the Quebec economy in the order of $1.1 billion, and supported 14,000 jobs. A dollar invested in public transit has an impact—

[*English*]

Mr. Brian Jean (Fort McMurray—Athabasca, CPC): Mr. Chair, I have a point of order.

The Chair: Go ahead, Mr. Jean.

Mr. Brian Jean: I'm sorry, but if the witness could slow down a little bit, it would be helpful. He's speaking as quickly as I do in English. I know it's impossible for the translators to keep up, and so I'm missing words.

The Chair: Yes. Okay.

[*Translation*]

Mr. Nicolas Girard: I am going to continue, Mr. Chair.

A dollar invested in public transit has an economic impact that is three times greater than in private automobile transport. One of the main obstacles to economic development is the very high cost of traffic congestion; the Department of Transport assesses this cost at close to $3 billion. It is time to take the necessary steps to reverse this trend that is harmful to our economy.

Which brings me to the Champlain Bridge. You all know to what extent this bridge is crucial for the Montreal region. Every day, 160,000 cars and more than 17,000 trucks cross it to go to Montreal or the South Shore. It is the busiest bridge in Canada. It is one of the important components of the continental trade gateway. Every year, 20 billion dollars' worth of goods exchanged between Canada and the United States cross that bridge, and that represents 7% of Quebec's GDP. In addition, 20,000 people use the dedicated bus lane during rush hours. Every morning, more public transit users than drivers cross the bridge.

This dedicated lane, which was commissioned in 1978 and was supposed to be temporary, reached full capacity several years ago. A needs assessment showed clearly that something must be done in the downtown/A10 corridor to deal with the current public transit issues.

After an analysis of the various preliminary options, light rail transit was shown to be the best one. LRT provides quick, safe, accessible and reliable service, and makes it possible to increase public transit use. It also blends perfectly into the urban environment and makes it possible to provide service to a vast clientele, while reducing greenhouse gases.

That is why the Government of Quebec chose LRT for the new Champlain Bridge. It announced the creation of a project office and entrusted the responsibility for bringing this project to fruition to the Agence métropolitaine de transport (AMT). There is a consensus on this project in the greater Montreal metropolitan area. Both municipal representatives and the partners of the Champlain Bridge subscribe to the positions of the Government of Quebec regarding the replacement of the Champlain Bridge. This support focuses particularly on the choice of LRT for the future bridge, and the hope that the work will be supported by federal funds; there is also a concern with regard to tolls and the repercussions they could have on mobility in the Montreal region.

For this project to become a reality, we are missing an essential partner: the federal government. It must contribute financially to the realization of the project. We are counting on the new Building Canada program, in particular on the so-called “merit-based” fund, which has a $4-billion envelope.

Last week, the Government of Quebec released its position and its intention to ask for its fair share of this fund, i.e. $1 billion. It confirmed that this subsidy would be entirely allocated to LRT on the new Champlain Bridge. The new bridge will have the necessary infrastructure to host the LRT, which will link the South Shore to downtown Montreal and most certainly contribute to the prosperity and safety of the greater Montreal region and of Quebec as a whole.

We thus have two recommendations to make to the committee. First, in light of the construction of the new Champlain Bridge, the federal government must work in close cooperation with the Government of Quebec to plan the realization of this new bridge, taking into account the implementation of a light rail transit system.

Secondly, the federal government must commit to funding its part of the LRT through the “merit-based” fund of the Building Canada program, by contributing $1 billion. This bridge is very important for the economy of Quebec and the greater metropolitan area. We hope that the federal government will be a partner in this project and that it will subscribe to the consensus of the greater metropolitan area.

Thank you.

● (1110)

The Chair: Thank you, Mr. Girard.

[*English*]

Next we'll have Mr. Simonsen, please.

Mr. Gary Simonsen (Chief Executive Officer, Canadian Real Estate Association): Good morning and thank you, Mr. Chair.

On behalf of our over 107,000 realtor members, I'd like to thank the committee for the invitation to appear today.

Like MPs our members do work that connects them very closely to their respective communities. Similarly, our goal is to make communities across Canada better, safer, and stronger. Our recommendations carefully consider the fiscal limits of the current economic environment and can be implemented at little or no net cost while delivering economic spinoff benefits and creating jobs.

A balanced and stable real estate market is a crucial pillar of a strong economy. This year resale housing transactions will generate an estimated $22.3 billion in consumer spinoff spending and create more than 175,000 jobs.

Buying a home is the largest financial decision most Canadians will make in their lives. Increasing their financial understanding about this purchase is a crucial component of long-term housing market stability. This is why we have taken a great and active interest in financial literacy and have collaborated with the Financial Consumer Agency of Canada on the Homebuyers' Road Map, something we just provided to the clerk for distribution.

One of the most important government measures that support responsible home ownership is the Home Buyer's Plan. According to a recent Nanos Research survey, 65.5% of Canadians believe the Home Buyer's Plan plan is a valuable tool for Canadians interested in buying a home. The plan allows home buyers to borrow up to $25,000 from their RRSP for a down payment.

Since its implementation in 1992 the plan has made home ownership an affordable reality for over 2.6 million Canadians. Unfortunately inflation is slowly eroding the plan's purchasing power. A home buyer today is receiving $1,600 less value from the plan than did a home buyer in 2009. By 2015 this value will hit almost $2,500. This is why we're asking for the Home Buyer's Plan withdrawal limit to be indexed to the consumer price index in $2,500 increments. Over time this will maintain—not increase, but maintain—the plan's buying power. Importantly, there is no cost associated with this recommendation until 2016, at which time the cost would be $7.5 million.

We also share the view that vulnerable Canadians should be supported with a homebuyer's plan. Allowing its use after job relocation, the death of a spouse, or a marital breakdown, or in order to accommodate an elderly family member would help individuals maintain home ownership through significant life changes by easing affordability concerns.

This responds to a need we heard expressed at this table during our last pre-budget consultation appearance and also by our members. This proposal meets that need by allowing Canadians to borrow from their own savings rather than depend on government funding.

Finally to encourage community reinvestment, small investors should be allowed to defer recapture of previously claimed depreciation on income properties. This is technically known as “capital cost allowance recapture”. It is a benefit that is similar to one large developers already enjoy. Allowing this deferral for those who choose to reinvest proceeds of a sale into a new building would unleash a chain reaction of economic, environmental, and community-renewal benefits. Third-party costing research demonstrates that the net cost of this proposal is only $12 million in the first year and that it would be net revenue-positive in year two since capital gains tax would be collected on the increased value of any property sold using this deferral.

I appreciate and thank you for your time and consideration this morning.

● (1115)

The Chair: Thank you very much for your presentation.

We'll go to Mr. McLellan now, please.

Dr. Barry McLellan (President and Chief Executive Officer, Sunnybrook Health Sciences Centre): Good morning, and thank you for the opportunity to address you today.

I have structured my presentation on our proposal to create an innovative brain sciences centre at Sunnybrook around four questions.

First, why is it important at this time to be focusing even more attention on diseases of the brain and mind?

Disorders of the brain, including stroke, dementias, and brain tumours, and disorders of the mind, including depression and anxiety disorders, are intimately interconnected, and represent the greatest health care challenges of the coming generation. By 2030 the social and economic burden of diseases of the brain and mind will eclipse all other diseases combined.

Second, what is behind the concept of a brain sciences centre?

Disorders of the brain and mind cross many disciplines, and cannot be fully understood through the work of just one clinical or research specialty. Sunnybrook's brain sciences program is guided by the philosophy that only through cross-discipline and interprofessional collaboration will we find answers to these disorders that plague so many.

Our psychiatric and neuroscience experts will work side by side in a collaboration of education, research, and patient care in a world-class brain sciences centre in the heart of one of Canada's leading academic health sciences centres. This innovative initiative will create a different kind of facility, one that will mitigate the stigma of mental illness through its enhanced integration with the mainstream of health care. Research and education will be embedded directly into the leading-edge treatment offered at the centre.

The establishment of an innovative brain sciences centre will send a clear message: those suffering from disorders of the brain and mind are no different from those with heart disease or cancer, and they deserve the best comprehensive care possible within one of the country's best health sciences centres.

Third, why site a world-class brain sciences centre at Sunnybrook?

One of Canada's largest research and teaching hospitals, Sunnybrook delivers care to more than 1.2 million patients a year. Sunnybrook's strategic priorities are internationally renowned for delivering highly specialized care, and leading in the discoveries and innovations they make, the teaching and learning opportunities they provide, and the unparalleled level of care they deliver.

We have a track record of leadership in disorders of the brain and mind, including our mood and anxiety program, our youth bipolar program, the Frederick W. Thompson Anxiety Disorders Centre, the Heart and Stroke Foundation Centre for Stroke Recovery, and the Toronto Dementia Research Alliance.

We are developing and applying new technology to cure the ravages of diseases of the central nervous system. Technology developed at Sunnybrook enables neurosurgeons to see through the skull and into the brain, and then destroy diseased tissue with extraordinary precision without making a single scalpel cut.

Next up is technology that immediately stops strokes as they're happening and prevents dementia from advancing. Our scientists have developed non-invasive methods to deliver therapies into the brain, including stem cell therapy, gene therapy, and immune therapy to treat disease otherwise untreatable. Sunnybrook is the only place in the world bringing this all together.

Finally, what is the ask and the value proposition?

The total cost of the transformative infrastructure to bring the brain sciences centre to life is $60 million. The ask of the Government of Canada is for a $30-million investment, with the remaining $30 million coming from a combination of private philanthropy and provincial participation.

What's the value proposition? It's creating the only facility in eastern Canada that seamlessly incorporates all aspects of mental health and related brain sciences under one roof; advancing the development of a national network of brain sciences centres of excellence, including the University of British Columbia's Centre for Brain Health; expanding and building new linkages across Canada for research, education, and treatment; and finally, leveraging current collaboration between Sunnybrook's brain sciences program and such other leading research centres as UBC's Centre for Brain Health and the Hotchkiss Brain Institute in Calgary.

In summary, we're dedicated to addressing the health care needs of the brain and the mind, today and tomorrow, in this unique multidisciplinary facility.

Thank you.

● (1120)

The Chair: Thank you for your presentation.

We'll now hear from Mr. Goldstein, please.

[*Translation*]

Mr. David Goldstein (President and Chief Executive Officer, Tourism Industry Association of Canada): Mr. Chair, members of the committee, thank you for the opportunity to be here with you today and to be part of this important dialogue on the Canadian economy.

[*English*]

Again, for the record, my name is David Goldstein. I'm president and CEO of the Tourism Industry Association of Canada, representing the full cross-section of Canada's travel and tourism sector, with a focus on growing Canada's international competiveness as a global destination.

Our sector, which is primarily made up of small and medium-sized businesses, generates annual revenues to the Canadian economy of $82 billion.

The Chair: Sorry, there are no pictures allowed during a committee hearing.

Mr. David Goldstein: We employ over 600,000 people in every riding across the country, including over 204,000 Canadians aged 25 and under, making our sector the largest employer of young Canadians.

Generating $17.4 billion last year in international currency exchange from international visitors, travel is Canada's largest service export sector. Travel and tourism is a vibrant industry, operating in every riding across Canada. According to the Conference Board of Canada reports, travel and tourism was one of the most resilient industries during the recession, with relatively few bankruptcies or job losses.

The industry is by no means in dire straits but is in need of course correction to seize growth opportunities for today and to ensure our sustainability for the future.

Receipts were up over 7% last year, out-pacing the Canadian economy, but this masked a very disturbing overreliance on our Canadian domestic market. Currently, 80% of travel revenue is derived from Canadians travelling within Canada, and that's up from 65% just a decade ago. Furthermore, our overreliance on the domestic market is at risk as Brand USA and other countries' tourism marketing boards are significantly increasing their marketing investment to lure the Canadian traveller abroad.

The good news is that the global opportunity is enormous. Travel and tourism is out-pacing nearly every other sector of the global economy, but Canada is lagging behind. Last year, Canada's inbound visitor growth was only 1.7%, less than half the global average of 4%. Simply keeping pace with the global growth of 4% is effectively the Canadian virtue of shooting for bronze. It would add half a billion dollars to our economy and over $150 million to government revenues.

In order to get to the 4% international average, Canada needs a balanced strategy that focuses on the higher-volume mature markets, primarily the U.S. and Western Europe, and the high-growth emerging markets such as China, India, Mexico, and Brazil. Given time, these emerging markets will mature and deliver significant returns, but at present, emerging market growth continues to be impeded by structural barriers like visa requirements, aviation cost structure, and air access issues.

TIAC is working within the federal tourism strategy to resolve the policy barriers restricting growth in these emerging markets, but at the end of the day none of these markets will surpass the U.S. market.

To that end, we believe that we are presenting a partnering opportunity for the government and industry to grow traditional markets where we have visa exemption and where we have available airlift. Central to this will be creating an opportunity to re-engage the U.S. market—a renewed national brand campaign.

Since 2002, Canada has lost almost 3.5 million overnight visits annually from the U.S. Many of the structural barriers facing the U. S. market have been overcome or minimized. Our currency is stabilizing below par; U.S. passport ownership has doubled. Now it's sitting at over 120 million passport holders. The border is thinning, and we have open air links to major American centres. The American economy is rebounding, and U.S. outbound travel is up over 6%, of which we only received 2.5% last year.

Americans continue to travel as their economy recovers. Out-bound travel is more likely to grow to Canada, but we must step forward to seize at least our fair share of that lucrative opportunity.

Unfortunately, our resources to extend the Canada brand through the Canadian Tourism Commission are spread too thinly across key markets, and cuts to the CTC have forced the withdrawal of the Canada brand in the U.S. market. In response, TIAC is proposing a new, strategically aligned, fully-matched CTC-led marketing plan of co-investment with the federal government. Called Connecting America, it is aimed at U.S. leisure travel.

This proposed three-year pilot would create a $35-million federal co-investment plan, with matching funds from the tourism sector. It would be aimed at U.S.-Canadian markets that have direct or air-ground access.

A joint investment in Connecting America will produce dividends immediately. CTC projections estimate that with a first-year loan, we can attract 440,000 more Americans, who will spend approximately $250 million. This will include over 150 million hotel-room nights, driving $300 million in incremental government revenue.

Over the three-year pilot, the campaign will drive 2.65 million visitors, an estimated $1.5 billion in incremental tourism spending. That is why today we are hoping for one key recommendation from the committee. Our hope is that the committee will broadly recommend federal marketing investment to allow the Canadian Tourism Commission and our partners to forcefully drive the Canadian brand back into the U.S. market. More specifically, we believe that the Connecting America co-investment campaign is the right mechanism.

In conclusion, it should be noted that in 2002 Canada ranked seventh in the world in inbound visitation. In 2012, we ranked 16th. We believe that breaking down barriers and aggressively promoting the Canada brand internationally will allow us to surpass the international average of 4% visitor growth and enable Canada to get back into the top 10 by 2017.

● (1125)

We have provided additional information for members of the committee and we look forward to your questions.

The Chair: Thank you very much, Mr. Goldstein.

I understand that we're still having technical issues between ourselves in Ottawa and Mr. Smith in Calgary, so I am going to go to members' questions at this point.

We'll begin with Ms. Nash for five minutes, please.

Ms. Peggy Nash (Parkdale—High Park, NDP): Thank you, Mr. Chair.

Welcome to all the witnesses today.

I only have five minutes to ask all of you questions, so I'll do my best within the time allotted.

I'd like to begin with you, Professor Hulchanski. I was interested in your comments about Canada ranking near the bottom of the 15 similarly wealthy western democracies, because we hear a lot from the current government about how we are the best of the G-7. What I take from your comments is that we may be the best, but many of the people within our society are actually not doing very well at all.

I know you've done a lot of work on identifying the changes in income and what that means for the racialization of poverty, the suburbanization of poverty.

Is reducing inequality essential to a sustained, strong overall economy?

Dr. David Hulchanski: The answer is yes, and it's been well proven, particularly by people who study health in a very broad way, the health of a society. These 12 other countries like Canada that are equally strong economically but are way more equal have way better outcomes in all kinds of measures for all people in society, not just low-income people. More equal societies are healthier societies, as defined in a very broad way in terms of crime and, of course, physical health and mental health, and so on. That has been established.

We sadly compare ourselves to the United States too often. They're at the bottom of the list of 15 on almost any OECD measure that we consider an important measure of success. So you're right on that.

Ms. Peggy Nash: There are two areas I'd like to drill down on a little further. One is the area of housing.

I know that in the community I represent, Parkdale—High Park, we have a number of people who contact our office regularly with concerns that they're on a waiting list for subsidized housing—I think the waiting list is about 70,000 families now in the City of Toronto—or that they just can't make ends meet. If they pay their rent, they don't have enough money to feed their family for the coming month, and many of these people are working full time.

You say there's $253 million committed annually by the government for affordable housing, and it's not getting spent. Can you possibly speculate why that would be?

● (1130)

Dr. David Hulchanski: No. It was announced.

Today's*Toronto Star* has an op-ed by Michael Shapcott, which explains that $253 million. People involved cannot even get answers from the senior government officials about that money, why nothing is happening. Many of the provinces are ready to go. This was a commitment in last year's budget, so simply doing that will help a lot.

Ms. Peggy Nash: Well, it would be hard for me to explain to my constituents that the money is sitting there when they can't afford to pay their bills, that it's not being spent by the federal government. Clearly, we need to get action on that.

I only have one minute left, and I'm sorry I have other questions too, but I'd just like to stay with this. On the issue of temporary foreign workers and employment insurance, I see 19% of the foreign workers are going to Toronto. We already have relatively high unemployment in Toronto. I note that fewer than 40% of unemployed workers can get employment insurance. This seems like a crazy situation. What do we do in Toronto to get good quality jobs?

I'd like to get to the tourism piece as well because I think that's part of it, but what's your solution here?

Dr. David Hulchanski: For good quality jobs, we have to lift up the bottom wage. It's been the growth of the service sector over these 20, 30 years.... Canadians can afford to pay a bit more for the average goods they buy. Strengthening our labour laws and lifting that bottom up little by little will make a really big difference.

Ms. Peggy Nash: Okay, thank you.

The Chair: Thank you, Ms. Nash.

We'll go to Mr. Saxton, please.

Mr. Andrew Saxton (North Vancouver, CPC): Thank you, Chair.

Thanks to our witnesses for being here today.

My first question is for David Goldstein of the Tourism Industry Association of Canada. David, you mentioned in your opening remarks that we've lost many hotel nights from the U.S. market. Can you tell me if they are going elsewhere or are staying at home?

Mr. David Goldstein: It's a little of both. The outbound market from the U.S. is going up dramatically. Last year outbound from the U.S. was up 6%. Our inbound from the U.S. was only up 2.5%. So we're not even capturing half of the outbound market that's happening in the U.S.

I think a lot of people blamed passports and other issues. These Americans have passports and they're travelling the world. We haven't had a coordinated brand like Canada brand forcefully in the U.S. market since the Olympics.

Mr. Andrew Saxton: Can you tell us where they are going? Who is our competition when it comes to tourist dollars?

Mr. David Goldstein: They're all over the world, but predominantly in Europe. There are destinations like Turkey that have become very popular, as well as South America, China, and Australia. There is no magic quotient to this; it is a function of marketing, access, and product. These are all jurisdictions that have upped their marketing significantly in the U.S. to U.S. leisure travellers.

I would note that even the Cameron government, which went through a fairly significant austerity piece itself, reinvested in tourism. When we're looking at making a tourism or marketing investment in Australia, which is spending 3:1 what we're spending in Canada, it's very difficult for us to compete with that customer.

Mr. Andrew Saxton: That was my next question. What are our competitors for the tourist dollars doing that we're not doing? Some of those areas that you mentioned are obviously low-cost places to go to as well. So that's something we can't compete with. But we can compete with countries like Australia. What recommendation do you have for us? What are their best practices that we can also use here in Canada?

Mr. David Goldstein: We're focused here today on marketing, but as I said earlier, there are air access and aviation cost issues. We're having discussions with Transport Canada. The whole visa implementation process is a discussion that we're having, and I'm in front of the immigration committee next week.

There are a bunch of moving parts to the answer. The good part about the U.S. market is that they don't require visas to get here. We have ample air access. They're right on our doorstep so that does give us a competitive advantage if we're about to reintroduce the Canada brand into the marketplace.

● (1135)

Mr. Andrew Saxton: So the U.S. is the low-hanging fruit in the tourist market for us?

Mr. David Goldstein: I prefer to use the anchor tenant analogy if I could. We are each other's biggest customers. Outbound from Canada to the U.S. is up significantly.

I know we are rushed for time today, but I'd be happy to file some numbers with the committee just to show you the impact on that and how it's creating a $17 billion or $18 billion travel deficit, which is the difference between what Canadians spend abroad and what we take in from international visitation.

Mr. Andrew Saxton: Thank you very much.

My next questions are for Gary Simonsen from the Canadian Real Estate Association.

Gary, in your proposal you've recommended that we expand the Home Buyers' Plan to include people who are in certain circumstances that were unforeseen, for example, job loss, death of a spouse, the accommodation of a family member, etc. Are you suggesting that people who have already taken advantage of the Home Buyers' Plan should get a second kick at it? Can you explain how that would work?

Mr. Gary Simonsen: That's correct. In those certain circumstances they would have an opportunity to utilize the program.

Mr. Andrew Saxton: Again, it's for a second time and assuming they've already paid back the initial amount?

Perhaps you could explain.

Mr. Gary Simonsen: If I could, I'd like to call upon our chief economist and ask him to respond to the specific details, if that's okay.

The Chair: That's fine. Be very brief with about a 30-second response.

Mr. Gregory Klump (Chief Economist, Canadian Real Estate Association): In direct answer to your question, yes, it will be accessed a second time to defray the costs of moving to get a new job and the increased cost of housing.

In terms of it being fully paid back, I'm not sure how to answer that.

Mr. Andrew Saxton: They're allowed to take out a certain amount now, right? It's $25,000.

Mr. Gary Simonsen: That is correct.

Mr. Andrew Saxton: They're supposed to pay that back over a certain period of time, as well.

Mr. Gary Simonsen: It's over 15 years.

Mr. Andrew Saxton: The amount stays at $25,000. It's just that they have a second kick at using it.

Mr. Gary Simonsen: That's right.

The Chair: Thank you, Mr. Saxton.

Sorry, we'll return to this at another time.

Mr. Hsu, it's your round.

Mr. Ted Hsu (Kingston and the Islands, Lib.): Thank you very much.

U.S. tourists are very important for my riding of Kingston and the Islands.

I have a couple of questions. One is very particular, because I have heard from one person who had a DUI conviction a long time ago. I don't know the exact story with regards to what is required to cross the border, but that seems to be an issue.

Does the federal government need to do something to take care of cases like this, where this person is not a danger to Canada? He wants to come here.

Mr. David Goldstein: Thank you for the question.

At the last count by Statistics Canada, more than 6,900 jobs in your riding rely on the travel and tourism industry. And being a border community, obviously the U.S. presence is important.

We had been making progress—actually, Minister Kenney, when he was the immigration minister, brought in an exemption called the reasonable accessibility policy. People who had old or minor criminal offences were given an exemption to come in. We're still working through the administration of that, as it's still a bit awkward. But we continue to work with CIC and CBSA to find out the best path for that. Still, at this point, CBSA officials at the border have, in our view, far too much discretion over this. And I think through the policy process, we'll be able to deal with this issue.

Mr. Ted Hsu: Do you have a timeline on that? When do you think —

Mr. David Goldstein: I would like to see it in place by the spring season. But that's.... Let's call me a guy with a glass half-full.

Mr. Ted Hsu: To continue, I understand it's very important for Canada to have a national brand as far as tourism is concerned in the United States. I'm sad to have to say this, but Rob Ford is what Americans think about Canada today, and fishing with Rob Ford is not a big tourist attraction. Does that make it harder for you to pitch Canada?

• (1140)

Mr. David Goldstein: Well, I'm sorry to members of the committee, if this answer sounds a bit facetious. But as one of the 34 million Canadians who doesn't live in Toronto, it doesn't really make a difference to me. I was commenting yesterday on a tourism industry of Ontario piece that Berlusconi was convicted of far worse things and people still go to Italy. I don't think this a reflection on Toronto or the destination of Toronto. If anything, I think it may make it a sexier, spicier place to go.

Some hon. members: Oh, oh!

Mr. Murray Rankin (Victoria, NDP): Crack tourism.

Mr. David Goldstein: In all seriousness, sir, we worry about reputational damage to Canada when events happen. I don't mean to rhyme through them, but an event like SARS was a terrible thing for the tourism community. I don't think Rob Ford is—he's no SARS.

Some hon. members: Oh, oh!

Mr. Ted Hsu: Okay, good. Well, we'll—

The Chair: Order, order, order. Let's get back on track here.

Mr. Ted Hsu: We'll count on you to make the best of this for the tourism industry, as I'm sure you will.

Mr. McLellan, my question is a very general one. You're proposing a centre for brain sciences. My question for you is, what medical research is appropriate to spread out among the hospitals across the country and what kinds of research are more appropriate to concentrate on? I ask this question from the point of view of somebody who has medical research done at the hospital in Kingston.

Dr. Barry McLellan: There are clearly advantages to concentrating research on very specialized and subspecialized areas. If I were to pick one example that we're growing at Sunnybrook right now, it would be high intensity focused ultrasound. That's what we refer to as the scalpel-less surgery.

However, the true benefit of a brain sciences centre is the ability to network, to work with centres across the country and to actually grow brain sciences research across the entire country, including at Kingston General Hospital and other large academic health science centres. As always, it's a balance. The most specialized research should be concentrated in a smaller number of centres, but when you have leadership coming from a brain sciences centre, all boats will rise.

The Chair: Okay.

You have about 10 seconds for a very brief question.

Mr. Ted Hsu: I can't do it in 10 seconds.

The Chair: All right. Thank you very much.

We'll go to Mr. Keddy, please, for his round.

Mr. Gerald Keddy (South Shore—St. Margaret's, CPC): Thank you, Mr. Chairman.

Welcome to our witnesses.

To CREA, I think most of my colleagues, on both sides of the table, have been lobbied by your organization. I would like to say at the beginning that you do a very good job. You focus in on a couple of issues. You drill down into those issues. You explain them well. And when you come to the table, you have a direct ask instead of a whole basket that you want filled. Keep doing that, and after a while it will work for you. We hope.

You mentioned the statistic that the resale housing industry is worth $22 billion in Canada. That's a lot of money.

Your specific ask is for the deferral of the capital cost allowances for tax purposes if you reinvest that. What you don't have here is how long a period of time you would have to reinvest that. Would it be a third of a year? Would it be six months? Would it be a year? There has to be some type of a timeline on it.

Mr. Gregory Klump: It would be one year.

Mr. Gerald Keddy: Have you figured out whether it would be strictly for a new buy, or would you target that towards fixer-uppers, where you generate more revenue to the economy?

Mr. Gregory Klump: It would be for an investment in any non-residential property, so you could even change classes.

Mr. Gerald Keddy: Okay. Thank you.

Mr. Gary Simonsen: If I could quickly expand upon that, in our research typically the kind of investors we're talking about are people who are earning less than $50,000 a year, so it's a small investor.

Mr. Gerald Keddy: We like that. That's good stuff.

To the tourism association of Canada, you talked about your Brand USA, the fact that we have this large and fairly wealthy neighbour to the south of us and it doesn't cost a visa to get there. However, it does cost us or them a plane ticket.

Air travel in Canada is expensive, and it's much more expensive than compared to in the U.S.A. Have you factored that in? That's my first question.

With regard to my second question, when you look at our highway infrastructure that's already in place and you look at our ferry structure, they take traffic in both directions. It has certainly been proposed that the Yarmouth ferry will be back on the water this year, hopefully, in Nova Scotia. I think it will bring somewhere around 375 vehicles and probably about 1,200 to 1,300 people. That's a transit in both directions.

Have you looked at those types of corridors and consultation with those groups in your efforts?

• (1145)

Mr. David Goldstein: Yes, we have. We were proactively trying not to bring a big basket of issues forward, and these are issues we deal with Transport Canada on, or other agencies. I should make note for the committee that there are 15 different federal agencies and departments that make policies that impact our sector.

On the transportation cost issue, we continue to have discussions with Finance and Transport to deal with what we call the “club sandwich” of fees and taxes and levies that have made us disproportionately uncompetitive. In fact, your committee had a recommendation to review that, I think last year. This year we wanted to specifically focus on the marketing piece.

Mr. Gerald Keddy: Thank you.

To the Sunnybrook Health Sciences Centre, first of all, thank you for the great work you're doing. It's an important sector, and with more and more people in Canada in an aging society, that is going to become more and more important in the future.

You talk about serving 1.2 million patients, which is an absolutely tremendous number. You're looking for a $30-million investment, and then you talk about more coming from the philanthropic or the private sector.

Where does the rest of the money come from? How do you match that with the province? How do you bring the province in, which we already give federal dollars to for health?

Dr. Barry McLellan: We're committed to delivering on the balance of the $30 million. It would be a combination of philanthropic support and support from the province. Today I'm unable to give you the exact specifics, but we're committed to raising the additional $30 million so that we can build the $60-million complex.

The Chair: Okay, thank you.

Thank you, Mr. Keddy.

[*Translation*]

Mr. Caron, you have the floor.

Mr. Guy Caron (Rimouski-Neigette—Témiscouata—Les Basques, NDP): Most of my questions will be for M. Girard.

Of course, the issue of the Champlain Bridge is crucial. We are talking about 160,000 cars a day. The value of the products that transit over the Champlain Bridge is approximately $20 billion a year. It has been estimated, I believe, that the value of goods crossing the Champlain Bridge represents approximately 15% to 20% of the Quebec GDP.

I found it interesting that in one of the recommendations in your presentation, you suggested that the federal government work in close cooperation with the Government of Quebec. According to the Minister of Transport, Mr. Lebel, this has already been going on and there have been several dozen meetings.

Are such intense negotiations really going on, or do you have another impression?

What is the problem currently, in your opinion, with negotiations between Quebec and Ottawa?

Mr. Nicolas Girard: The position we defend is the one agreed to by all of the partners of the Bureau des partenaires-Pont Champlain. This group is comprised of elected representatives from the South Shore of Montreal, as well as representatives of the Government of Quebec. We are talking about replacing a bridge. As you will have noted over the past few days, one lane of the Champlain Bridge is closed. The new bridge will only come on stream in eight years. Currently, one out of two trips over this bridge is done using public transit. We feel it is essential that the new bridge have a light rail transit system. We think that the federal government must contribute to the funding of the LRT.

Up till now, Minister Lebel has not said that he would agree to the Government of Quebec's request for a contribution from the “merit-based fund”. This fund contains $4 billion and the Government of Quebec is asking for $1 billion to fund this new infrastructure. Up to 100,000 people a day use the bridge. As you know, traffic congestion has a major impact on the economy of the greater metropolitan area. I am convinced that the LRT would reduce traffic congestion, but in order for this to happen, the federal government must contribute to this project which is crucial for our region, whether we are talking about the South Shore or Montreal.

● (1150)

Mr. Guy Caron: Some studies have indicated—I don't know if they were done by the Government of Quebec or the engineering firm—that the federal government would require a toll, and that, in other words, without this toll, there would be no bridge.

Mr. Nicolas Girard: Indeed.

Mr. Guy Caron: However, assessments show that for the bridge to be profitable, the toll would have to be set at $5 to $7 per trip, which is enormous given that this is not a new component, but a bridge which would replace an old and obsolete infrastructure.

Mr. Nicolas Girard: Correct.

Mr. Guy Caron: Is this figure of $5 to $7 accurate, and if so, what will be the impact of this toll on transportation as a whole? I'm thinking of the other two bridges, in particular.

Mr. Nicolas Girard: Yes, we are talking about $5 to $7. That is what we have been hearing. That will have a major impact on the other bridges. Motorists may well take the Jacques-Cartier or Victoria bridges instead, and, in some cases, the Honoré-Mercier Bridge. The minister said that $7 would not be enough to fund the new infrastructure. We cannot picture a new bridge in Montreal without a comprehensive vision of traffic flow. You cannot have a toll on just one bridge. That would have a significant impact on traffic congestion.

In addition, we are talking about a toll that will not be used for public transit at all. It would only be used to pay for the infrastructure. Imagine the predicament of the greater Montreal area. A bridge has to be replaced prematurely because of its run-down state, but Minister Lebel is not committed to providing funding for public transit. You cannot look at mobility in Montreal from the perspective of highway traffic only. Public transit must be included. There are not thousands of solutions to reduce traffic congestion. The answer is public transit. The world's great cities have managed to reduce their traffic congestion by heavily investing in public transit.

l think the federal government has made significant investments in public transit in Toronto and Vancouver. If that works for Toronto and Vancouver, it should also work for Montreal.

Mr. Guy Caron: In 2011, a survey was distributed to the residents of Montreal and the south shore. The results showed that, if the new Champlain Bridge was the only bridge with a toll, 26% of Montrealers and 36% of the south shore residents would not use that bridge. Instead, they would use the other two bridges, which are already congested.

Mr. Nicolas Girard: That is a good analysis. Many south shore mayors are worried about the impact on the other bridges. We must find a long-term solution, respecting the municipal jurisdictions of the greater Montreal area and the position of the Quebec government. The municipalities as a whole and the Government of Quebec are in unison on the Champlain Bridge, the light rail transit system and the toll. I think the federal government, Mr. Lebel in particular, must recognize their position.

The Chair: Okay. Thank you.

Thank you, Mr. Caron.

[*English*]

We'll go to Mr. Adler, please.

Mr. Mark Adler (York Centre, CPC): Thank you, Chair.

Thank you, witnesses, for being here today.

I have a couple of questions for Dr. McLellan. I read your submission with great interest and what you're proposing is absolutely fascinating and groundbreaking. Could you talk about the significance and important of having this brain science centre within the setting of a hospital?

Dr. Barry McLellan: The true benefit is bringing together the providers of care, doctors and other professionals, with the researchers and a spectrum of patients that include all brain sciences—those with diseases of the mind that may be cared for by psychiatrists, and stroke patients that may be cared for by neurologists, and those with brain tumours that may be treated by neurosurgeons—and bringing them together in an organization that has all the services to care for all of those patients with the synergy that comes from having people working together in the same building under the same roof. Not only do we get the best quality of care but we also get the best academic productivity.

● (1155)

Mr. Mark Adler: So it's really breaking down all the silos of the various medical disciplines and having them all operate hand-in-glove?

Dr. Barry McLellan: That's correct. It's based at the end of the day on the best outcome for the patients.

Mr. Mark Adler: Our government has spent a lot of money on research, hundreds of millions of dollars. Is it time now to leverage the money we've spent on research and move it to the next level? In a sense that is what you are proposing in creating this brain science centre within a hospital setting, but also leveraging this national network of brain research facilities that already exist. Is that correct?

Dr. Barry McLellan: That's correct. There's already been a significant investment made in brain sciences. This is bringing it all together under one roof and ending up with the greatest productivity and, at the end of the day, the best outcomes.

Mr. Mark Adler: In terms of the stigma of mental health doesn't this go a long distance to breaking that down?

Dr. Barry McLellan: There's been a lot of progress made in recent years around the de-stigmatization of mental illness. This takes it to the top level where you basically have all patients with diseases of the brain and mind being cared for, many on an outpatient basis, in the same facility.

Mr. Mark Adler: I've been to Sunnybrook Hospital on a tour. You're doing this right now. You're operating in this fashion. The $30 million being asked of the federal government would be to build a new facility because, from what I can see, the current facility is wholly inadequate. Is that correct?

Dr. Barry McLellan: I don't disagree with your assessment. What we have really had to this point in time is the lack of a purpose-built space. This would be a purpose-built space.

Mr. Mark Adler: This would draw experts from all over the world I would suspect. It's a hub if you will.

Dr. Barry McLellan: We're very fortunate in that we have many of those experts right now. What this is going to allow us to do is retain and attract even more expertise.

Mr. Mark Adler: And there'll be a huge economic generator for the region.

Dr. Barry McLellan: Absolutely.

We've spoken perhaps slightly more about the clinical care side. The spinoff of high-quality research, including commercialization and the jobs that come from that, would be enormous.

Mr. Mark Adler: On the clinical side I was absolutely fascinated by the high-intensity ultrasound, non-invasive surgery. Could you talk a little bit more about that?

Dr. Barry McLellan: Probably the best way to do so is to give a patient example. I'll talk about a patient who was treated last year in our organization. We're doing this right now. This is inventing the future of health care today.

A man in his 60s had a debilitating tremor to the point where he was unable to eat, couldn't drink a glass of water, couldn't use a pen. The disorder, the lesion, was deep in the brain and the alternative would be to cut through, which a neurosurgeon might do. It's an invasive procedure where you're damaging brain tissue on the way through. High-intensity focused ultrasound allows you to deliver treatment non-invasively with great specificity and destroy the lesion. That patient was able to drink water and draw the same day. Again, with no anesthetic the treatments are either on an out-patient basis or on an overnight-stay basis.

The Chair: Okay, thank you.

Mr. Mark Adler: Oh, is that my time?

The Chair: Yes. Thank you very much, Mr. Adler.

[*Translation*]

Mr. Côté, you have the floor.

Mr. Raymond Côté (Beauport—Limoilou, NDP): Thank you, Mr. Chair.

I would like to thank all the witnesses for being ready to answer our questions, even though we have very little time unfortunately.

Mr. Goldstein, we have known each other for two years; it is nice to see you again. Thank you for being available and for sharing with us the Statistics Canada summer 2011 data on jobs. I was able to see that, among my 11 colleagues form the Quebec City area, including the south shore, my riding ranked third with more than 6,000 jobs in tourism. That is one of the reasons why I am very worried. In my riding, we also have major players and very attractive sites.

I would like to go back to the issue of the real tourism deficit compared to global performance. In a Statistics Canada table on tourism jobs, we can see that in the first quarter of 2013, Canada was barely at the level of employment before the recession, six years ago, after experiencing a dip. We can talk about catching up, but something else is going on when tourism jobs have not followed the global growth curve at all.

Would you like to comment on the situation?

● (1200)

Mr. David Goldstein: Thank you, Mr. Côté.

[*English*]

I want to thank you and in fact the chair for your continuing support of the all-party tourism caucus, because these issues are important to us across the board.

I'll deal with the question in two parts, first of all the resilience of the industry; then, there's a Conference Board piece coming out today that talks about the resiliency of the investment and the jobs in each of those ridings. But we also know—and these are not our numbers but Treasury Board-approved numbers from the return on investment statistics that the Canadian Tourism Commission puts out—of the quick turn-around in job creation that our sector provides, especially amongst young Canadians.

In fact, what we saw during the economic action plan and the stimulus package was a multiplier of those jobs in various regions of the country in a very quick fashion. How we get to what we would consider to be our fair share—Canada's 4%—is really a function of marketing and of accessing product. These are issues that we have dealt with at the caucus on a regular basis.

We could have gone through a litany of issues that we had through the deficit reduction action plan, but we understand that there were certain cuts that had to be made. The one that's probably the most debilitating for the sector is the lack of ability to invest in the U.S. market. We're not asking the federal government to go this alone. We're effectively setting up a model, much like what Brand USA is in the United States, whereby we're going to raise a dollar of investment for every dollar the federal government puts forward.

[*Translation*]

Mr. Raymond Côté: You are right, especially since the Canadian brand is particularly strong. Our country is a leader in this sector, and yet our brand is suffering.

In the document entitled “Gateway to Growth: Connecting America”, the paragraph in the section “Keeping pace with the world-targeting 4% growth” states: “Over the past decade Canada's international arrivals have dropped by nearly 2%”. A table shows the change in room nights and in spending. It is interesting to look at the “government revenues attributed”. According to the table, if we had been able to keep up with the 4% global growth, those revenues would have been an additional $151 million.

Could you comment on how this type of contribution from the federal government could have compared to the contribution it actually made?

[*English*]

The Chair: Give just a brief response, please.

Mr. David Goldstein: Perhaps we could file that information with the committee in a more detailed way. But rest assured that the methodology to get to those return numbers was based on Treasury Board guidelines and that the government revenues attributed to tourism are derived from a Statistics Canada model. If anything, we believe they are a fairly conservative estimate.

[*Translation*]

The Chair: Thank you, Mr. Côté.

[*English*]

Mr. Goldstein, you can certainly file that information with the chair through the clerk. We will endeavour to see that all members get it.

We'll go to Mr. Van Kesteren, please.

Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC): Thank you, Chair.

Thank you, all four, for being here. It's a very interesting discussion that we're having.

Mr. Goldstein, a lot of the questions are going to you. I want to ask you a couple of questions and then maybe I'll move on to some of the others.

You talked about moving from seventh to sixteenth place. Was that a result of 9/11?

Mr. David Goldstein: Yes, mostly.

Mr. Dave Van Kesteren: We talk about a resurgence, or somewhat of a comeback. Has the American appetite moved away, or are they travelling less? I need to know that.

Mr. David Goldstein: They're travelling more.

Let's be fair to ourselves. I think we took the American market for granted for a great period of time because of such things as the low dollar and the open border. To use a real estate analogy, sometimes you ignore the anchor tenant. To our credit and due to our partnership with the federal government, we have spent a lot and have invested greatly in emerging markets. We just last month led a trade mission to China. The results are impressive. But it's time to retrench with the anchor tenant, and we really haven't had a national, coordinated campaign in the United States since the Olympics.

● (1205)

Mr. Dave Van Kesteren: I'm curious. Have you done a study? It's in the numbers. As a kid, I worked at a gas station. We were near the border, and the Americans would come over in droves with their campers. I suspect that because the baby boomers have moved forward, this has ended. There are probably a number of factors like that. I don't need you to answer the question, but if you have done a study and have mined the numbers, I think this committee would like to see it. I know I'd like to see it.

Mr. David Goldstein: Just to give a quick answer, the study is underway, and the results will probably be here in two months. We will provide them.

Mr. Dave Van Kesteren: We did another study through industry. One thing we can do, not necessarily as a government but as a people, is to be more welcoming. I've had some bad experiences coming into Canada with border guards. I suspect that if that's the case, it happens more often, and if it happens with Canadians.... Are you seeing some charges to that effect, and what are you doing and what can we do to correct that situation?

Mr. David Goldstein: On the one hand, CBSA are not greeters; they're here to perform a function. But that said, there was a very exciting project that took place leading up to the Olympics wherein CBSA was given customer service training. We'd love to see that again. They perform a role, but at the same time, people have travelled the world and know that you don't necessarily have to be accused just to come into the country.

Mr. Dave Van Kesteren: We're all part of a team.

Mr. McLellan, we talked at great length about some of the exciting work you're doing at your facilities. It's fascinating stuff. I hate to drill down into the dollars, but I wonder what kind of economic impact this has. Do you have some information for the committee about what the training does and what the impact is on the economy?

Dr. Barry McLellan: We have had significant success with a number of research commercialization initiatives. We have one example in which some of our imaging equipment has been used, resulting in the creation of hundreds of new jobs. Clearly, building this facility would by itself result in some stimulation of the economy through additional jobs as well. But at the end of the day, the impact of mental illness and diseases of the brain to the economy, directly and indirectly, is in the many tens of billions of dollars each year.

So the combined direct and indirect costs are in the tens of billions of dollars per year. We believe that we can do a much better job in treating patients, getting them back to work, and decreasing the impact that these illnesses are having broadly in society.

Mr. Dave Van Kesteren: I'm going to suggest that if such a study is being done, the committee would like to see it as well, to see what the impact is. If not, it might be something that would be of great use.

Dr. Barry McLellan: To be clear, it wouldn't be a study that we're doing on the impact; it would be data that we have available, which we could share with the committee, that demonstrates the impact it's having on society.

Mr. Dave Van Kesteren: Thank you.

The Chair: Thank you, Mr. Van Kesteren.

Mr. Rankin, please.

Mr. Murray Rankin: Thank you, Chair.

Thank you to all of our witnesses today. We much appreciate your attendance.

In the short time available I would like to ask questions of Professor Hulchanski and Mr. Goldstein.

My first question is for you, Professor Hulchanski. Thank you for your excellent and thoughtful report. You mentioned a number of recommendations, and my colleague, Ms. Nash, asked you about the housing debacle and the lack of spending of the federal money that's available. I won't take you back there, but I want to focus on your other recommendations, if I may.

Your first recommendation talked among other things about income splitting, saying that we should avoid income splitting and avoid the doubling of the TFSA.

Could you spend a little more time explaining why you recommend that?

Dr. David Hulchanski: Well, it's quite obvious those cost money. They transfer money to people who do those things. I've maxed out, because I can, on the tax-free income savings plan, but the majority of Canadians can't do that. Why do that? That's just one of many, many small and some very large tax expenditures that we pass on to all Canadians in theory, but benefit a minority of Canadians.

● (1210)

Mr. Murray Rankin: Does the same analysis apply to income splitting?

Dr. David Hulchanski: Yes. That's more complicated to understand. Just because something was done in the past for some groups doesn't mean we continue to go down that road, in that direction. We can go in another direction of a fairer tax system, looking at that whole category.

Mr. Murray Rankin: I was taken by how you said that these decisions are really deliberate decisions government is making, with the impact on poverty and the erosion of the middle class that you've commented on.

Dr. David Hulchanski: We, Canadians, and you on our behalf, make these decisions. Humans made those decisions.

Mr. Murray Rankin: I want to come back to you, if time permits, but I also would like to spend my time with Mr. Goldstein.

We talked before the hearing about the impact of tourism on my riding of Victoria. It's quite astounding. You point out that we're in the top 15 ridings in the entire country in terms of having over 9,200 people employed, with 933 tourist businesses. Therefore, I don't need any persuasion as to how critical it is. But I am concerned about the American market. The anchor tenant analogy is an excellent one.

I've seen on TV, and I'm sure many others have, just extraordinarily good advertisement campaigns by the Americans, by the State of California, which I saw recently. Why can't we do better? Why can't the Government of Canada, rather than spending money on the economic action plan during hockey games, spend money on this?

Mr. David Goldstein: First of all, I think we are doing a very good job internationally. The Canadian Tourism Commission is actually doing an extremely good job with the funds they have in some of these international markets. Effectively, what we're doing as an industry is responding to that very campaign you're talking about with this co-investment model.

Perhaps I could just take it one step further. I know we're short on time, but yours, in fact, is a unique situation, where it's not just of great attraction to the Americans, but it's a global attraction. As I said earlier, we were just on a mission to China. We had one of your local businesses, a company called the Prince of Whales, an award-winning whale-watching company.... The environmental piece makes us a global destination. It's one of those unique things that you're not going to see in other parts of the world.

So part of this is a promotion issue. What we have done traditionally as an industry is to come forward and ask for money for the Canadian Tourism Commission. This is a co-investment plan that we're prepared to back up.

Mr. Murray Rankin: In your co-investment plan, you talk about city-pairs—I thought that was interesting—to increase visitation by the regions across the United States and to take them directly into every Canadian airport. Talk a bit more about what you mean by city-pairs.

The Chair: You have one minute.

Mr. David Goldstein: Effectively, the distribution issue is the same that the oil industry has with the pipeline. My pipeline has wings. Why try to create new routes where routes already exist? There's actually a fair amount of unused or underused air access with the U.S. Too much of that traffic is leaving Canada to go to the U.S. and onward. We're trying to recapture that on the way back. Some of this will be dedicated to routes that exist or routes that airlines and airports want to invest in, co-invest in, to actually develop those routes.

The Chair: Thirty seconds.

Mr. Murray Rankin: Thank you very much.

Professor Hulchanski, you talked intriguingly about enhancing the Canada Pension Plan to reduce poverty. I wonder, in the time available, whether you could explain what you meant by that.

Dr. David Hulchanski: That is another category like unemployment insurance where over time it has not kept up with inflation. We know who those people are and what kind of need they're in, and it's pretty easy to address—not all at once, but year by year doing something a bit more in all of those categories. For about 15 or 20 years we've done the opposite, taken something away, say, from unemployment insurance.

The Chair: Okay, thank you.

Thank you, Mr. Rankin.

Mr. Hoback, please.

Mr. Randy Hoback (Prince Albert, CPC): Thank you, Chair.

It's great to see you out this afternoon and this morning.

Mr. Goldstein, I do a lot of travel into Central and South America with parliamentarians down there. We talk about how great Canada is. We have great national parks, great hunting and fishing. In fact, if you go to the airport in Saskatoon this time of year it's full of camouflage. It's the people coming out of the U.S., coming up here to do hunting, either goose hunting or deer hunting, or sportsmanship like that.

One of the complaints I have, and I guess one of the things I'd like you to maybe help address, is this. What are the barriers facing tourists who are coming from countries that require a visa? How does that impact this and what would happen if we made that process simplier or easier? What could we do to make it easier or simpler for them to come here?

● (1215)

Mr. David Goldstein: Thanks for the question because it is one of our prime concerns, and I'd like to say there's actually been a fair amount of progress on that in the last three years. Three years ago, we didn't have a 10-year multi-entry visa to Canada. We've extended the number of visa application centres. We as the tourism industry have a seat at the round table of the deputy minister of immigration. I think there's a changing sense at Immigration that these aren't just temporary residents, as they're categorized now, but these are like export permits and we're an export sector.

So we'll continue to work on those issues. Minister Alexander has been extremely active with us already in a very short period of time. We've just released a visa white paper, which we'll give to the clerk of the committee, addressing some of these things specifically. We'd be happy to follow up with you or other members of the committee on very specific issues of eliminating the red tape and creating more access for visitors.

Mr. Randy Hoback: I look forward to that white paper because, again, in talking to colleagues across the Western hemisphere, even talking to the business sector, we're starting to see board meetings being held outside of Canada because of visa issues.

Mr. David Goldstein: I can't avoid the plug, but now that we have eliminated the Czech visa requirements because of the free trade agreement, I think it's time to eliminate or re-create a visa waiver for Mexico as well.

Mr. Randy Hoback: One of the things that was talked about in Saskatchewan at some pre-budget meetings was the need or requirement for rental properties and for existing rental properties to be refurbished and brought into new state. Has the real estate association talked about what process we could look at there, as far as encouraging the creation of more rental spaces is concerned? I use Saskatchewan, and Saskatoon or Regina for example. We have an unemployment rate of 3.6%. We're trying to attract people from across Canada. One of the things we're facing is that they don't want to spend $250,000 to $350,000 on a bungalow in Regina. So they're looking for rental space. Are there any ideas on what we could do there?

Mr. Gary Simonsen: Certainly the whole capital cost allowance deferral program that we've suggested is going to assist in both improving and expanding opportunities for rental properties. It's certainly not the whole solution but it would certainly be of assistance in that direction.

Mr. Randy Hoback: So the capital cost allowance....

Do you think any other incentives need to be in place for investors to invest in that type of real estate?

Mr. Gary Simonsen: Certainly our research demonstrates that would be the case, that it would certainly provide a kind of stimulus and enable smaller investors to do what larger developers are presently able to do.

Mr. Randy Hoback: Thank you, Chair.

The Chair: Thank you very much, Mr. Hoback.

We'll go to Mr. Jean please for the final round.

Mr. Brian Jean: Thank you, Mr. Chair.

And thank you to all the witnesses that appeared today.

I want to just ask Mr. Hulchanski first of all if he is suggesting that the federal government infringe upon provincial jurisdiction relating to the moneys the federal government should invest and put forward in the budget.

Dr. David Hulchanski: No, no.

Mr. Brian Jean: I was just curious.

I just want to read some quotes to you, and I apologize because I forgot my glasses this morning and am hoping to get them right. All of these are from the OECD. They said the following about Canada:

> ...first among OECD countries in the proportion of adults with college education....
>
> ...academic research is world class....
>
> A new review of Canada's aid programme commends the country's strong stand on human rights....
>
> Economic growth is projected to strengthen through 2013 and 2014, driven by business investment....
>
> Female employment rate is high in Canada at 76% compared to the OECD average of 64%....
>
> Canada from 2001 to 2010 doubled its aid.

Would you disagree with any of those statements?

Dr. David Hulchanski: No, we are a very successful country. We're equal to the 10 to 15 best, no question.

Mr. Brian Jean: Good news, I have the same prescription as my friend.

Voices: Oh, oh!

Mr. Brian Jean: Mr. Goldstein, in Australia, with Queensland being the most popular state for tourism, over 50% of the economy is tourism-based. You nod your head in agreement.

Are you doing a comparison on...?

Mr. David Goldstein: I'm assuming you're correct.

It's got to be very close.

● (1220)

Mr. Brian Jean: I am. I promise.

I did a thesis on Queensland and indeed it was like 54% in 1989.

Is your comparison in real dollar terms or in terms of percent of GDP, or on the basis of how big tourism is in Australia compared to in Canada?

Mr. David Goldstein: No, it's real dollar terms. It's comparatively small as a percentage of GDP here, but actually very spread out across the country, unlike some of those jurisdictions like Australia where it's very concentrated in certain areas.

Mr. Brian Jean: Along the coast, especially in the north.

Thank you very much.

Finally, Mr. Girard, thank you, and I will ask you to slow down.

Mr. Nicolas Girard: No problem.

Mr. Brian Jean: I am very interested in your testimony. In fact, I came here and was a bit surprised. I'm from Fort McMurray, and we have about 60,000 to 70,000 car movements a day that go 30 kilometres, taking two hours to do so. Of course, that is to keep the oil sands going and the economy, and it's about 10% of the GDP of the country that is created by those 80,000 movements—I'm not sure if you knew that—going across three bridges that are all paid for by the Alberta government.

I'm just curious. There are five bridges owned by the federal government, all of them attached to Quebec. One is the Champlain Bridge, and there are other bridges across Canada that have, for instance, tolls. There is one in British Columbia that actually was a P3. It was very successful and they paid it off quite early.

Why should the federal government invest in your bridge, the Champlain Bridge—and I understand the ownership issue—and not worry about all these other things that are going on across Canada, as, for instance, in my community where people have to wait three or four hours a day to go to work and to come back after working a 12-hour shift?

That's what I have to explain to my constituents and, believe me, some are from Quebec. About 6,000 Quebeckers live in my riding. In fact, when I moved in there were only 1,600 people and now there are about 180,000 people from across Canada who live in that area, including in camps. They all ask me why the federal government can't put in another bridge or another highway so that they don't have to sit in lineups going five kilometres an hour for two hours a day.

[*Translation*]

Mr. Nicolas Girard: I will answer your question in French.

You know that the Champlain Bridge is in bad shape.The federal government made the decision to replace the bridge because its lifespan is shorter than expected. Right now, the greater Montreal area is having a hard time because of the condition of the Champlain Bridge. One lane is closed because the Bridge Corporation discovered a crack. Last week, we heard a presentation at the Champlain Bridge partners committee and understood that about a dozen girders of the 100 girders of the Champlain Bridge have a code red. Because one of those girders went to a code black, one lane of the bridge had to be closed for one month. You can imagine the impact of that.

[*English*]

Mr. Brian Jean: It's the basis of the emergency situation.

I only have so much time, so I just want to make sure I understand.

[*Translation*]

Mr. Nicolas Girard: And the new bridge—

[*English*]

Mr. Brian Jean: My final question relates to the same thing: it's on the basis of emergency. I understand that. I understand what's been happening with infrastructure in Quebec over the last 40 years. My question is very simple. Do you applaud the government for the permanent per capita funding changes they made to the gas tax funding so that Montreal is treated the same as every other city across Canada? Every other citizen receives the same amount of money based on the gas tax—

[*Translation*]

The Chair: Please answer quickly.

Mr. Nicolas Girard: We feel that the bridge should be replaced and the federal government should contribute to setting up a light rail transit system on the Champlain Bridge, as it did for other public transit infrastructure projects in Toronto and Vancouver. We feel that, if it works for Toronto and Vancouver, it should work for Montreal as well. We should be treated equally.

[*English*]

Mr. Brian Jean: And Fort McMurray.

The Chair: Thank you.

Thank you, Mr. Jean.

I want to thank all of our witnesses for being with us here.

Colleagues, we will suspend for a few minutes and bring the second panel forward.

As well, we'll have Mr. Smith on the second panel by teleconference, not by video conference.

I want to thank all of you for appearing before us here today and for responding to our questions. Thank you very much.

●
(Pause)
●

● (1230)

The Acting Chair (Mr. Dave Van Kesteren): We will start the second part of our meeting.

I'd like to welcome everyone here. You will all be given an opportunity to present your case.

We are going first to Mr. Smith whom we were not able to connect with in the previous session.

Mr. Justin Smith (Director, Policy, Research and Government Relations, Calgary Chamber of Commerce): Mr. Chairman, and honourable members of the committee, fellow witnesses, thank you for inviting me to speak before you today on the important topic of ensuring prosperous and secure urban communities.

As you know, Canada is in many ways a nation of cities. More than 80% of our population now call the city home. That's double the rate of urbanization seen at the beginning of the 20th century.

Here in Alberta city dwellers make up almost 83% of our population, which is an important demographic reality that policy-makers at all levels of government must consider when contemplating public policy that affects the prosperity and sustainability of our urban communities.

Specifically, growth in the city of Calgary has been nothing short of remarkable. Since 2006 our urban population has grown by over 10%. Private investment, employment, consumer spending, and infrastructure investment have all grown considerably over that same period, accelerating Calgary's emergence as a thriving metropolis in western Canada. Solid job creation and low unemployment have fuelled domestic demand, lifting retail sales growth and housing starts across the city. Our provincial energy sector continues to support business services in all sectors of our economy, while at the same time encouraging the emergence of new industry clusters, creating broad-based economic growth that continues to attract new Calgarians to our city every year.

As remarkable as this growth has been, it comes with attendant growth-related challenges. Calgary's population has grown at a rate that has far outpaced the working life of much of our city's infrastructure, necessitating considerable investment in the coming years to maintain its overall functionality and reliability.

One example is the overall efficiency and reach of our public transit system. Already stretched, Calgary's growth has placed added pressure on our transportation infrastructure, limiting the mobility of Calgary's workforce and leading to congestion on our roadways and lost productivity quantified in the billions.

Additionally, our strong economy and the pace of population growth have led to problems of affordability in and around the Calgary area, putting an increasing financial strain on the families and small businesses that are located here. Challenges such as aging infrastructure, declining workforce mobility, and an emerging affordability crisis compound yet another perennial problem in western Canada, and that's our ability to attract a workforce of sufficient size to adequately satisfy overall market need. Alberta's labour shortage is certainly one of the most limiting factors to our overall prosperity. Left unresolved it will remain a serious impediment to future growth.

It's with these growth-related challenges in mind that I come before the committee today to discuss certain recommendations that will help inform the committee's future deliberations on these issues. First, adequate funding for municipal infrastructure should remain a top priority for the federal government in the coming fiscal year. A reliable network of modern infrastructure is critical to a city's economy, enabling the mobility of goods, services, and people, and maximizing the overall livability of a city. Investments over the last five years by the federal government have certainly helped to close what was once a gaping municipal infrastructure deficit, but additional support is certainly necessary, especially when you consider that local governments own a far larger share of Canada's public infrastructure stock than other orders of government.

The federal government's 10-year funding commitment announced as part of the 2013 economic action plan is welcome support, but to ensure its successful implementation, large urban centres throughout Canada should be given the flexibility they need to set priorities and make funding decisions accordingly.

Second, it would be important for the federal government to provide municipalities with the guidance and leadership necessary to adopt a proactive approach to addressing the affordability concerns that many municipalities, including Calgary, face. Without targeted relief Calgary risks losing a significant portion of its workforce due to increased costs and will have even greater difficulty attracting the future labour force it will need to sustain its economic growth. This places even greater strain on the resourcing issues our business community already faces and discourages future investment and growth.

The federal government should work with cities and communities to lower investment barriers to certain projects, including the building of new rental housing, and extend existing affordable housing programs to ensure that our growing urban populations have safe, affordable places in which to live.

As a leading advocate for Calgary's business community, the Calgary Chamber of Commerce recognizes the fundamental importance of urban prosperity and stability to the success of our members. No single solution will address all these growth-related challenges our city currently faces, but it is my firm belief that with a proactive and concerted approach and strong partnership with our federal government we can take the important steps necessary to transform our city into an even greater place in which to live and work.

Thank you to the committee members for your consideration. I look forward to your questions later.

● (1235)

The Acting Chair (Mr. Dave Van Kesteren): Thank you, Mr. Smith.

With us at the table today, we have Alex Scholten, the president of the Canadian Convenience Stores Association; Mr. David Phillips, from the Credit Union Central of Canada; Daniel Roussel, from the Desjardins Group; Brad Woodside, from the Federation of Canadian Municipalities; David Marit, from the Saskatchewan Association of Rural Municipalities; and Claire Bolduc, from the Solidarité rurale du Québec.

We welcome you all. You all have five minutes.

Mr. Scholten, please.

Mr. Alex Scholten (President, Canadian Convenience Stores Association): Thank you.

On behalf of the Canadian Convenience Stores Association, I'd like to thank committee members for the opportunity to speak with you in these pre-budget consultations.

Most people may not realize that convenience stores are a cornerstone for rural and remote parts of Canada, an important component to ensuring prosperous and safe communities. As you may know, there are 190,000 people employed in the convenience store industry across Canada. Our stores contribute over $40 billion to the Canadian economy, and we serve over 10 million Canadians and foreigners in the country each and every day.

Our association was established to act as the voice for the convenience store industry in the 23,000 locations across the country. Of those locations, approximately 20% of the stores are located in rural communities. That amounts to about 4,600 sites that, in many cases, serve as the only retail offering for the customers in that area. For many of these communities, the local convenience store is the sole place to purchase necessities such as bread, milk, and gas. Many of these communities are home to Canada's aging population, and for seniors traveling long distances to obtain these products it presents serious challenges, especially in the winter months. Our small, rural retailers are a lifeline for the small, rural communities in which they operate. When a store closes its doors in these rural locations, it's a pretty strong sign that the communities will struggle to continue as well.

As an example of the importance of convenience stores to our rural communities, we need to look only to the village of Wallace, Nova Scotia. In December 2012, the only convenience store in that area, Wallace RiteSTOP, had a significant fire that gutted the entire operation. Rebuilding the store was a question mark. The village was small and the customer base was in decline; suppliers were questioning whether or not they wanted to continue to operate in that area. The lives of Wallace residents changed dramatically during the several months the store was closed, as they were required to travel over 18 kilometres to get to the nearest store in the area. This was the only fueling station servicing Wallace at the time, and community members, the local fire department, and the ambulance service were required to gas up elsewhere, which caused some significant concern. After nearly 80 years in business and serving as the sole-service epicentre for the town, the future of the store was bleak.

Fortunately, the story had a happy ending. Thanks to the nearly 600 people in Wallace who rallied together to save the store, they travelled from the local elementary school to the burnt-out store to convince the owners and suppliers that the store was needed in that community. Their message was that it was an important social gathering and service base for the people of Wallace, and they needed that store to continue.

This is just one of the many examples of the critical role our stores play in serving rural and remote communities in Canada. Our retailers take pride in being a safe haven for residents in the communities they serve. No matter the hour, our lights are always on. Ultimately, convenience retailers will only be able to continue to serve their communities if the business environment is favourable. Think of our rural stores as canaries in the mine shaft. They're the first to know and hardest hit by the challenges facing our industry. Coming from small communities, with small customer bases, it's a big challenge for them to continue operations, so anything that impacts our industry as a whole is particularly impactful on those small retailers. Their margins are razor thin.

Our pre-budget submission discusses the challenges that threaten the livelihood of these rural businesses and our industry more broadly. Specifically, we've identified over-regulation and the need to comply with red tape as a heavy burden for retailers struggling to stay afloat, and excessive credit card fees, which make it very difficult for our retail members to survive, especially those small, independent retailers who do not have the margins or the sales amounts to negotiate lower credit card rates for their store. Furthermore, our rural stores are threatened by the persistence of contraband tobacco, which is provided at low cost and without age verification for anyone who's willing to buy.

I would be happy to elaborate on these points further, following the presentations.

Once again, thank you, on behalf of our association for your interest in the convenience store industry.

● (1240)

The Acting Chair (Mr. Dave Van Kesteren): Thank you, Mr. Scholten.

We now go to Mr. Phillips.

Mr. David Phillips (President and Chief Executive Officer, Credit Union Central of Canada): Mr. Chairman, and members of the committee, thank you for this opportunity to appear before you today.

I've been asked to discuss how credit unions in Canada help to ensure prosperous and secure rural communities. I should first mention that my organization, the Credit Union Central of Canada, is a national trade association for the 332 credit unions and caisses populaires that operate outside Quebec.

Credit unions are part of Canada's cooperative movement, which they share with Caisse Desjardins and with many other cooperative organizations across Canada. Cooperatives are an integral part of Canada's economy and have roots in Canadian history that extend back well over 110 years.

Now for a brief story. Moonbeam is a community of about 1,000 individuals situated in northern Ontario. Several months ago the residents of Moonbeam learned that the operator of the town's grocery store was proposing to cease operations. The town responded to this potential loss of service by establishing a food cooperative, and was assisted in doing so by the caisse populaire of Kapuskasing, which has a branch office in the town.

This story illustrates how cooperatives and cooperative financial institutions work together to build and sustain rural communities. Cooperatives are part of these communities and credit unions are community-based financial institutions.

Cooperatives and credit unions are consumer-owned, unlike banks, which are shareholder-owned. At credit unions the customers are local, the management and employees are local, governance is local, and decision-making is local.

Credit unions support prosperous rural communities through their presence and active involvement in these communities. Physical presence is important and credit unions operate from more than 1,760 locations across Canada and most of these are in smaller communities. This is a large number of locations given the size of the credit union system. By way of contrast, the Royal Bank of Canada, which is more than four times larger than the credit union system, operates from 300 fewer branch locations.

Rural or remote communities do not need to be underserviced communities. In over 360 rural centres a credit union or caisse populaire is the only financial institution physically present in that community. This number does not include the hundreds of communities in Quebec where Caisse Desjardins is the only financial institution branch.

Credit unions focus on strengthening the communities they serve and they put service ahead of profit.

The ability of cooperative financial institutions to continue to contribute to the prosperity of rural communities is dependent upon the existence of government policies that support, or at least do not hinder, this activity.

We are supportive of the federal government's initiative to apply a small business lens to its policies and priorities, but we feel that this needs to go further and that the government should also apply a cooperative lens to all of its initiatives.

What would a cooperative lens do?

A cooperative lens would, among other things, consider the fairness of credit union taxation. We regard the recent increase of income tax on credit unions, which we have opposed, as being the application not of a cooperative lens but of a Bay Street lens.

A cooperative lens would consider the fairness of allowing a non-taxed and non-regulated state-owned enterprise such as Farm Credit Canada to compete directly with small cooperative financial institutions in rural communities, and a cooperative lens would carefully consider ways in which government regulation can be implemented in a manner that does not impose an excessive burden of fixed costs on consumer-owned financial institutions.

The Moonbeam story is a happy story, and there are many other happy stories from across Canada where credit unions and caisses populaires have helped to build prosperous and secure rural communities. But the ability of these consumer-owned financial institutions to serve their communities is not a matter to be taken for granted.

For this reason we urge the federal government to apply a cooperative lens to its policies and programs to ensure that credit unions and caisses populaires can continue to fulfill their important role in the Canadian economy as a strong and active presence in rural communities.

Mr. Chairman, those are my comments.

● (1245)

The Acting Chair (Mr. Dave Van Kesteren): Thank you, Mr. Phillips.

From the Desjardins groups, Mr. Roussel.

[*Translation*]

Mr. Daniel Roussel (Consulting Director, Senior Vice-President, Cooperation and Corporate Affairs, Desjardins Group): Good afternoon, Mr. Chair and hon. members of the Standing Committee on Finance. My name is Daniel Roussel and I am the Consulting Director for the Senior Vice-President, Cooperation and Corporate Affairs of the Desjardins Group. We are honoured to give testimony before you today.

The Desjardins Group is much more than a financial institution for rural communities. It is a tool that has enabled those communities to develop over the past century. I would even say that it is a multipurpose tool because it has supported personal projects, business projects and collective structural projects.

But how does our institution stand out from other financial institutions? As my colleague Mr. Phillips said earlier, like credit unions, the cooperative nature is the strength that enables our institution to meet increasingly diverse needs.

At the beginning of the 20th century, Mr. Desjardins established credit unions and cooperatives, but today, as we enter the 21st century, we realize that the members of our caisses are faced with increasingly complex issues, including the dematerialization of money, the globalization of financial and trade markets, the increase of debt and the development of mobility.

Information technologies have changed both the way we consume goods and the way we communicate. However, the Desjardins Group continues to provide in-person services to members at its more than 1,000 points of service and 43 business financial centres. I would like to point out that, in Quebec, 32% of the Desjardins points of service are in communities with fewer than 2,000 residents, whereas the percentage for banks is only 2%.

Not only does Desjardins provide services locally, but it also focuses on its relationships. The group's caisses, which serve workers' communities of interest and cultural communities regardless of location, show how important this type of community-oriented approach is. According to the current trend, our democratic structure encourages close relationships with members and the participation of members in the group's initiatives.

I think it is important to point out that, without the participation of elected leaders, respect for the distinctiveness of each caisse and a flexible approach adapted to their local reality, Desjardins would not be today the largest cooperative financial group in Canada and the sixth largest in the world. Our leaders, elected from local communities, ensure the caisses become firmly rooted in those communities and promote local services through innovation. For instance, our points of service are increasingly sharing resources and buildings with municipalities, which makes it possible to increase the hours of operation and to keep most transactions traditionally carried out by tellers.

The prosperity of rural communities relies especially on support for innovation. Since a cooperative is a voluntary group of people who want their needs to be met and, as a result, take charge, we feel that this business model is an attractive and viable solution to the prosperity of rural communities, including access to essential services.

We are seeing multi-purpose cooperatives emerge everywhere. They are like a breath of fresh air in a number of devitalized or lower-density communities where they respond to essential and diversified needs. We are also seeing solidarity cooperatives that provide grocery, fuel and even postal services in addition to financial services.

Capital régional et coopératif Desjardins is closely involved in the development of resource regions. First, it injects venture capital into SMEs and cooperatives and offers its local expertise. Second, it promotes the transfer of businesses, which makes it possible to maintain its presence in local communities in order to avoid the outsourcing of jobs.

In 2012, Capital régional et coopératif Desjardins invested a record $237 million in Quebec businesses. We have also used some of that investment for a farm succession fund for young people who wish to buy farms. In addition, the caisses themselves provide an impressive range of services. The caisses also contribute to the community development fund, which enables people to invest in structuring projects in their own communities.

● (1250)

Last year, an amount of $41 million was invested in local projects, community projects.

I could also talk about Desjardins' educational role. It is fair to say that, over time, Desjardins and its leaders have become a popular university for financial literacy.

I would like to wrap up by talking about services. Our company employs 45,000 people across Canada and provides services to Aboriginal communities as well. We could also talk about our solidarity-based financing for people who are not eligible for financial services.

[*English*]

The Chair: Okay.

[*Translation*]

Mr. Roussel, thank you for your presentation.

[*English*]

Next we'll have Mr. Woodside, please, from the Federation of Canadian Municipalities.

[*Translation*]

Mr. Brad Woodside (First Vice-President, Mayor of the City of Fredericton, Federation of Canadian Municipalities): Thank you, Mr. Chair.

[*English*]

Mr. Chairman, I am pleased to be here today to share the views of some 2,000 Canadian municipalities on the next federal budget.

I understand that we have about five minutes, so I'll cover the highlights of our recommendations and leave a copy of my remarks with you. My comments today will be on issues facing all municipalities in Canada. I will highlight the particular needs of our rural communities.

Let me start by acknowledging that Budget 2013 was good for Canada's cities and communities. The federal commitments to local infrastructure were the largest and longest ever made by the Government of Canada. This decade-long plan will deliver some $50 billion in new funding to help repair, maintain, and replace municipal infrastructure.

The highlight was indexing the permanent gas tax fund against inflation, which will add another $9 billion over 20 years.

There was also good news on housing: the five-year renewal of two key federal housing programs and the commitment to follow Housing First principles in the homelessness partnering strategy, with a role for FCM.

All this happened because the key partners, including the Federation of Canadian Municipalities, worked together. Now we need to see what remains to be done and keep that work going.

In any Canadian community you'll see problems related to infrastructure, housing, public safety, and the environment. In rural and northern Canada you'll see communities fighting for their economic survival. Today we are focusing on two essential issues that need action now.

First, the Building Canada fund must meet the needs of cities and communities. We need to know that a fair and predictable share of the fund will be invested in local streets, bridges, water systems, and public transit. Our rural communities also need to know that they'll be able to access the fund in an equitable way through a dedicated small communities component. Municipalities, through FCM, must be involved in determining how that fund is invested, and any plan must include clear national objectives, with reporting mechanisms to ensure that every dollar delivers value for taxpayers.

Second, in housing we are pleased that the federal government accepts that it has a role in housing and we welcome the renewal of the two new expiring housing programs.

Last spring, Mr. Chairman, we applauded the government's budget commitment to support Housing First and other proven models of fighting homelessness. But without action now, recent progress will be lost. The combination of high real estate prices, a lack of rental construction, and expiring federal funding are threatening to push many Canadians deeper into debt or out of the housing market entirely.

Despite the recent renewal of some programs, we are still looking at the expiry of federal funding for social programming worth $1.7 billion a year. The biggest drop, $500 million a year, is coming between 2014 and 2019.

There are other housing issues that affect Canadians, chiefly finding an affordable home to buy or rent. Many Canadians carry record levels of mortgage debt, and a growing number are priced out of the housing market. For rural communities, it means meeting the housing needs of seniors who want to age in place, having the housing we need to attract and retain workers, and keeping housing costs manageable when our economy is booming. As more Canadians look for alternatives, the rental market cannot keep up.

Finally, rising housing prices threaten the broader economy, potentially forming bubbles that are vulnerable to collapse. We have two recommendations on housing, Mr. Chairman, for you and the committee: that the Government of Canada first follow up on the commitments in Budget 2013 with a clear plan to work with FCM to implement Housing First programs and other proven models for getting homeless people into permanent shelter; second, that it develop a long-term plan to close the gaps in the housing system, reduce the economy's vulnerability to housing market distortions, and protect Canada's 600,000 social housing units as current federal investments expire.

The only way to solve these and other problems facing our communities rural and urban and our country is to work together, as we have in the past. The Federation of Canadian Municipalities and its members look forward to working with the Government of Canada to help build Canada's future.

Mr. Chairman, thank you.

● (1255)

The Chair: Thank you very much, Mr. Woodside, for your presentation.

We'll now hear from the Saskatchewan Association of Rural Municipalities, please.

Mr. David Marit (President, Saskatchewan Association of Rural Municipalities): Thank you, Mr. Chairman. Once again we thank you and the committee for asking us to appear in front of the finance committee.

I'll begin my remarks today with a summary of the current and future challenges facing rural Saskatchewan, the issues that are of the greatest importance to SARM, issues that deal with infrastructure, the quality of life in rural communities, and agriculture.

The first recommendation put forth in our written submission to the committee focuses on the access of reliable and well-designed road and bridge infrastructure, which industries depend on to allow them to efficiently reach their suppliers and to access markets. In order to ensure quality infrastructure, SARM recommends the following.

The criteria for the new Building Canada plan programs need to include a small communities component, with population thresholds that are lower than those employed in past funding programs, such as the Building Canada fund and the community component. Lower population thresholds will better represent the realities of small rural communities and ensure that they are not competing with larger municipalities for the same funds. A portion of the infrastructure funding that is delivered through these programs should be earmarked solely for rural communities, so that rural projects are not competing with cities and towns for the same funding package.

SARM also recommends that the federal government invest through Western Economic Diversification in the northeast quadrant bridge project, a pilot of non-traditional bridge design—a lower-cost bridge design that will benefit municipalities and in turn industries all across this country.

The P3 Canada program needs to give more consideration in the eligibility criteria to less densely populated areas in rural Canada, thereby making it easier to access government funding for such essential rural infrastructure projects. SARM believes that rural-based industries, such as oil and gas and potash, would more seriously consider P3 funding if the program earmarked funding for rural-based projects.

SARM continues to stress the need for improved access to adequate high-speed Internet service in rural areas to expand the delivery of education and health care programming and to foster economic development opportunities. Ensuring rural access to broadband should be indicated as a priority to ensure continued economic, healthcare, and educational opportunities in rural Canada.

We are therefore recommending that the existing rules of the 700 MHz broadband auction be modified to ensure that any rural spectrum left unused by a service provider after two years of their acquiring it be susceptible to access by service providers who are indeed willing to bring service to rural Canada. Ensuring rural access to broadband should be indicated as a priority to ensure continued economic, healthcare, and educational opportunities in rural Canada.

SARM also understands that a process will be undertaken next year to determine how the 2,500 MHz and 3,500 MHz broadband widths will be distributed or sold. These are also critical broadband widths providing service to rural Canada, and therefore SARM would like to see the use-it-or-lose-it principle implemented when such a negotiation is undertaken.

A recent statement by Minister of Industry James Moore indicated that beginning in March 2014, the 2,300 MHz and 3,500 MHz spectrum licences will be subject to renewal and that those who have not used the spectrum according to the conditions contained in the licences will lose it. We appreciate this step made by the federal government to enhance rural access to high-speed broadband networks.

SARM would also ask the federal government to assist the Rural Secretariat by ensuring that it has a louder voice within its department and adequate fiscal capacity and staff to effectively advocate the rural voice through all federal government departments.

There are regulatory amendments that the federal government can make that will act as an economic driver in regions across Canada, including rural Saskatchewan. These would include considering amendments to the Species at Risk Act.

SARM is concerned that the implications of the current Species at Risk Act, SARA, could result in stifling the growth and prosperity of Canada's agricultural industry. It is therefore encouraging changes to that legislation.

SARM would like to request that the federal government amend SARA to ensure the cost and benefits of adding species to SARA, ensuring that the legal and financial implications for agricultural producers and the health and safety implications for rural residents are seriously considered; and that normal agricultural activities be made a permanent exception to SARA, to ensure that agriculture producers aren't legally liable for inadvertent incidental take, except in circumstances where the agricultural producer enters into an agreement with SARA to maintain the species at risk habitat in exchange for compensation that is automatically provided and adequate.

In closing, the Saskatchewan Association of Rural Municipalities believes that infrastructure, quality of life in rural communities, and agriculture are the main areas in need of federal support.

● (1300)

Thank you very much for your attendance.

The Chair: Thank you very much, Mr. Marit.

[*Translation*]

We'll now move to Ms. Bolduc, from Solidarité rurale du Québec. You have the floor for five minutes.

Ms. Claire Bolduc (President, Solidarité rurale du Québec): Thank you, Mr. Chair and members of the committee, for inviting Solidarité rurale du Québec to take part in your consultations.

Solidarité rurale du Québec, or the SRQ, is a coalition of major organizations, national agencies, and local and regional organizations in the province of Quebec. For nearly 23 years, the SRQ has been an advocate for rural populations, promoting the revitalization and development of rural life, towns and communities. We advocate that rural communities have a right to be different, that their differences should be recognized and that, despite those differences, they are entitled to prosperity.

We are so active, in fact, that in 1997, the Government of Quebec asked us to become its advisor on rural issues affecting the entire province. A number of the opinions provided by the SRQ have shaped key policies, including the National Policy on Rurality. In Quebec, this policy is slated for renewal next December, for another 10 years.

The SRQ has always maintained that the development of rural communities cannot be achieved solely through sector-specific policies, such as forestry and farming policies. We believe that rural development hinges on a broad vision of rural life and on an understanding of what rural communities are and how the various realities of rural living make those communities different.

In short, we want a federal policy on rurality. In our view, that is the first step the Canadian government must take if it wants to create the conditions that will foster prosperity throughout the country's rural regions. One of the things a federal policy would do is make it clear that the rules and standards applicable to cities and urban centres do not work for rural regions. The difference between them makes that evident.

It is also important to keep in mind that 95% of Canada's land mass is rural. In Quebec, only 6% of the rural population works in farming. That means that almost 95% of rural residents follow other occupations. So, there is no question that having a comprehensive view of Canada's various rural regions would allow the government to focus and adjust its efforts more effectively.

Some 25% of Quebec's population lives in rural communities but generates 30% of the GDP. It is clear, then, that rural populations are crucial to the prosperity of an entire nation.

The request has already been made, but we are again asking Canada to develop a broad vision that would underlie a federal rural policy that goes beyond mere policies on natural resource development. In developing such a vision, the government could give careful consideration to technologies that are suitable for rural regions, to environmental issues, to manufacturing jobs, to crops and so forth. It is important to view rural communities as places where people live and to develop a real vision for all of rural Canada. Rural communities have multiple functions; not only do they contribute economically, but they are also places where people live and travel. Not to mention, they provide goods and services. And the situation varies greatly from one place to another.

After the initial step of developing a vision, the government must then take a second to ensure prosperity for rural Canada. It must invest in a structure dedicated to building partnerships to focus on rural issues, discuss rural concerns and provide rural support.

The government recently announced the elimination of Canada's Rural Secretariat, and it followed through on that announcement. The secretariat's mandate was, in fact, to build these kinds of partnerships, networks and alliances intended to facilitate discussion and find solutions to major rural problems. We fear this loss of expertise will hurt our capacity to innovate, adapt and compete, even internationally. We want to see a Canadian rural secretariat in place.

The third step we encourage the government to take, in its efforts to ensure rural Canada's prosperity, is to give rural communities the tools they need to foster their development. It is time to fully recognize that our society's economic, social and environmental future depends on citizen engagement, each in their own community.

● (1305)

The examples of Wallace and Moonbeam mentioned earlier are clear evidence of that. Going forward, rather than imposing measures on communities and controlling them, the government should support them and trust them by giving them the right tools. That's what Quebec's National Policy on Rurality does; it gives rural communities the tools and resources they need to foster their development.

We recommend that the Canadian government implement a similar policy that provides similar tools. In 2010, the OECD called Quebec's National Policy on Rurality the most advanced rural development approach in the world.

I want to stress that, short of introducing a number of measures supporting rural life, particularly regarding Internet coverage, the government will be unable to ensure the economic success of these communities under current conditions.

The Chair: Thank you very much.

Ms. Claire Bolduc: In closing, I would like to mention some key considerations for rural regions: tax measures, local education and graduates, workers' funds—which are being cut drastically—Internet coverage and postal service. All of these elements are critical not just to the vitality of rural communities, but also to the prosperity of the country as a whole.

The Chair: Thank you kindly for your presentation.

We will now proceed with members' questions, beginning with Mr. Caron.

Mr. Guy Caron: Thank you, Mr. Chair.

Thank you all for your input.

My first question is for Mr. Roussel of Desjardins Group. I am very interested in the whole issue of venture capital. You described Capital régional et coopératif Desjardins very well. I looked at your brief, and to sum things up, in 2012, some 48,000 jobs were created or retained in Quebec in over 340 businesses, especially in rural areas, totalling an investment of $240 million. That's pretty impressive. I hope the government listens to you carefully.

Right now, a big debate is raging over the elimination of the tax credit for labour-sponsored venture capital funds. That would jeopardize a big chunk of these venture capital investments in Quebec, one of the world leaders in the sector.

In a minute, could you explain a bit more how it works? How is it focused on Quebec's economy in this case? Why could it not be immediately applied to Canada? Why did you mention a model that the rest of the country could copy?

● (1310)

Mr. Daniel Roussel: Capital régional et coopératif Desjardins is a limited partnership that raises the funds of Quebeckers. More than 110,000 Quebeckers have already acquired a stake and made financial contributions. A portion of the fund qualifies for a 50% tax credit from the Government of Quebec. As a result, the fund is able to invest in local communities, in projects in all of Quebec's resource regions, in SMEs, in sectors such as forestry and in workers' or consumers' cooperatives.

This enables us to identify promising new projects that support regional communities and to create or keep jobs. I think this is critical to the vitality of our resource regions, in particular. It is, indeed, a model that could be applied to the rest of the provinces in Canada.

Mr. Guy Caron: The government announced a venture capital action plan spanning 10 years. It is going to invest $400 million, despite refusing an offer of approximately $2 billion over 10 years on the part of labour-sponsored venture capital funds.

Have you already entered into talks with the federal government about the possibility of copying that model?

Mr. Daniel Roussel: Yes, we have already asked the Government of Canada to look at the model whereby Quebeckers' savings—but, in this case, it would be Canadians' savings—are taken and invested directly in communities. That way, individuals have some influence over their investment. It's a good model to follow if the goal is to continue supporting our businesses, especially small and medium-sized businesses in our local communities.

Mr. Guy Caron: How has the federal government responded so far?

Mr. Daniel Roussel: We've had discussions on the model, but we haven't received a definitive answer on the idea.

Mr. Guy Caron: Thank you.

I will now move on to Mr. Phillips.

In your brief, you mentioned Farm Credit Canada and the fact that its mandate had grown so much that it was encroaching on that of credit unions and, I would imagine, on that of Quebec's caisses populaires, as well.

What would you recommend to make Farm Credit Canada's mandate complementary to that of credit unions? The goal is to prevent any competition for the same market share.

[*English*]

Mr. David Phillips: Yes, that's exactly right. If we look at crown corporations, such as the Business Development Bank of Canada and the Export Development Bank of Canada, their statutes clearly state that they should behave in a manner that is complementary to private sector institutions. In other words, they should behave as partners to private sector institutions.

That is not a feature of the Farm Credit Canada legislation. Our suggestion is that that legislation should be like the legislation that applies to other state-owned enterprises. It should require that the FCC conduct itself in a manner that is complementary to private sector institutions.

Credit unions feel this much more than banks because frequently they are in rural communities; a large portion of their book is agricultural. They are feeling this competition from a non-taxed, non-regulated entity very directly. We look at how FCC has increased its market share considerably over the last few years.

Another request is that they be subjected to a mandate review. They haven't really had their mandate reviewed by a parliamentary committee for many years. We think it's long overdue, and it would be in the context of that review that we would pursue this request for complementarity in its mandate.

[*Translation*]

Mr. Guy Caron: I want to quickly pick up on the issue of venture capital under the caisse populaire model.

Have you developed a similar model for the rest of the country, or do you endorse what the caisses populaires are proposing?

[*English*]

The Chair: A brief response, please.

Mr. David Phillips: It's an area of interest, but we're different from Caisse Desjardins. We're much more decentralized, so we are not as active in that field.

Clearly it's something that would be of interest to explore at some point in the future.

● (1315)

The Chair: Okay. Merci.

We'll go to Mr. Keddy, please, for his round.

Mr. Gerald Keddy: Thank you, Mr. Chairman.

Welcome to our witnesses.

Mr. Phillips, you talked about wanting complementarity with Farm Credit. I'm a credit union member. I live in a very small community in rural Nova Scotia. We have about 1,300 or 1,400 people, over 50 or 60 square kilometres.

I can tell you that my friends who are farmers need Farm Credit Canada because you can't match the rate and couldn't survive without it. You have to explain to me the business case for a farmer—and I'm saying this as a credit union member—in coming to you. It has to be dollars and cents and there has to be a business case made on it.

Mr. David Phillips: Well, that's the point.

Our position is sometimes characterized as if we want to do away with Farm Credit Canada. That couldn't be further from the truth. There is a role for Farm Credit Canada. There's no question about that—none whatsoever. Similarly, there's a role for the Business Development Bank of Canada. What we're saying, though, is that their manner of conduct should be that of a partner to credit unions, a partner to private sector institutions, not as a competitor with them.

I'm not going to tell you that we don't need Farm Credit Canada. We certainly need them. We talk to them frequently. We have a liaison committee with them. We're working with them, and there are many examples of partnership with them. They are a great organization. I don't deny that.

We're saying that we have a problem with their mandate. We think it should be clear that you should behave consistently in a complementary manner. That is our request. I don't question their experience, and I don't question the value of Farm Credit Canada in many circumstances.

Mr. Gerald Keddy: Thank you for that, and thank you for that clarification.

Mr. Smith of the Calgary Chamber of Commerce, it's an interesting discussion here. We're talking about rural Canada, and at the same time you're talking about more urban Canada.

One of your recommendations was that there be a bandwidth approach to government spending, and that it be tied closely to population and real GDP growth and inflation. Our job, as government and as parliamentarians, is to try to find balance with legislation and balance within this budget. The difficulty with that, I believe, is that it would tend to benefit more populous urban centres than rural centres.

Do you want to comment on that?

Mr. Justin Smith: I believe the way bandwidth is designed or suggested in our recommendation seeks to tailor public sector spending to inflation and population growth regardless of area. That way, spending growth is never exceeding what is deemed necessary by those indicators. It's a way of tracking public sector spending in line with population growth. I don't think it favours a faster growing population over others, but certainly when it comes to capital spending or infrastructure investments, variances would have to be introduced naturally since they aren't necessarily dependent on population growth. It's a way of reflecting responsible spending in a simple bandwidth format.

Mr. Gerald Keddy: What we've heard here today, and I think it deserves to be repeated, is that there's not one simple answer. In listening to you, I still go back to population growth and real GDP tied to inflation, and if you take that simple formula, every time, rural Canada is going to lose. Quite frankly, our urban centres require a strong rural Canada in order to supply them, not just with food and products, but with people because there are not enough jobs and opportunity in rural Canada for everyone to live there. It's a great challenge for governments, any government, to try to find that balance and I don't think that equation quite finds it.

I'm out of time but that needed to be said.

Thank you.

The Chair: Thank you, Mr. Keddy.

We'll go to Mr. Hsu, please for his round.

● (1320)

Mr. Ted Hsu: Thank you very much.

My question is for Mr. Woodside. A number of municipalities, including one of the two that I represent, have not been able to access the Building Canada fund for the 2014 building season and the infrastructure projects that are all ready to go. We spoke about equitable access. Can you just give me an update on what that situation is. Do municipalities know how to apply for federal funds from the Building Canada fund and has that issue been resolved?

Mr. Brad Woodside: Thank you for the question.

The new fund is being negotiated right now with the provinces and isn't really set up, so I don't think anybody really has gotten into the application process right now. We're just getting started.

Mr. Ted Hsu: So we'd probably be looking at 2015 building season for many projects.

Mr. Brad Woodside: We're hoping to get it as quickly as possible because there are construction seasons that we can miss if we don't get it, so that's important.

Mr. Ted Hsu: I have a question about affordable housing and I wanted to thank you for the graphic that you handed out to the committee about the funding crunch.

As you mentioned in the graphic, there's $1.7 billion in annual money from the federal government for supporting mortgages or operating agreements for social housing units. In the city of Kingston, for the next four years or so, that amounts to about $200,000 in lost funding from the federal government. At the same time, the city of Kingston is legislated to have 2,003 units of housing, so there's a legislative requirement for the city of Kingston to provide those housing units. There's also a moral responsibility because the queue for affordable housing is quite long in Kingston; the vacancy rate is something like half a percent.

Is it reasonable to ask the federal government to simply keep that funding steady by reinvesting funds from expiring mortgages or operating agreements, just keeping that funding level? That would mean that the taxpayers of Kingston would not have to make up the difference. This is the time of year that the city council goes through the budget and tells the taxpayers how much their taxes have to go up. This federal government policy is contributing to increased property taxes in Kingston.

Mr. Brad Woodside: I appreciate that. In Fredericton we are going through the same process. Bear in mind that municipalities are working with 8¢ out of every dollar; that's what we run our municipalities on, which is becoming increasingly difficult. With respect to housing, in many places it's not legislated, but it is indeed moral, and I would suggest almost a human right, Mr. Chairman, that people have housing. It's very predictable to us. As we see what is happening, without that federal funding where would it lie? It's a Canadian responsibility, not just a municipal responsibility, and with 8¢, I hardly think that we have enough left over for practically anything, despite what we're trying to do now.

Mr. Ted Hsu: Thank you.

I won't try to get you to say what I would like to say, which is that I think we could simply not cut funding anymore and simply reinvest the expiring investments in affordable housing.

I'm not sure who wants to answer my next question, but on Wolfe Island, which is in a rural part of my riding—it's a bit isolated, and you have to take a ferry to get there—there is one gas station, and that gas station has to replace its tank for environmental reasons. But the operator is getting old, and it's quite a capital commitment to replace that tank. I'm wondering if that might be a situation in which a cooperative might take over.

Do we need to make it easier or give people more information to ask that question, that maybe the community should get together and make a cooperative out of something?

The Chair: Could we have one person respond briefly to that?

Mr. Phillips.

● (1325)

Mr. Alex Scholten: I could answer that in terms of what happens in our industry. What you've mentioned is usually the death sentence for that site, when their tanks come to expiration. The owner is getting up in years and doesn't want to reinvest.

What happened in Wallace, Nova Scotia is probably a good example of exactly that kind of situation. In that case the community did come together. The community made sure that the owner of the site and the suppliers knew that it was a very important part of their community and that they will work with those suppliers and that community to make sure that it is a viable business operation.

The Chair: Thank you.

Thank you, Mr. Hsu.

We'll go to Mr. Hoback, please.

Mr. Randy Hoback: Thank you, Mr. Chair.

Thank you, gentlemen and ladies, for being here this afternoon. Five minutes is not enough time. I have quite a few questions for the credit union—I'd like to dive in there a little bit—and for the retail.... But Mr. Marit, I have to talk about stuff that's very important to Saskatchewan and that you have brought here today.

I want to start off with the northeast quadrant project. Could you explain what that project is and how it could impact right across Canada, if it's successful?

Mr. David Marit: What we did as an organization was sign on with the University of Saskatchewan to do a bridge design on what we call local roads, which really don't come under the criteria for major impact but still can sustain primary weight and can reduce costs wherever we need to build bridges rather than make them put pipe in.

The Alberta association has sent a letter of support, and we have taken this research on. We think we can cut bridge funding by as much as 40% per bridge. That could work right across this country.

What we're asking for is some funding under WD to assist us in this. The research project is about $1.1 million to $1.2 million, of which we have allocated $500,000 to that project already, in partnership with the university and also with the private sector, to do this bridge design.

It really would be a huge step forward for rural Canada, if we could bring the high cost of bridges—anywhere from $750,000 to $1 million per bridge—down to $400,000 or $500,000. In essence, it would save taxpayers of this country an awful lot of money.

Thanks.

Mr. Randy Hoback: You also talked about the P3 program and how it could be used at the municipal level for RMs. Are you talking about taking, let's say, road rehabilitation and a whole pile of small bridges and clumping them together into one bigger P3 application? Or are you talking about two or maybe three RMs going together, putting projects together and then trying to clump that into a P3 application? What is your thought there?

Mr. David Marit: That's what we're trying to do on some of what we call “municipal corridors”. I think they're right across this country from county to county; they are major grid roads or municipal systems. We're looking at things like that or bridges.

But there's also a bigger player here, and that's the industry itself. Whether that is resource development or even to some degree agriculture, it has to be a partner in this to some degree. We have to find a way for P3s to work in rural Canada right now, because we don't have the opportunity to lever those dollars, and there is a substantial amount of money sitting in P3s.

Mr. Randy Hoback: I noticed that you mentioned high-speed Internet broadband and the 7,000 series auction. How important is that broadband to rural Saskatchewan?

Mr. David Marit: It's very serious for rural service right across the country. I have colleagues in Ontario who say the same thing. If you get an hour or so outside of Ottawa, you don't have high-speed and have poor Internet service.

What this really means is that if we can get some allocation to rural areas, both for education and health, and require that the bandwidth be used.... Right now, the big telecoms can buy it, but they don't have to use it; they can set it on the shelf. That's our concern: it sits there not being used.

There are interested parties out there, in both resource development and in agriculture as a whole. If we want this industry to grow in this country.... We're an exporting nation and we have to have the technology available to rural residents, just as we do anywhere else. There have to be some rules put in place saying that the telecoms have to come to the table and use it to be rural providers.

Thank you.

Mr. Randy Hoback: I think I'll stop there, Mr. Chair.

The Chair: Thank you.

Thank you, Mr. Hoback.

Monsieur Lapointe, vous avez cinq minutes.

[*Translation*]

Mr. François Lapointe (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, NDP): Thank you.

My questions are mainly for Mr. Scholten and Ms. Bolduc, but I would like to thank Mr. Phillips for pointing out that rural communities should not become underserviced communities. I think Canada's elected representatives should repeat that statement once a week. Thank you for that, Mr. Phillips.

That ties in with what Mr. Scholten was saying about keeping corner stores in certain small communities. Where I live, in Hauts Plateaux Montmagny-L'Islet, communities have to work miracles to build cooperatives so they don't have to drive 12 kilometres to buy a carton of milk and a bit of gas. I think that's a national problem.

What can we do at the federal level to help your members? In connection with that, the matter of excessive credit card fees is a discussion that isn't moving along quickly enough for my liking. During the last throne speech, we heard that a requirement may be introduced to disclose the fees associated with different payment methods. That is good news and a measure the government should implement.

Since the throne speech, have you been consulted? Have you received any information on the anticipated time frame for implementing this potential new measure? Do you think this change would lessen the excessive credit card fees imposed on your members?

● (1330)

[*English*]

Mr. Alex Scholten: At this point in time credit card fees are a significant concern. The industry as a whole lost $254 million last year. At the same time, the credit card fees the industry incurred were in excess of $825 million. Many of our retailers don't have a lot of time to wait for something to happen. I think many of us were hanging our hats on a potential decision from the competition tribunal, which didn't come.

The recent announcement in the throne speech that there would be an awareness campaign and that it would be beneficial is not going to address the issue in the short term. We are very concerned and we want something done in the short term.

Mr. François Lapointe: So the real issue is the excessive fees you pay for a transaction.

Mr. Alex Scholten: Absolutely.

Mr. François Lapointe: Those won't be fixed by it.

Mr. Alex Scholten: I can understand the logic of an awareness campaign to make sure the general public know what they are paying or what retailers are paying for a credit card transaction. Given that information, they will potentially change their means of paying. However, we've seen loyalty programs from the credit card companies increase, and at the end of the day we don't see consumers reducing their use of credit cards. They have just too big an influence.

Mr. François Lapointe The government should still consider a ruling regarding that problem.

Mr. Alex Scholten: We would like to see that.

Mr. François Lapointe: Thank you.

[*Translation*]

Ms. Bolduc, at the end of your presentation, you mentioned the crux of the problem, in my opinion. I think it was an incredible statement as well. You said that rural communities would never be able to prosper if their network of services continued to be dismantled bit by bit. Postal service, cell phone service and Internet coverage all come to mind; they are like pieces of Swiss cheese, with holes throughout. Then, there's the loss of VIA Rail service. As long as things keep moving in that direction, rural communities will never be allowed to prosper. On the contrary, they will be set back.

I would like to hear your thoughts on that in more detail. I would also like you to comment on what you consider the most damaging consequences of losing the Rural Secretariat. You mentioned a loss of expertise in that regard.

Ms. Claire Bolduc: The fact is we're seeing a number of local initiatives being undermined. People in the communities are looking to foster development and they are putting innovative solutions in place. Those solutions, however, are being derailed by decisions being made elsewhere, by governments, by Ottawa, in particular. That's the case with postal service, public transit—as regards VIA Rail, for example—employment insurance and so forth.

Mr. François Lapointe: Park closures are another consideration.

Ms. Claire Bolduc: A slew of decisions are completely at odds with measures and initiatives being taken by the communities. That's why we are calling on the government to adopt a federal rural policy, a Canada-wide policy that would make it mandatory to give careful consideration to the unique features that distinguish each rural community. It's important to realize that rural communities in Saskatchewan are different from those in Quebec or the Maritimes, for instance.

As for your question on the initiatives that have been put in place, could you tell me specifically what you would like to know?

● (1335)

Mr. François Lapointe: It had to do with the loss of the Rural Secretariat. We'll discuss it later.

The Chair: Thank you.

Mr. Lapointe, I'm sorry but your time is up.

Ms. Claire Bolduc: In terms of the Rural Secretariat, we no longer have access to information, knowledge and expertise that will help us shape the future of our communities.

Mr. François Lapointe: Thank you, Ms. Bolduc.

[*English*]

The Chair: I'd just remind colleagues to please allow enough time for witnesses to answer their questions.

We will go to Mr. Jean, please.

Mr. Brian Jean: Thank you, Mr. Chair.

Well, I'll start on my favourite subject, which is infrastructure. I'm from Fort McMurray and I have a condominium in Quebec for eight years. I would say after visiting the country that I don't think there's anywhere with a bigger infrastructure deficit than in my hometown of 50 years, Fort McMurray.

I'm going to start with 2004-05. The FCM came forward and identified $123 billion in infrastructure deficit across the country. I think it was the first of its kind.

The federal government responded in 2006. The Conservative federal government that was elected then responded with the biggest infrastructure rollout in the history of Canada, and now it's the longest infrastructure rollout in the history of Canada, in essence trying to gear provincial governments to put forward one-third and municipal governments to put forward one-third so that everybody contributes.

Is that fair, Mr. Woodside?

Mr. Brad Woodside: That is fair.

Mr. Brian Jean: You must feel great as an organization to have been a key stakeholder in those consultations, because you got everything you asked for.

Mr. Brad Woodside: Absolutely. We're very appreciative of that, and I mentioned it in my presentation.

It did give us an opportunity to in fact participate in the process at the various stakeholder meetings that you had. As an association, we felt it was a true partnership, and that's very important to all of us.

Mr. Brian Jean: Is that how you feel today, on an ongoing basis, because obviously I know you're in ongoing consultations on a continual basis with the federal government. Do they seem to be listening to you now?

Mr. Brad Woodside: They seem to be receptive. We're happy with the relationship we have not only with the government but with all the parties on the Hill.

Things don't change that much. We're focusing right now on housing, but the infrastructure is a very important part of what we do as well.

Mr. Brian Jean: But you must be happy because you've changed it from an infrastructure deficit report to a report card on infrastructure on your main page.

Mr. Brad Woodside: Oh, I'm happy.

Mr. Brian Jean: When you say you're happy are you telling me the FCM is happy?

Mr. Brad Woodside: Can I say that?

Voices: Oh, oh!

Mr. Brian Jean: Because you represent all.... I have limited time and I do have a question.

Mr. Brad Woodside: I'm not being facetious. We're very appreciative. We're representing 2,000 municipalities, or some 90% of the population of Canada. Correct.

Mr. Brian Jean: That's 2,000 municipalities, and is your organization happy?

Mr. Brad Woodside: We're very happy. We're happy with the relationship and the fact that we're working together collectively to solve problems.

Mr. Brian Jean: In fact, I notice in the 2013 report card that 75% of the respondents said that the roads were fair, good, or very good as of today. I know there's a lot more work to be done, but 75% of the respondents said they were fair, good, or very good. Now, that goes much further than what you identified in 2005-06 when this government came to power. Is that not correct?

Mr. Brad Woodside: That's correct.

Mr. Brian Jean: All right.

As far as housing goes, you've identified that as a key component on your website as well.

Mr. Brad Woodside: Correct.

Mr. Brian Jean: Is the federal government responding, or at least seeming like we're responding on a similar basis as we did in 2006?

Mr. Brad Woodside: We have no reason to believe that they won't.

Mr. Brian Jean: Why can't my city and my constituents get more money than every other city in the country?

Mr. Brad Woodside: I'm not sure that's accurate, and I really don't know about every other city in the country. But I know that last year in my city the provincial government cut 75% of our unconditional grant. That's a huge hit—75%.

Mr. Brian Jean: In fact, it's fair to say too that infrastructure.... I know it's a Canadian issue, but truly you recognize that under the Constitution we can only be a funding partner to the provinces, because that is solely their jurisdiction.

Mr. Brad Woodside: That's what we're asking for. We're asking for a partnership among the federal, provincial, and municipal levels to address these.

Mr. Brian Jean: But it's the provincial government that has the final authority on what gets funded, how it gets funded, when it gets funded, when it gets built.

Mr. Brad Woodside: That's correct.

Mr. Brian Jean: All we can do is come to the table, listen, provide money as a partnership, provide obligations to that money to the provinces and municipalities, much like we did with the gas tax fund, which was another recommendation, I think, originally from James Moore when he was in opposition, and then the Federation of Canadian Municipalities came along and said, "Do that."

● (1340)

Mr. Brad Woodside: I think we've done well, but there's still a long way to go.

Mr. Brian Jean: Did you appreciate the indexing?

Mr. Brad Woodside: I certainly do. It's a huge figure over the 20-year period. It makes it actually worth something in real terms.

Mr. Brian Jean: I know on your website you also identified that before the Conservatives came to power in 2006 there were two decades of declining infrastructure investment by the federal government and all governments. You didn't know that was on your website, did you? It is there, I promise.

In fact, on page 63 in the report card, you've identified that almost 60% of the population is represented by those communities, the rural components of the communities, and that this federal government is actually paying attention to rural communities as well as big cities.

Mr. Brad Woodside: Correct.

Mr. Brian Jean: Thank you, sir.

The Chair: Thank you, Mr. Jean.

[*Translation*]

Mr. Côté, please go ahead.

Mr. Raymond Côté: Thank you kindly, Mr. Chair.

My questions are for Mr. Smith, in Calgary. I'm delighted to be speaking with you, and I'm glad that the technical problems were sorted out.

It's great to have you with us, because Calgary and Quebec City have a number of things in common, including a very low unemployment rate, worker recruitment problems and housing issues. lf Gary Bettman was on board, we could, one day, have a professional hockey team to rival the Flames.

Your approach was very interesting. I quite appreciate the fact that, when it comes to managing government spending, you favour a more realistic, consistent and predictable approach. This week, the Parliamentary Budget Officer revealed that program funding had again not been spent. Even money allocated specifically by the government and infrastructure money had not been spent.

Like Quebec City, Calgary is facing challenges when it comes to infrastructure renewal and development. Could you comment on the whole issue of unused funds, which could be classified as further budget cuts by the federal government?

[*English*]

Mr. Justin Smith: Thank you, Minister.

I agree. I'd like to see another Canadian NHL franchise, although I don't think it would take a professional team to beat the Flames at this point in the season.

Unfortunately, I can't comment specifically on any unspent funds or funds that have not been drawn down. I'm just not as familiar as I should be with the issue.

Infrastructure improvements and federal infrastructure funding for the city of Calgary are extraordinarily important, mainly for the reasons I outlined earlier. We're facing unprecedented growth challenges, which are putting great strain and pressure on the existing infrastructure in our city. It's necessitating not only expansion, but also repairs and improvements to the existing infrastructure. All funds are certainly necessary and should be drawn down on.

[*Translation*]

Mr. Raymond Côté: Mr. Woodside, do you have anything to add in response to my question?

[*English*]

Mr. Brad Woodside: There really shouldn't be any unspent money. There's a great need in this country for a number of things. Housing is just one type of infrastructure. There shouldn't be a whole lot of money left over.

[*Translation*]

Mr. Raymond Côté: Very good.

How much time do I have left, Mr. Chair?

The Chair: Two minutes.

Mr. Raymond Côté: I'm coming back to you, Mr. Smith.

I'd like to ask you about something else, since you are part of the Calgary Chamber of Commerce.

A few weeks ago, the Deputy Governor of the Bank of Canada, Tiff Macklem, talked about how the economy was underperforming and mentioned the major challenges facing Canadian exporters, among other things. One out of five companies turns its back on foreign markets after experiencing a failure or opts to refocus on the domestic market. That's a major obstacle for many business in the Quebec City area. Is it the same for Calgary?

● (1345)

[*English*]

Mr. Justin Smith: In the city of Calgary specifically, I believe that manufacturing represents only about 6% of the municipal economy, which is lower than other large municipalities in Canada. I don't think it's as much of an issue—although exporting in general is extremely important. That's not simply access to markets for our energy resources, but being competitive and more productive from a workforce perspective so that our exports are competitive on a global scale. It's extremely important.

There are challenges that our exporters across the country are facing. These may vary to some extent by industry, by sector, and by particular challenge, but I'd agree that there is a similarity between Quebec and Calgary.

[*Translation*]

Mr. Raymond Côté: Thank you very much, Mr. Chair.

The Chair: Thank you, Mr. Côté.

[*English*]

I'm going to take the next round.

I'll continue with you, Mr. Smith. I'm a fellow Albertan. I represent the riding of Edmonton-Leduc. I have both an urban area in Edmonton and rural areas, as well as some smaller communities.

In your presentation, your second recommendation talks about labour shortages being a top barrier to competitiveness.

Would you agree that for both rural and urban Alberta this is the number one challenge facing businesses?

Mr. Justin Smith: I would agree.

We recently had a meeting with the Alberta Chamber of Commerce. Representatives from both Edmonton and Calgary as well as rural municipalities and rural areas were present, and that was certainly a common theme.

The labour shortage in Alberta is unique. I understand that this is a problem facing Canada as a whole, but whereas our eastern counterparts are facing more a skills gap in which the particular skills needed in the workplace are not readily available within the workforce, that's simply not the case in Calgary or in Alberta overall. We have very low unemployment, which suggests that it's truly a labour shortage overall that is the problem, both in heavily populated urban centres as well as in rural areas of the province.

The Chair: And that would be for all types of skill sets; that's what I hear from businesses from my area. Whether it's in Edmonton in manufacturing or in the hospitality industry, the number one issue they raise with me is constantly on the labour side.

I appreciate your recommendation on EI. I would say that the government has made some changes in EI and has faced a fair amount of political criticism for them. I would echo the comments from my colleague Gerald Keddy.

I want you to comment, because the temporary foreign worker program is often a subject at this committee. Two criticisms levelled at that program are very constant. One is that it lowers the wages of Canadian workers, and the second that it takes jobs from Canadian workers. I can tell you, and I just want you to tell the committee from your perspective, from Calgary, that there simply would not be businesses operating in my constituency, if it weren't for that program.

Frankly, I go through areas.... In Niscu in my riding, I will walk through, and they'll say they have two shifts operating. Why is the third shift not operating? It's because they cannot find enough people. Plant managers actually ask me for resumés of people who would like to work on that third shift, so that the company could then employ more people, be more productive, pay more taxes, and be all around beneficial to the economy.

So I want you to comment on the temporary foreign worker program from an Albertan and a Calgary perspective.

Mr. Justin Smith: Fine.

I should be clear that the recommendations that were submitted to the committee were submitted by my predecessor. I've simply been in this position for the last month or so.

But I will comment and say that any efforts on the part of our federal government to increase the pool of skilled and unskilled labour in Alberta is a welcome and noble effort. As you say, this is a serious and critical problem for our businesses. It's leading to great uncertainty. It's reducing levels of investment by companies; it's reducing their will to expand. That uncertainty is a risk to the future growth and sustainability of Calgary and Alberta's economy. Any effort on the part of the federal government to increase that pool of skilled and unskilled labour is welcome, from my perspective.

● (1350)

The Chair: I appreciate that, Mr. Smith.

In my time remaining I'd like to follow up with Mr. Phillips on Mr. Keddy's question about Farm Credit Canada. I certainly appreciate that organization and all that it does, especially in rural Canada.

But I think, Mr. Phillips, that what you're saying is that if you look at the Business Development Bank, it acts in a complementary lending role, whereas FCC acts in a competitive lending role. FCC has actually gained much more of the market share over the last number of years from credit unions and other financial institutions. You are simply saying that it should be in a complementary role; that FCC should continue to exist, loan, and invest, and that we should look at its mandate; that its mandate needs to be reviewed.

I just want to give you an opportunity to clarify that.

Mr. David Phillips: That's correct, Mr. Chair. In fact, you could say that the FCC is the only bank in Canada that does not undergo a regular mandate review. The BDC and EDC must undergo reviews every 10 years; commercial banks undergo reviews every five years. There's no requirement that this take place in the case of FCC. We think it should join others in having its mandate reviewed on a regular basis.

The Chair: Who should do that review? Should it be the agriculture committee; should it be the finance committee? Do you have a preference in terms of that review?

Mr. David Phillips: I think we're more concerned that the review take place. But I think it is a banking type of institution, so it would be entirely appropriate that it be with the finance committee.

The Chair: Okay, thank you for that clarification.

I'll go now to Mr. Rankin, for your round, please.

Mr. Murray Rankin: Thank you.

Thank you to all of our witnesses. I know we have only a scarce amount of time, so I'd like to begin with Mr. Woodside.

I'd like congratulate the Federation of Canadian Municipalities for a first-class presentation. Drawing our attention to the housing issues, I think, was very timely. I want to illustrate that and ask you a specific question.

I believe that you've called for a long-term housing plan, talking particularly about the scheduled expiry of $1.7 billion in federal housing initiatives, which you've graphically indicated in your presentation.

I want to suggest how accurate that is for my community. You live in the east; I live on Vancouver Island. The Greater Victoria Coalition to End Homelessness recently released a report saying that 10.9% of Victorians are in what they call severe housing need—more than 50% of their income has to go to housing—and that 27% are in core housing need, wherein they have to pay 30% of their income. Yet the federal government's homelessness partnership strategy discriminates against Victoria because of its arcane funding formula. For example, $4.50 per person goes to our community. Across the strait in Vancouver, it's $9.00 per person, because they go after cities, not regions, which of course is a significant issue.

When you talk about the need for renewing this funding for the housing plan and making that kind of investment, what specifically do you see the federal government contributing? What do you see them needing to do to address these problems?

Mr. Brad Woodside: First of all, I think we have to acknowledge the fact that we have a problem in this country from coast to coast to coast. I think all the federation has ever asked for, when we deal with these national issues, is that everybody, whether urban or rural, east or west or north or south, be treated fairly and equitably.

I cannot answer your question as to why in your area there's a difference between the rate there and what it would be in Vancouver. Maybe you should question some of the committee members here. I don't have an answer to that.

Mr. Murray Rankin: Well, I think that within the Federation of Canadian Municipalities there's been some concern about the funding formula for this partnership strategy.

Mr. Brad Woodside: Yes, there is.

Mr. Murray Rankin: I thought you might have some thoughts on this. But in the time available, let me say that I really appreciate your referring today to the “housing right”—you called it a human right.

Mr. Brad Woodside: I did, sir.

Mr. Murray Rankin: You talked about a Canadian responsibility, and I salute you for taking that position.

But I just don't see where the federal government is going with this file. If your data are right and there is going to be a drop-off of $1.7 billion—and it gets much worse, as you point out, between 2014 and 2017—where is the recognition of the Canadian responsibility that you talked about? There is something going on here.

Mr. Brad Woodside: There has to be a recognition of that responsibility, and that's precisely why the Federation of Canadian Municipalities has put this issue on the front burner.

Mr. Murray Rankin: I respect as well that you talked about Housing First today and I salute that. The federal government deserves credit for this, because Housing First is where treatment is not demanded as a condition of housing. There have been studies done by the federal government of five places, with 2,000 people involved, and there now seems to be a recognition that this is part of the toolkit. I think you referred to it as something that's critically important as well.

● (1355)

Mr. Brad Woodside: It is.

Mr. Murray Rankin: Do I have any time left, Mr. Chair?

The Chair: You have a minute and a half.

Mr. Murray Rankin: Okay, great.

Mr. Scholten, I want to give you an opportunity to expand on my colleague Mr. Lapointe's question to you. You talked about excessive credit card fees and about how they are really crippling the convenience stores. You said that the industry lost $254 million and yet that the credit card companies were getting $850 million through these fees. You were disappointed that the Competition Tribunal, I think you said, didn't take up the challenge, and yet we've heard of a kind of advertising or awareness campaign by the federal government, acknowledged in the throne speech. I think you indicated that this didn't seem to be enough for your members.

What do you think has to be done? What are you specifically recommending to deal with this serious problem?

Mr. Alex Scholten: That's a good question. Thank you.

Our association believes that what is absolutely necessary is to review why credit card fees in Canada are so expensive. This has been done in other countries. Australia is probably the best example. There they studied the issue over a three-year period, determined that the rates being charged by the credit card companies were excessive, and capped those rates, recommending a review I think every four years to make sure that the credit card companies were still making enough to be a viable transaction option.

Not to cloud the issue, credit cards are a very important means of transaction for our industry. They speed up processing times; they are absolutely important for consumers who don't have money with them right then and there. At the same time, we believe that this advantage is not equivalent to the fees that we pay, so I think something has to be done to address these fees.

The Chair: Okay, thank you.

Thank you very much, Mr. Rankin.

Colleagues, I know there are two more government rounds, but we have about five minutes remaining. I have three government members who've indicated they have questions, so be as brief as possible.

Mr. Van Kesteren, go ahead.

Mr. Dave Van Kesteren: Thank you, Chair.

I want to make a brief statement.

Mr. Woodside, I agree with you wholeheartedly. I think it's important that we work together, and we have demonstrated that, and that's getting much better.

I have one area of concern—and I don't expect an answer, and possibly we can talk quickly about it afterwards—and that is the rising cost of pensions. Are you addressing that?

You see the “train wreck”, I'm calling it. A city the size of London, for instance, will have an obligation of $41 million for its top 10 wage earners. It's great for the money to come in from the feds and from the province, but that’s an area you really have to address. I hope you are doing so and that we possibly can have a quick discussion.

Mr. Brad Woodside: Well, I can tell you that my community is, for sure. I can tell you that our province is, and most jurisdictions across the country are. Pensions are not sustainable as they stand right now, and they have to be dealt with.

Mr. Dave Van Kesteren: Thank you.

I'll pass it on, Mr. Chair.

The Chair: Mr. Jean, go ahead.

Mr. Brian Jean: Thank you very much.

I want to let you know about the government in Australia, which I believe brought in a cap on credit card fees. They also brought in a carbon tax, which they just got rid of a couple days ago, so I wouldn't be surprised if the credit-card capping goes with it soon.

Now, I own retail businesses and have for 30 years. My credit card fees are 1.8% because I joined the chamber of commerce in Fort McMurray and they get me a 1.8% rate for Visa and 3.6% for American Express. It's the cost of business.

I understand there is a cost for convenience stores. You have an association. Why don't you go out and negotiate with these credit card companies to get better fees, or encourage them to join organizations such as the chamber?

We're talking 1.8%, in essence. I know that other buying groups charge about 1.2%. The truth is, that's $1 or $1.20 or $1.80 for every $100 purchased. Doesn't that seem like a fairly competitive situation if you have a clearing house, for instance, that is competitive. That is one question on which I would agree with you. Consumers want more and more treats from their credit card companies and somebody has to pay for those. We know that credit card companies are not going to pay for those. So who's going to end up paying? It's the merchants. And that is part of the attraction for them to do so.

Wouldn't you agree with that synopsis?

Mr. Alex Scholten: Absolutely, I acknowledge the logic in that. The problem is that I don't believe an awareness campaign is going to dissuade consumers from using credit cards. They're hooked on those loyalty programs.

Mr. Brian Jean: But isn't it true that the consumers are driving the use of credit cards?

Mr. Alex Scholten: That’s absolutely correct.

Mr. Brian Jean: How do you control that? All you can do is educate them. The truth is that if you cap the fees, it's going to cost consumers somewhere else for that cap. And I see you’re agreeing with me.

● (1400)

Mr. Alex Scholten: Well, I would say right now, with the way credit cards are and the fees that merchants pay, all consumers are paying for those fees.

Mr. Brian Jean: Ultimately, consumers are always going to pay for those fees because your companies won't pay for them. The consumers who purchase will pay, one way or another.

Mr. Alex Scholten: What we and our association members are saying is that if credit card fees are reduced, the price of goods and services in our stores will be reduced.

Mr. Brian Jean: Absolutely. Ultimately, consumers are paying whether the fees are reduced or increased. It's a competitive market, and consumers are ultimately paying. They're going to make the choice on what the best credit card is, what gives them the best reward, and what—

The Chair: Okay.

Mr. Brian Jean:—what stores to use it at.

I have just a very slim question, if I may.

The Chair: I want to go to Mr. Wilks for one. Can I do that?

Mr. Brian Jean: Absolutely.

The Chair: Mr. Wilks, go ahead for one minute, please.

Mr. David Wilks (Kootenay—Columbia, CPC): Thanks, Chair.

Mr. Phillips, you can answer later or maybe make a submission in response.

I have a question about the regulations that are having a disproportionate impact on financial businesses with less than 100 employees and for which the regulator should be required to consider alternative approaches to.

What are some of these regulations and can you explain some of the alternative approaches you might want to put forward?

Mr. David Phillips: I'll respond to you more fully, but certainly money laundering is a huge burden on credit union organizations. Obviously, we're not in favour of money laundering, but the compliance, especially in the area of records maintenance and tracking, is a real burden for small institutions and an inordinate percentage of staff time goes into this kind of compliance work.

Another burgeoning area has us concerned, and that's the anti-spam legislation. We're awaiting the final regulations, but we see that as another source of administrative burden that probably is more than it needs to be. We haven't seen the final version, so we're hopeful that we'll see something lighter than what was originally there.

Those are two examples.

The Chair: Thank you.

Thank you, colleagues.

On behalf of all the members of the committee, I want to thank our witnesses, both here and in Calgary, for joining us here today for our pre-budget consultations.

[*Translation*]

Thank you everyone.

[*English*]

The meeting is adjourned.