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37th PARLIAMENT, 2nd SESSION

Standing Committee on Finance

EVIDENCE

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The Chair




Ms. Sophia Leung (Vancouver Kingsway, Lib.)


 *Mr. Michael Stevenson (President, Simon Fraser University, University Presidents' Council of B.C.)*






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 *The Chair*
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





 **0930**


 *The Chair*
 *Ms. Sophia Leung*
 *Mrs. Alice Lee*
 *Ms. Sophia Leung*
 *The Chair*
 *Ms. Judy Wasylycia-Leis (Winnipeg North Centre, NDP)*
 *The Chair*
 *Ms. Alison Brewin*


 **0935**


 *The Chair*
 *Mrs. Alice Lee*
 *The Chair*
 *Ms. Cherry Kingsley*
 *Ms. Judy Wasylycia-Leis*

 **0940**

 *The Chair*
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 *Mr. Don Avison*

 **0945**


 *Mr. Roy Cullen*


 *Mr. Herbert Grubel*

 *The Chair*

 *Mr. Don Avison*

 *The Chair*


 *Mr. Roy Cullen*

 **0950**

 *The Chair*

 *Ms. Alison Brewin*

 *The Chair*


 *Ms. Cherry Kingsley*

 *The Chair*

 *Mrs. Alice Lee*

 *The Chair*

 *The Chair*

 *Mrs. Lee Lakeman (Regional Representative for B.C. & Yukon, Canadian Association of Sexual Assault Centres)*


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 **1010**

 *The Chair*

 *Mrs. Lee Lakeman*

 *The Chair*

 *Dr. Allan Tupper (Associate Vice-President, Government Relations, University of British Columbia)*

 **1015**


 **1020**

 *The Chair*

 *Mrs. Janice Loomer Margolis (Chair, Communication and Government Relations Committee, Canadian Association of Gift Planners)*

 **1025**

 *The Chair*

 *Ms. Margot Young (Associate Professor of Law, University of British Columbia, As Individual)*

À 1030


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 *Dr. Allan Tupper*


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À 1050


 *Ms. Margot Young*

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 *Mrs. Lee Lakeman*

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 *The Chair*


À 1055

 *Ms. Sophia Leung*

 *Ms. Katherine Gee*

À 1100

 *The Chair*

 *Dr. Allan Tupper*





 *The Chair*

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






 *The Chair*

-  *Ms. Judy Wasylycia-Leis*
-  *Ms. Margot Young*
-  *Ms. Judy Wasylycia-Leis*
-  *Mrs. Lee Lakeman*




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-  *The Chair*
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




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Á 1140*The Chair**Mr. Jock Finlayson (Executive Vice-President, Business Council of British Columbia)***Á 1145****Á 1150***The Chair**Mr. David Herman (President, British Columbia Real Estate Association)***Á 1155***The Chair**Ms. Caryn Duncan (Steering Committee Member, Administrator of the Vancouver Women's Health Collective, British Columbia Health Coalition)***Â 1200***The Chair**Chief David Paul (Board Member, Indian Taxation Advisory Board)***Â 1205****Â 1210***The Chair**Mr. Monte Solberg***Â 1215***Ms. Caryn Duncan**Mr. Monte Solberg**Ms. Caryn Duncan**Mr. Monte Solberg**Ms. Linda Mix**Ms. Linda Mix**Mr. Monte Solberg**Mr. David Herman***Â 1220***Mr. Monte Solberg**Mr. Jock Finlayson**The Chair**Mr. Roy Cullen*



Mr. Jock Finlayson

1225



Mr. Roy Cullen



Mr. Jock Finlayson



Mr. Roy Cullen



Mr. Tom Durning (Community Legal Worker, Tenants Rights Action Coalition)

1230



Ms. Linda Mix



Mr. Tom Durning



The Chair



Ms. Judy Wasylycia-Leis



Ms. Caryn Duncan



Ms. Judy Wasylycia-Leis



Ms. Linda Mix

1235



Ms. Judy Wasylycia-Leis



Mr. Jock Finlayson



The Chair



Mr. David Herman



The Chair



Ms. Sophia Leung

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The Chair



Chief David Paul



The Chair



Ms. Caryn Duncan

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The Chair



Mr. Jock Finlayson



The Chair



CANADA

Standing Committee on Finance

NUMBER 086

|

2nd SESSION

|

37th PARLIAMENT

EVIDENCE

Monday, October 27, 2003

[Recorded by Electronic Apparatus]

 (0830)

[English]



The Chair (Mrs. Sue Barnes (London West, Lib.)): Welcome, everyone.

Pursuant to Standing Order 83.(1), we will continue with our pre-budget consultations. This week we are starting in Vancouver. We'll be here for two days.

We'll start with our panels. Everybody gets seven minutes to put their presentation on the record, and as people join us we will add.

Not to waste time, I would like to start by saying hello to West Coast Legal Education and Action Fund: Alison Brewin, who is the program director, and Janna Cumming, who is a lawyer for and volunteer for this association locally.

From the Fraser Institute we have Herb Grubel, senior fellow, and David Somerville, chair in fiscal studies and professor emeritus of Simon Fraser University. Welcome again, Herb. I appreciate you, as a former member of this committee, taking the time in another capacity to come before us. You have with you Niels Veldhuis, senior fiscal studies research economist. Welcome to you all.

I will go first of all to the LEAF. Ms. Cumming, please commence. The floor is yours.



Mrs. Janna Cumming (Volunteer, West Coast Legal Education and Action Fund): Thank you very much.

West Coast LEAF comes here today with three recommendations.

First, we recommend that the federal government recognize its constitutional obligation to provide funding to legal aid in the areas of family law, immigration law, and poverty law.

Second, based on its constitutional obligations we recommend that the federal government provide funding to the provinces and territories not just on a general basis, but for the purpose of providing legal aid for family, immigration, and poverty law matters.

Third, to ensure that the funds provided by the federal government are used for legal aid in these areas, we recommend that the federal government implement any necessary agreements and mechanisms.

Before addressing federal government responsibilities in this area in more detail, I'd like to talk a little

about the importance of legal aid to our society. Legal aid ensures fairness in our justice system by creating the means for the most disadvantaged people in our society to assert their legal rights. When there is an absence of funding for legal aid, the result is a justice system where only the privileged have adequate legal representation.

The federal government in particular has a responsibility to make a financial contribution to civil legal aid. First, there are areas of law clearly within federal jurisdiction—for example, divorce law and immigration law—which create federal responsibilities to ensure adequate legal aid for such areas. Second, the federal government is constitutionally required to ensure that its financial decisions comply with the charter. There are two charter sections that are particularly relevant here. These are section 7 and section 15 of the charter.

There is a Supreme Court of Canada decision, referred to in our written submissions, that indicates that sufficient funding must be allocated for legal aid for family law and immigration matters where section 7 rights are invoked—for example, where a party's right to life or security of the person is jeopardized.

Also, Canada is a party to a number of international human rights conventions. I would like to call your attention particularly to the Convention on the Elimination of all forms of Discrimination against Women; the acronym is CEDAW. Under this convention Canada commits itself to establishing legal protections for the rights of women on an equal basis with men and to ensure the protection of women from discrimination.

The recent dismantling of legal aid in British Columbia severely undermines the ability of women to assert their rights to financial support, custody of their children, and fairness within Canadian immigration and refugee systems. The federal government bears ultimate responsibility to ensure that its international obligations are implemented.

Now I'm going to turn it over to my colleague Alison.

  (0835)



Ms. Alison Brewin (Program Director, West Coast Legal Education and Action Fund): Thank you.

I'm just going to share a few quotes with you to illustrate the points we make in our written submission. The first one is from Joe Ruggeri and Frank Strain in an article they produced for the Centre for Research and Information on Canada.

There seems to be a developing trend towards evaluating major policy issues in Canada largely in terms of their financial implications. What is often forgotten is that fundamental government programs rest on a foundation of common values and shared history. Canadians fought and died on the battlefield in the name of freedom, justice and democracy. In peacetime, they proposed, discussed and contested specific policies to bolster their commitment to these values through shared political institutions.

West Coast LEAF would add that those principles have been since embedded in our Constitution, and the government is obliged to consider them in all their actions.

The second quote is this one: “If you want to see which way a country is headed, look to the country's budget and how it allocates resources for women and children.” That quote comes from Pregs Govender, a South African member of Parliament. This is quoted by the International Development Research Centre, a Canadian-based NGO and one of four leaders in promoting the concept of gender budgeting.

This concept is one that Canada promotes worldwide, through CIDA and its work with the UN. I encourage this committee to look to its own department, Status of Women Canada, for direction in applying these principles here in Canada.

Because women's experience of discrimination often falls in the realm of social and economic rights, jurisdiction for which usually falls within the provincial realm, West Coast LEAF would suggest that a gender-budgeting analysis at the federal level would result in the decision to apply firm program goals to federal transfer of funding to the provinces. It's also the best way to accomplish the federal government's international constitutional obligations to the women of the country.

Finally, West Coast LEAF has been engaged in an affidavit campaign in which we're collecting affidavits from women who are unrepresented in family law matters and don't have legal aid. Here are some quotations from some of those women.

One woman said:

The lack of legal representation has meant I have had to declare bankruptcy, my mental and physical health has diminished, I have strained relationships with my family and friends from borrowing money, and as a result, I am unable to adequately care and provide for my children.

Another woman has said:

The stress of the legal proceedings would often leave me speechless and unable to drink or eat. I had disturbed sleep. I lived in fear and anxiety constantly. It has only been recently that I have managed to reclaim my health.

Another woman said:

The experience has caused me a lot of stress and unhappiness. Not only do I not have custody of my children, but I feel very isolated from my community because of the stigma they attach to women who lose custody of their children.... I think the violence of my ex-husband has been validated by the court. I think the consequences of what happened to me are still unfolding. My children are isolated from me and living with a violent man. I am worried about what it teaches them about violence.

Thank you.

  (0840)



The Chair: Thank you very much for the presentation.

Now we will go to the Fraser Institute. Dr. Grubel, go ahead.



Mr. Herbert Grubel (Senior Fellow, David Somerville Chair in Fiscal Studies, Professor Emeritus of Simon Fraser University, The Fraser Institute): Thank you.

Dear members of the committee, old friends and acquaintances, it's like coming home. I'm pleased to appear before you today to share with you my thoughts on the future directions the federal budget should take in order to bring the greatest benefits to the largest number of Canadians. I do so as a representative of

the Fraser Institute, but I should stress that the opinions expressed are my own.

As a former member of this committee, I know all about the hard work required of you, especially when meetings are held in different parts of our large country. I thank you for all the sacrifices you are making to be here today and listen to testimony.

It is now just two days short of ten years since I was elected and promptly got involved in the work of the finance committee. What a difference a decade makes. In 1993 Canada faced the threat that, like New Zealand, it could not sell its bonds to finance the deficit at any price and would have to go through the humiliation of declaring bankruptcy and seeking assistance from the IMF. This threat was removed through some bold cuts in federal expenditures. Program spending was slated to decrease by over \$13 billion between 1993-94 and 1996-97. Such reductions had previously taken place only after the ends of wars.

In my speech in the House in response to the tabling of the budget estimates in 1995, I awarded the finance minister an A minus, an act which he asked me to please not repeat, since it got him into trouble with some members of his own caucus. But the action deserved such a good grade. It resulted in the elimination of the budget deficit, partly through the cuts directly, but mostly through the restoration of confidence that led to increased economic growth and tax revenues.

Now, ten years after the near bankruptcy of the country, the crisis has faded from the memory of most people. Around 1998 and 1999 federal revenues began to exceed spending. The surplus resulted in a spending spree reminiscent of the one that created the problems five years earlier. During the four years since 1999, program spending has risen a staggering 29%, which represents an annual increase of about 7% more than the rates at which population and output and inflation have grown. I'm afraid that last week's announcement of the surplus for this year of \$7 billion will lead to even more spending increases.

I recommend strongly that this committee in its report to the Department of Finance express its opposition to such spending increases for two important reasons.

First, during the past five years the federal government has increased the number of civil servants by 24%, paying them 23% more on average than they could earn in the private sector doing comparable work. These highly educated and skilled civil servants are no longer available for work in the private sector, where they would produce goods and services that Canadians want. Instead, they work hard to meet the demands of their political bosses, but end up mostly making life more difficult for business and private citizens, as they administer ever-increasing spending and enforce rules and regulations of questionable economic benefit or even social value. In the presence of so many Liberals here, dare I mention as examples the gun control legislation or the spending habits of the Governor General?

Second, Canada's economy is closely integrated with that of the United States. We cannot afford to have a public sector that is much larger than that of our neighbour. Yet at all levels of government Canada last year spent 39% of national income, where the U.S. figure was only 32%. To pay for this spending, our tax burden is 35%, and that of the United States is only 29%. If you wonder why the difference, it is because there have been deficits at all levels of government. Such high levels of spending absorb resources that the people of Canada could spend much better on things they want. The high taxation levels reduce incentives to work, invest, and take risks, which in turn causes a reduced rate of economic growth.

  (0845)

For these reasons, I recommend that the surplus be used to reduce taxes with the aim of bringing the burden to its optimum level of 30%, which studies have shown maximizes economic growth. Such a policy would soon lead to higher tax revenues at lower rates than would be generated by the growth-retarding

current level of taxes. As a result of lower taxes, therefore, Canada could spend more dollars on social programs, the military, and infrastructure than it could without the tax cuts.

Third, paying down the debt with the surpluses results in an extremely slow effect on overall debt payment. The effective burden of the debt can be reduced much more quickly and effectively by growth-stimulating tax cuts. The tax cut route has the other advantage that, once accomplished, it reduces future revenues year after year, while repayment of the debt results in surpluses every year after the cuts have been made. We know that the prospect of such surpluses provides a powerful stimulus for politicians to find projects on which to spend. Most of such spending budgets have some redeeming value, no doubt, but few as high as those enjoyed by Canadians spending their own money on things they like personally.

Finally, let me note that Canada needs to overhaul its entire tax structure. It is not in the public interest that we change this structure every time there is a marginal reduction in taxes, without an overall strategy. Such changes tend to serve the political interests of the government more than the interest of the general public.

There are many studies available that show the benefits of reduced taxes on work, investment, and risk-taking, while the lost revenue is recovered through higher taxes on consumption. Tax reform embodying these principles, combined with an overall reduction in the total amount of tax revenues, could be achieved, leaving everyone with a higher after-tax income.

In the short run, evidence also shows that Canadians would benefit greatly from further cuts in corporate income tax rates and the prompt elimination of the capital tax to stimulate investment from domestic and foreign sources. The marginal income tax rates hitting Canadians at relatively low income levels also need to be changed to reduce incentives for the brain drain of the best and the brightest, and to reduce the operation of the underground economy, as well as to stimulate more growth effort, investment, and risk-taking.

If you permit me one other half-minute, I would like to say a few words about a subject of great interest to me as an academic trained to think outside the box. The subject is a common currency for North America. It has taken on new urgency with the recent sharp rise in the exchange rate, which is almost certain to slow down economic growth and cause much hardship among exporters and those competing with imports—hardships surely to spread throughout the economy. This increase in the currency may well, in a year or so, be followed by further decline along the secular trend of the last 35 years.

I suggest that this committee or one struck for this purpose should study in depth the merit of creating a common currency in North America or unilaterally adopting a hard fix to the U.S. dollar. Let the arguments be heard on both sides. Canadians are not served by the government's refusal to conduct such a study.

Thank you for your attention.



The Chair: Thank you very much.

I'd like to welcome, from the University Presidents' Council of B.C., Don Avison, who is the president, and Michael Stevenson, the president of Simon Fraser University.

Sirs, the floor is yours.



Mr. Don Avison (President, University Presidents' Council of B.C.): Thanks very much, Madam Chair.

Let me note for the record that Dr. Stevenson is also the chair of the University Presidents' Council, a group that represents the interests of the five public universities in the province of British Columbia--that's the University of British Columbia, Simon Fraser University, the University of Northern British Columbia at Prince George, Royal Roads University, and the University of Victoria.

We're here this morning to respond to all three of the themes that are identified as questions that the committee invited response on for this year's work associated with the pre-budget consultations for 2003. There are four points we would like to raise with the committee for discussion here this morning.

The first point is to thank the Government of Canada, on behalf of the universities, for the efforts that have been made over the course of the last several budget cycles to invest in our universities, in the research capacity of our institutions and in our students. I can say to you that those investments are making a real difference in this jurisdiction and in others.

We have seen in the province of British Columbia a rising level of activity on the science and technology side of research generally that is translating into real benefits. Significant improvements have happened in the relationship between universities and biotechnology, as one example. Significant improvements have resulted in the transfer of that technology to the resource sector. In fact, I would suggest to you that's one of the areas where we see great promise with the transition and the revitalization of the resource sector with a closer linkage to the research activity that's taking place within our institutions.

So the universities come here this morning to acknowledge the important investments the Government of Canada has made over the last several budget cycles and to encourage you to continue to make those investments, to not stray from the target that was identified some years ago to move Canada from 16th among OECD countries to 5th place by 2010 in the level of investment that is made in research and development. I would also indicate to you that the universities in this jurisdiction, as with the others across the country, have made clear their interest in increasing the level of commercialization of the research activity that takes place within our institutions.

As I indicated, in B.C. the investments have resulted in the creation of a significant number of successful spinoff companies, have helped to develop the highly qualified personnel who are helping to fuel growth in our economy, and are certainly very relevant to the revitalization activities that are taking place here.

We brought along copies today, and we'll leave them for members of the committee, of a document called *The Innovation Equation*, which I think quite succinctly describes the kinds of improvements that have taken place with the benefit of the support that we have received from the Government of Canada and with matching initiatives from the Province of British Columbia through the B.C. knowledge development fund. We could spend quite a considerable amount of time talking about that issue alone. We won't. We will endorse and adopt the submission that was made to you at the beginning of your proceedings earlier in October by the Association of Universities and Colleges in Canada, which called upon this committee to make recommendations that would continue to see significant growth and improvement in the support for the research infrastructure at Canadian universities.

The second point we wish to raise with you today deals with what is emerging as a very significant issue, not only in this jurisdiction but in other provincial jurisdictions as well, and that's the increased difficulty students have experienced across Canada finding places in Canadian universities. We thought it might be useful to give you a sense this morning of exactly what that looks like here in the province of British Columbia.

AUCC, in their brief to you and in their *Trends* document last year as well, indicated that the anticipated growth in Canadian universities in terms of enrollment demand was projected at something in the nature of about 30% over the course of the 10-year period of time from 2001 to 2011. In this jurisdiction, and I would suggest to you in some others, if anything, that 30% number appears to be conservative. B.C. has, by comparison, one of the smaller university systems in the country, and it's a system that's under very significant strain at present, not surprisingly as an increased number of students are seeking the opportunity for access to post-secondary education and more specifically access to a university-based education.

¾ (0850)

Let me give you just a quick sense of what it looks like here in the province of British Columbia.

At the University of British Columbia, this was the first year we turned away straight-A students in science--not a particularly happy event if you're looking at the realities of a knowledge-based world and what that world is likely to require.

It's changing significantly at the other universities in the province of British Columbia as well. It's been the reality for a number of years at Simon Fraser, where Dr. Stevenson is the president, that there are a number of program areas that are well into the 90th percentile as a requirement for entry into the university, and across the board, the University of Victoria and Simon Fraser are looking at being in the nature of something toward the 85th percentile for next year.

It's important to put that in the context of what the world actually looks like over the course of the next ten years. B.C. will experience the second largest increase in student population, or at least eligible student population over that period of time.

So the pressure points we face today are likely to increase significantly over the course of the next several years. Students who are experiencing difficulty now face a much more demanding situation a couple of years out.

To put it another way, we need to spend a lot more time--not just here in British Columbia but really across the country--looking at the interests of the students who entered grade eight or grade nine this year, because the implications for them and their ability to secure university-based education and to secure access to other parts of the post-secondary system are being severely challenged.

Let me mention one other issue that sometimes gets lost in the debate around university access. This jurisdiction probably has the best credit transfer system in this country. It may be one of the best credit transfer systems in North America, where students attending colleges have the ability to secure the mobility of those credits to the university.

This year we've seen very significant challenges, and we did last year as well, with the ability of students finishing the second year at the college level who transferred to the university. Again, I don't think this is remarkable only in the province of British Columbia. It's emerging in other parts of Canada as well, but here we have seen a sharp increase in the ability of students--or a challenge to the ability of students--to secure access at the second-, third-, and fourth-year levels.

In a knowledge-based world, access to higher education will become increasingly important and in many cases essential. The University Presidents' Council of British Columbia takes the position that action is going to be necessary on a number of fronts if we are to address this issue nationally. It will require continuing creativity from universities in meeting the needs of a generation of new learners. I can say to you that in the province of British Columbia there are a number of exciting new initiatives, one involving a

partnership between Simon Fraser University, the University of British Columbia, the B.C. Institute of Technology, and the Emily Carr College of Art and Design, in relation to what's known here in Vancouver as the Great Northern Way Project, and an extraordinary partnership between three universities in medical education that will see three institutions--UBC, the University of Victoria, and the University of Northern British Columbia--delivering medical education at three institutions through one program with a single degree, with a very substantial component focused on rural and remote health needs, and also tied very closely to the continuing needs of the health profession, not just doctors but others.

Success will also require continuing commitments from provincial governments to expand access to high-quality educational opportunities, and action from the Government of Canada will also be necessary to put in place the additional capacity required to support universities in their efforts to meet the needs of a rapidly expanding number of highly qualified Canadian students.

The third point we want to make is this. The Government of Canada can and should provide further support for initiatives that are designed to increase participation by underrepresented groups. Permit me to mention just briefly here this morning the case of first nations students in Canada. Our numbers are improving, but they remain disturbingly low. Action to increase the capacity in terms of the resources provided for first nations students and other aboriginal learners to secure access to post-secondary education we believe is a very important part of the strategy for capacity building in first nations and other aboriginal communities, both on reserve and off.

We quickly flag--because it is relevant to the university side--the need to address the disparity in funding between CATA's 12 schools provincially and band schools that are supported by the federal government. It is a relevant issue to the ability of students attending band schools about whether or not they get to attend the institutions we represent at all.

The fourth point is this. It has become increasingly clear in Canada that the ability of provinces and others to engage federally is challenged by the absence of a national system of higher education. We'd ask this committee to consider the importance of a need for a structured federal presence in higher education. The time has come for a federal ministry of advanced education.

Thank you.

  (0855)



The Chair: Thank you very much.

Now I'd like to welcome, from the Vancouver Rape Relief and Women's Shelter, Alice Lee, who is a member. Please go ahead, Ms. Lee.



Mrs. Alice Lee (Collective Member, Vancouver Rape Relief and Women's Shelter): I would like to thank the standing committee for this opportunity to present.

I think I'll start with a bit of a history of who we are and what kind of work we do and then go on to our recommendations.

Vancouver Rape Relief and Women's Shelter was formed in 1973 as a direct response to the needs of

women in crisis. We work as a progressive and active force dedicated to the challenge of social attitudes, laws, and institutional procedures that perpetuate violence against women.

To meet these goals, Vancouver Rape Relief and Women's Shelter operates a 24-hour rape crisis line and a transition house for battered women and children. Following the initial contact with women in crisis, we provide counselling, support services, and information to women who have been assaulted. As well, we offer accompaniment and advocacy through the medical, legal, and social services systems that many women must negotiate after a violent attack. All services are free and confidential to women who request them. This last year alone we have answered over 21,000 calls, and of those calls over 1,400 were from women reporting new attacks.

In addition, we offer a comprehensive public education program and are active in local, provincial, and national coalitions for women's groups, transition houses, anti-poverty groups, aboriginal and visible minority groups that strive to improve the status of all women.

In 1994 a Stats Canada survey showed that one in four women in Canada will be sexually assaulted during their lifetime. One-half of all Canadian women will have experienced at least one sexual assault or physical violence, and almost 60% of those women are the targets of more than one of these incidents. It is clear that violence against women is still a prevalent issue. We know transition houses and rape crisis centres save women's lives. Anti-violence workers have helped women prevent the next lethal attack and aid them in their healing process.

Vancouver Rape Relief and Women's Shelter makes the two following recommendations:

First, that the federal government provide funding to equality-seeking groups such as Vancouver Rape Relief and Women's Shelter. Equality-seeking, grassroots groups such as ours are an important part of democratic society. We are knowledgeable in delivering services and have an accurate understanding of the conditions and needs of women. We have continuously provided crucial analysis and critical feedback to all levels of government. We need core funding and support of government to continue our important work. Without equality-seeking groups' active participation, women's equality will not and cannot be properly addressed.

Second, that the federal government fulfil its constitutional obligations to its citizens by re-establishing the Canada Assistance Plan or another program similar to the CAP program, enforcing national standards to meet its commitment to provide essential public services of reasonable quality to its citizens.

Since the cancellation of the CAP program in 1995, there has been continuous erosion of social programs and services. Most recently, British Columbia has been faced with drastic cuts and changes to its social programs and policies by the current Liberal government. These cuts put women who are experiencing violence further at risk. I am not going to go into detail about what these cuts are in British Columbia, as other groups, I am sure, will be addressing them.

A woman leaving an abusive relationship depends on the social service safety network. Without adequate social assistance, women cannot escape a violent partner and will be forced to remain in an abusive relationship. Battered women need access to adequate health care, good education, and social service programs such as welfare, legal aid, child care, and transition houses to aid in their escape. Only with these resources can women effectively restore their safety and security.

Thank you.

  (0900)



The Chair: Thank you very much.

Colleagues, Dr. Avison's speaking notes are being photocopied and will be distributed shortly.

I will give that opportunity to you too, Ms. Lee, if you'd like. We can copy your speaking notes, so we have a record that can be distributed to members.

We will go now to the International Centre to Combat Exploitation of Children, and we welcome Cherry Kingsley. Go ahead.



Ms. Cherry Kingsley (Special Advisor, International Centre to Combat Exploitation of Children): Good morning. Thank you to the finance committee for the opportunity to present.

I want to focus on the question of which taxation, spending, and other measures should be taken to ensure progress in investing in and caring for all members of Canadian society, with a particular focus on marginalized young people.

First I'll tell you a little bit about the international centre. We're a newly formed organization that tries to struggle against commercial sexual exploitation of children—all forms of exploitation, but a particular emphasis on commercial sexual exploitation of children. We try to act as a conduit between the voices of young people—those that are most marginalized, those that are at risk of being exploited—and academics, professionals, and the larger community or society.

I want to first identify a vague definition of what a marginalized child or youth is and the factors that contribute to marginalization as well. Marginalized young people include homeless young people, street youth, street-involved youth, those that are addicted, abused, living in violence, sexually exploited. The factors that contribute to marginalization include poverty, race, gender, a history of abuse or violence in the home, limited access to education or employment, alienation from community, culture, and family.

The reason I wanted to identify the different issues that contribute to the marginalization of young people is because I believe that one of the primary recommendations is that we need to recognize those children most at risk and begin to invest in their safety, their protection, and their opportunity. By safety and protection, it's not just the cuts to child welfare that we need to begin to address, but the cuts to their families as well.

A lot of young people facing poverty, abuse, violence, and exploitation come from very marginalized families. Although a lot of the health, child protection, and welfare cuts are provincial in jurisdiction, I believe that in some of the federal-provincial transfers we can begin to combat some of those cuts and begin to challenge the cuts to vulnerable families and their children.

We have to recognize that children exist in spheres of family, community, and culture, and within those spheres begin to contribute to opportunities for families, communities, and cultures to engage young people. When I say that, what I mean is to recognize marginalized families or disadvantaged communities or disadvantaged cultures—for instance, aboriginal communities or remote communities or other disadvantaged families—and begin to create opportunities where they can protect their own young people. It's not just about creating or contributing to child welfare systems or services, but actually investing in families and communities themselves so that their children don't have to grow up in state care.

I want to give you a couple of examples, such as youth centres, cultural activities, opportunities for language, for art, for music, for education, so that children don't have to leave their communities to go to school. Things like that would increase the opportunities for families, communities, and cultures to begin to protect their own young people, rather than systems having to take them into care.

We have to increase the employment opportunities. Young people represent the most underemployed segment of the population. At the same time, there's an aging population. We're going to have to rely on our young people to support the systems for both our aging population but also for the most marginalized population. If we increase the employment and mentorship opportunities for young people, then what we're doing is we're increasing the opportunity for young people to become taxpayers later on. It's a situation of pay me now or pay me later.

  (0905)

If we don't invest in our young people, then they're going to have to rely on adult systems. What we cynically call it is graduating from child welfare systems to adult welfare systems or to homelessness or potentially to criminal justice.

If we invest now, then not only do they become taxpaying citizens as adults, but obviously we invest in the future of young people. There's a saying that children are our future, but really they're our present as well. They exist now.

We have to increase education opportunities for young people. In some aboriginal communities, for instance, in the Maritimes, there's a 2% graduation rate. That means 2% of the aboriginal children complete high school. As a figure, 2% is completely unacceptable. We have to begin to address the reasons why children aren't able to complete high school. That might mean providing grants or loans or lunch programs. That might mean increasing safety at school and addressing some of the racism or violence that some young people experience. Or that might mean investing in early education to get young people off to a good start.

One of the last points I want to make is we have to create opportunities for young people themselves to develop and deliver their own services, particularly for marginalized populations—whether street-involved youth, homeless youth, or those that are involved in different aspects of the sex trade. Often the most marginalized young people aren't part of mainstream society, and if they could have accessed mainstream services, chances are they would never have ended up in the sex trade. We have to create opportunities where young people or where adult survivors are given the opportunity to provide or develop their own services. We have to invest in, for instance, outreach programs that are run by survivors, or drop-in centres that are run by survivors, or shelters or services that have survivors as part of their staff.

Currently, there's a development of a national plan of action for children. This is an outcome from the United Nations General Assembly special session on children. I think that when the national plan of action for children is developed, we have to ensure that there's adequate attention given to really marginalized young people, and that adequate resources are given to this national plan of action so that it can be implemented. Often plans of action highlight issues, but rarely do they invest in solutions.

We also have to ensure that no matter what budgets are developed, no matter what youth strategies, child strategies, family strategies are developed, we always engage children and we take special attention to fund, resource, support, include, and invite those most marginalized to be able to have their own voice. We can't assume that everybody else is going to be representing them. Otherwise they wouldn't exist in the first place.

I think that a commissioner for children would be a good step in the right direction as well.

Thank you.

  (0910)



The Chair: Thank you for the eloquent presentation and also your very detailed brief. I appreciate it.

Now we'll go to a round of questioning, up to seven minutes for every member. We'll start with Mr. Solberg.



Mr. Monte Solberg (Medicine Hat, Canadian Alliance): Thank you very much, Madam Chair.

Thank you to all the presenters. It's good to see you. It's good to see Dr. Grubel back again.

I guess I'll start with a question to Dr. Grubel. You've made a presentation—a very good presentation—to recommend against further spending increases. But many other presenters here have suggested that spending be increased in certain areas. I wonder if you could weigh in with your comments and get the discussion started about how we deal with those kinds of competing priorities and whether or not it's possible. Is there any way to square the two demands?



Mr. Herbert Grubel: I do believe the way we get more resources for these kinds of purposes is to have economic growth. If ambitious young people face marginal tax rates of over 50% here when they could get lower taxes elsewhere, more opportunity, even though they love Canada, as my children do, they leave. I think it's been bad for Canada that this has happened.

Similarly, we once were the leading country to receive investment from the United States and the rest of the world, and that's not taking place any more. Why? Because whether you make money here in Canada as a corporation or not, there will be annual payments due. If you are an investor from Hong Kong or Shanghai now or wherever it might be in Europe, you look at whether to invest in Canada or a country that does not have the capital tax. Many of them have told us they are not going to go to Canada, they are losing money. As a result of this, in the last decade or so we have fallen behind our growth potential. As a result of that, tax revenue is lower, and it is well established that if we had lower taxes, the growth effect would, at the lower tax rate, bring greater revenue for us to meet some of these demands.

I must say on the other side--and this is going to sound heartless--we have had many years in Europe now, for example, a tendency to give in to all the demands of everybody who can make a good case for more government spending. It has turned out, however, that countries like France and Germany, as with England before Mrs. Thatcher, are in such dire straits that they simply have to say they cannot fund all these things. There has to be a return to individual responsibility with many of the problems that are identified, which I sympathize very much with. So I think there will be an ongoing battle over how to spend the revenue government has or the income people have produced, but I am absolutely convinced that if tomorrow we doubled spending on all of these good causes and you came back to Vancouver and asked for testimony, there would always be that story, we need more. There is no end to this, and occasionally, we just have to ask ourselves, should we really, as a society, be responsible for all of these things, or should we go back to more individual responsibility for the problems that people have got into?

   (0915)



Mr. Monte Solberg: May I ask, Madam Chair, will there be another round?



The Chair: No, because we'll have a panel at 9:45. Sorry.



Mr. Monte Solberg: Thank you.

I have quick question for the West Coast Legal Education and Action Fund. You suggested that it should be the federal government funding legal aid directly. The concern I have with that is this. As you correctly pointed out, the CHST is designed to provide the provinces with the funds to look after the sorts of things you're talking about, and my experience has been that when you have two levels of government getting mixed up in these things, with the complexity comes the lack of accountability. So you start to get into a situation where, when things go wrong, one level of government points the finger at the other level of government, and it goes back and forth, just as it has in health care, for instance. Then you never really get the accountability you need.

I guess I'm saying that if funding is being cut to legal aid today by the provincial government, it's very clear who's done it, and we can now hold them to account and you can dress them down and show how this has damaged the people you're trying to help. Isn't that a better way to handle it, so that at least there's a clear target in who you want to pursue?



Ms. Alison Brewin: I'll clarify a few things to start with.

We aren't asking the federal government to directly fund legal aid. What we're asking you to do is attach this money you give to the province to specific things, as you did when CAP was in place, some of it specifically to civil law legal aid. I'm not asking the federal government to start offering legal aid tariffs or anything like that.

Second, don't think we aren't going after the provincial government. We are presenting a brief to their finance committee as well, and we've been very active in trying to tell the provincial government what their obligations are.

One reason we are focused on the federal government as well is that you are obliged under your international agreements to provide protection for women and to promote women's equality, as under the charter. That's why we come to you and say be specific when you give money to the province; you have this obligation. Currently, some of the money you give with the transfer is for civil law legal aid, but that's not what the government is using it for, and we're asking you to get some accountability from the province in that area.



Mr. Monte Solberg: I want to go back to Dr. Grubel for a second with respect to the spike in the

currency and the impact it has had on especially the natural resources sector. I'm going to give you a chance, Dr. Grubel, to make your case, probably in a very short period of time. In some ways this points to some of the problems you've talked about before. When the currency appreciates rapidly, layoffs end up occurring, because that's the way employers deal with the fact that their margins are shrinking. How would that be ameliorated by tying our currency to the U.S. dollar or having a common currency?



Mr. Herbert Grubel: As you know, we are one of the most open economies in the world, and whether we like it or not, even though we have made many efforts to change the conditions, we are still trading mostly with the United States. So if we make mistakes with our monetary policy, as apparently we did when we raised the interest rate, we get a tremendous drop in the inflation rate, both the core and general interest rate. It turns out, according to most economists and analysts, that there was a mistake made in raising the interest as sharply as they did in order to control inflation. We just can't have inflation so much higher than in the United States unless there are special factors involved, as there were, namely, the Iraq war spike in energy prices and the one-time increase, not a continuous increase, in insurance rates. That's what caused the problem.

We then raised our interest rates, and that added to the already ongoing depreciation of the Canadian vis-à-vis the U.S. dollar. As a result of this, now we have this 25% to 30% increase in the value of our currency, which has to have an effect on people who have planned not only on a stable rate, but probably on a falling rate. The shake-out of that will be horrendous for our country. It will go very quickly into a negative.

So the mistakes we make if we try to exercise our monetary sovereignty relative to the United States are aggravated because the United States is not going along. That is a big problem. I think Canada would be served well, not necessarily by the creation of a common currency, but by linking of our dollar to the U.S. dollar in a credible way, and the credible way called the hard currency fix takes place when the Bank of Canada says, as the Bank of the Netherlands and the Bank of Austria did relative to the German Central Bank, we shall no longer exercise our right to set separate interest rates. Then we are off and running, and we don't have the kinds of problems that have plagued us from putting the exchange rate down to 62¢ and now up to 76¢ in a very short time. It's very hard on the Canadian economy.

⌵ ⌶ (0920)



The Chair: Thank you very much.

I note that our next panel doesn't actually start until ten o'clock, so I'm going to allow everybody else ten minutes.

We will go now to Ms. Leung for up to ten minutes.



Ms. Sophia Leung (Vancouver Kingsway, Lib.): Thank you, Madam Chair.

I want to thank all the speakers for very fine presentations. I'm very happy to be back in my hometown and to see a few people I know.

I'd like to start with the University Presidents' Council, Dr. Stevenson and Dr. Avison. You suggest federal funding structure change. We have already had a lot of discussion on that in Ottawa. We know transfers are pretty much committed for housing and education, and in the meantime we do have an accountability problem. We may decide to separate secondary education from that funding. What do you think?

Second, I'd like to thank West Coast LEAF for the suggestion on support for legal aid. I think it's very important, and I'm sure the provincial government also has responsibility on that. How much are they supporting you?

Also, Cherry, you suggest a possible children's commissioner. Can you be more specific on that? Would it be on the federal level or joint with the provincial?



Mr. Michael Stevenson (President, Simon Fraser University, University Presidents' Council of B.C.): I'd be happy to respond to the first question regarding the social transfer and the separation of funding for education. In my view, there are two problems historically with respect to funding. One is the relative rate of transfer and the decline in the transfer in those terms from the federal to the provincial governments. The other is the burying of the transfer in the consolidated funds, so that accountability with respect to specific funds earmarked for the educational area is more complicated. It's not that it's a confusion between levels of government, but it's a confusion in the make-up of the fund itself.

Overall, I would say what we're asking for is a greater visibility of the federal presence in the funding of higher education, with a call for greater accountability that would go with that, naturally enough. I think the context in which we're making that argument is not only the history of funding within Canada itself, but the international context, in which, as Mr. Avison pointed out earlier, we've seen very considerable progress made in federal funding of research to meet the fact that Canada lies very far behind the OECD countries in R and D investments, and the universities are such an important component of R and D investment in this country.

As we're making progress on that front, we've been slipping well behind, from second to well in the middle of the OECD pack in participation rate in universities and output from universities. With these two facts moving in opposite directions, we will not be able to maintain the research and development thrust in the innovation strategy as it's now structured unless we move to address the overall capacity problem in undergraduate and graduate education within the universities. This is a problem across the country. As we've indicated, it's particularly extreme in British Columbia, but there is a growing tension nationally and provincially in the coherence of our policies with respect to economic growth and the positive consequences of it.

 (0925)



The Chair: Ms. Brewin, would you like to answer the question on LEAF?



Ms. Alison Brewin: We are very clear that the provincial government does have responsibility in this area, and they have a constitutional obligation as well, just as the federal government does. But again, our point is the matter of attaching some accountability to the federal funding that goes to the province, also the

fact that the federal government has international obligations they're required to apply at a provincial level. One of those issues on the international level involves funding of women's organizations and supporting the work organizations like Rape Relief are doing. But the area we're bringing to you right now is that of legal aid funding, the impact of the cuts on women, and what it means not to have legal aid for women.



The Chair: Thank you.

Ms. Kingsley, on a children's commissioner.



Ms. Cherry Kingsley: I think Senator Landon Pearson distributed a paper to members of Parliament around her concept of a children's commissioner. Part of what a commissioner would do is to oversee legislation, federal programs, services, and international agreements, and to try to understand the impact of those on the lives of children. A commissioner would look at the effectiveness of government spending and government programs, because there are a lot of programs targetting different young people, but it's questionable whether or not they're reaching the target population, and whether or not they're effective or their outcomes are adequate.

A commissioner would do an overall review of the impact of government on the lives of young people, particularly marginalized young people, and try to oversee their inclusion into Canadian society, and would review the accessibility of government programs and services. A commissioner would also oversee Canada's implementation of the United Nations Convention on the Rights of the Child, as well as the availability and accessibility of other human rights to children.

So I think a commissioner could do lots of things, but we need some kind of central body or central person striving to ensure special emphasis on children, ensuring some kind of access to equal human rights and equality for children, and trying to increase the opportunities for disadvantaged or marginalized children.



The Chair: I think Mr. Veldhuis wanted to add something to the first comment, I presume. Go ahead.



Mr. Niels Veldhuis (Senior Fiscal Studies Research Economist, The Fraser Institute): Thank you.

I just want to touch again on the subject of hearing special interest groups wanting specific federal funding. The federal government got out of specific funding for education and health care in 1996 with the CHST. At that time, we saw major reforms in provinces such as Ontario and Alberta, where we had disastrous welfare rates, with 10% to 14% of the population on welfare. Let the provincial governments experiment, where the real reform comes from. Who better to spend money than the provincial or municipal governments, who are closer to the people they're trying to help.

  (0930)



The Chair: Thank you.

Ms. Leung, you had another question.



Ms. Sophia Leung: I want to address Ms. Alice Lee and your group, Vancouver Rape Relief. I know you are doing a very good job.

I just want to know, what kind of funding are you receiving now?



Mrs. Alice Lee: For our transition house, we receive a portion of our operational costs from the provincial government, and we fundraise over half of our own budget. We have no funding for our rape crisis centre, so we fundraise for that annually.



Ms. Sophia Leung: Thank you.



The Chair: Now I'll turn the floor to Ms. Judy Wasylycia-Leis for ten minutes.



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

I'd like to begin my questions with the women from the West Coast LEAF, and also the rape crisis centre representatives.

It must be very hard for you to sit here, having experienced so many heartless cuts in B.C. by the provincial government in areas of importance to women and children—I should also reference Ms. Kingsley's work in this regard—and to hear more of the same from members of the Fraser Institute suggesting these be replicated at the federal level.

You heard from Mr. Grubel about the humiliation of Canada if it had to go to the IMF for handouts. So perhaps you could talk about the humiliation you feel, and that many Canadians feel, about being ranked in an unsatisfactory position by the United Nations for not living up to our basic obligations to end discrimination. Perhaps you could speak to us a bit about how Canada has dropped from near the top of the index in terms of human development to much further down on the list internationally.

Perhaps you could talk to us a bit about where the individual responsibility is for a woman who's raped, the individual responsibility for a woman who is beaten by her partner, or the individual responsibility for a woman who's been deserted by her husband after helping him get through school and to climb the corporate ladder.

Perhaps you could address some of those concerns and make the case for why the federal government has to be involved in meeting its obligations under the charter and in supporting programs that help women contribute to the economy.

I'm not sure who wants to start, but I really think you need to make that case, having sat through what we've heard this morning.



The Chair: Ms. Brewin.



Ms. Alison Brewin: I know there are a number of organizations presenting today and tomorrow who will also talk about the responsibilities to our international obligations and women's rights.

In part, I'll respond to that by responding to an earlier question about the whole issue of competing interests and the idea that spending competes with savings, etc. I would argue that the obligations of this government under international agreements, under our charter, and under the values our society has committed itself to, of justice and equality and compassion, aren't competing interests. How we spend our money must walk hand in hand with how we meet the needs of our people in our communities; the two things must work together. It's a simple concept.

To suggest that allowing unfettered economic.... Well, I'm not an economist and am not going to go there, but I would suggest there are lots of economists who would present a different suggestion about how one can spend one's money.

In terms of the experience of women, there have been cuts to day care, cuts to social assistance, cuts to education programs, cuts to employment standards, all of which have had a profound impact across the board on women in the province.

Ultimately, yes, those things are within provincial jurisdiction; yes, ultimately the province needs to have some freedom to make choices. But where the federal government provides any kind of money or funding to the provincial government, it needs to do so with consideration to the charter and to its international obligations.

I'll let others respond.

  (0935)



The Chair: Thank you.

Ms. Lee.



Mrs. Alice Lee: It's true that it's very difficult to sit here and listen after experiencing all of these cuts.

The women we work with are some of the most marginalized women in our society, including single parents and women of colour and aboriginal women. In our transition house and rape crisis centres, we have the experience that it's very difficult for us to help women in that transition of trying to leave abusive relationships, when there is hardly any access to legal aid to help them have legal representation in court with issues of custody and access, as well as other judicial matters, as well as welfare.

The welfare rates are so low here that it's almost impossible—well, it is impossible—for people to actually have a decent standard of living and to find adequate, affordable housing. We're finding that women in our transition house have to stay longer and longer because it's impossible to find housing.

These are just some of the effects women suffer from. We are 50% of the population, and we know that women still do not achieve economic equality with men today. Because we do a lot of child care and support, not only for our children but also for our families, women often find themselves in very low-paying jobs.

Cuts to these particular types of programs make it almost impossible for women to be able contribute to Canadian society and the economic workforce. They are 50% of the population.



The Chair: Ms. Kingsley.



Ms. Cherry Kingsley: Sorry, I have to challenge your comments about special interest groups. I don't think children are a special interest group, nor do I think women are a special interest group. I think we have to recognize that they are a part of our population, citizens of our country. There is an assumption that all children are equal, and sometimes when people are arguing against different social programs, they do so under the guise of equality, but not all children live in a reality of equality. A lot of children, through violence or through poverty or through race or through gender or through homophobia or through homelessness, so many different things, experience many things all at once that create inequality in their lives.

I think we have to get real. We have to understand that creating opportunities for young people costs a lot less than homelessness or supporting them through various systems, whether it be health, mental health, justice, adult welfare programs later on. I think we can include them and create opportunities for them later on to contribute to the economy, whether it's through economic incentives for community businesses to hire marginalized young people, whether it's through wage subsidies, so that companies will begin to mentor and include marginalized young people for training or for employment. I think we just have to, because what's our alternative? To do nothing?

I think we have to challenge the provinces and we have to challenge the city, and innovative things like the Vancouver agreement are ways in which the federal government can be involved in including and challenging different levels of government to be more responsive and responsible to different marginalized populations.



Ms. Judy Wasylycia-Leis: I would like to ask the Fraser Institute's two representatives a couple of questions. I know the Fraser Institute does a lot of studies. We get tons of them through the office. I would like to know if you have ever done a study on the loss to the economy because women's work is undervalued and because we haven't helped women overcome some difficult circumstances over which they've had very little control. I'd like to know if you've done any impact study on the contribution of women to the GDP and whether you could share those results with us.

  (0940)



The Chair: Mr. Veldhuis.



Mr. Niels Veldhuis: As a direct study, no. The research does indicate--and quite a bit of research--that the wage gap is decreasing quite substantially for women in the workforce. Especially through the 1990s, women have been making up ground. They are not on an equal footing yet, but we will get there. We have not done any research in that area.



The Chair: Dr. Grubel.



Mr. Herbert Grubel: I think Statistics Canada has shown that women who have never entered the labour force or have never been married have, for their education level, the same income as men. It's quite clear that if someone becomes a doctor and has to take several years from their work to raise children, if you look back at the ten years when they were not working, their average earnings per year will be lower than if they did not have to raise children. It's not our fault, it's nobody's fault. But on the other hand, are we going to say we'll compensate everybody for the years they are off at the full wage they were earning when they were working?

These are all wonderful ideas, but we must never forget that the top 10% of all people who pay taxes pay 50% of all tax. Do you know that the people in the bottom 50% pay no taxes at all? That corporation, if we tax it any more, is going to leave. You might say that's terrible, we must fight this. The question is how to keep them in without destroying the nature of our society and our income. We know what we should do, but the people in the top 10%, if you think they should be paying even more, are going to leave, are going to stay home. They are going to go to the underground economy. These are the realities I just want to remind you of.



The Chair: It's now time for Mr. Cullen to get his ten minutes.



Ms. Judy Wasylycia-Leis: I have just one point, Madam Chair.



The Chair: Okay, one point.



Ms. Judy Wasylycia-Leis: My question wasn't really answered, because what I was trying to determine from the Fraser Institute is the loss to the economy by following the approach the Fraser Institute is recommending, which is more tax cuts, which benefits those at the top end, and not spending for programs we've heard about today that will actually help women out of some difficult circumstances, and that contributes to the economy. That is really my question. If you're trying to balance things, surely you've got

to hear these voices and respond.



The Chair: Thank you very much.

Mr. Cullen.



Mr. Roy Cullen (Etobicoke North, Lib.): Thank you, Madam Chair, and thank you to all the presenters.

Thank you, Dr. Grubel, and welcome back. You've been provocative again, especially with the common currency, which I couldn't agree with, but it's probably worth a debate. I'd like maybe to come back to that later.

Mr. Avison, thank you for your comments about the federal government and the work we've been doing with the CFI and putting money back into research. I have two questions for you, and on the second part maybe Dr. Grubel would comment.

First, have we got the balance right, or are we getting there, with the CFI, the CIHR, the granting councils, and the university overheads? Apart from needing more money, which I'm sure you could always use, have we got the balance right? It can be the case that you have more infrastructure than research grants, or you have research grants but not the overheads, etc. Are we getting the balance right?

Second, this is an area, Dr. Grubel, where I wouldn't characterize you as an interventionist, I'd probably characterize you as a non-interventionist. Is this an appropriate area for the federal government to be making investments, research and development at the university level, through the granting councils, etc.?



Mr. Don Avison: In response to the question about whether or not we have the balance right, I would say, on the research side, generally, the answer is yes. Some very important investments have been made in the Canada Foundation for Innovation. And with the CIHR, with the restoration of funding and the improvement of funding for the other granting councils, it's beginning to generate a very significant amount of activity. It's also important, I think, for all of us to remember that it's not simply a federal investment, it's generated a significant level of activity at the provincial level as well, B.C. being an excellent example of that through the B.C. knowledge development fund. It's beginning to pay off significant dividends.

In B.C. I think we see a higher degree of activity in commercialization in part because of the work of Dr. Pat McGeer a number of years ago, which put in quite a bit of activity in university industry liaison offices, with the Advanced Systems Institute, and with a number of other initiatives that resulted in the commercialization of a lot of activity at a rate that is at least equal to, and in many cases better than, what you find in other Canadian and, frankly, many American jurisdictions.

Where the balance is off is in the area Dr. Stevenson quite rightly identified earlier on, the relationship between developing the research and innovation part of the equation and developing the human capital side, making sure young Canadians and mid-career learners as well have the opportunity to secure access to university-based education. We've seen, as was indicated earlier, a significant decline in the level of investment, which is more directly attributable to the access side. I think that's something that's quite worth

considering. We got that right at the end of the Second World War, when we made decisions to invest in people to ensure that they would have opportunity. I think we got it right again in the 1960s, when there were significant investments the federal government assisted with making sure those opportunities would be there. As we move, with increasing speed, towards a knowledge-based, highly competitive, globalized world, making sure we have it right on that second side, the investments in people, is where I think that balance is off.

   (0945)



Mr. Roy Cullen: Okay.

Dr. Grubel, is this somewhere the federal government should be investing?



Mr. Herbert Grubel: I'm sure some investments should be made, but I have not really followed it and I don't know the data. My inclination is always that if research is worth doing, let the private sector fund it. If the return is there, they are more efficient and better at it. There is some research that is so pure in nature that nobody can get any commercial benefit out of it. That is the imponderable. How much should we be spending on this, or should we simply ride free on the backs of other institutions that do this kind of pure research?

Further, the consideration always gets raised that the research function is closely related to the teaching function and that in order to force academics to stay up to date, you have to get them to publish, show that they are keeping up to date, and publication pressure has to do with doing basic research and applied research, and I think that is an important function.

I leave it to the experts to say whether we have the right amount in pure knowledge production, but with applied knowledge production, research and development, I feel the private sector should really carry the biggest part of the burden.



The Chair: Mr. Avison would like to add a comment.



Mr. Don Avison: If I may, I think something happened here in Vancouver only a couple of weeks ago on a Thursday morning that is very useful in reflecting on this question. It's what industry itself says. We had the remarkable event of five clusters coming together—new media, wireless, information technology, biotechnology, and fuel cells. These are five of the areas where we see great promise in the province of British Columbia.

But what did they talk about? They talked about the need to cooperate with each other to ensure that each area knew what was happening so that they could find the benefits of the synergies between them. They also talked about the inextricable link between what they do and what they might be able to do and university-based research. They get it. They understand their own data. I think it's clear from what industry has said that the answer to the question in relation to the importance of university-based research has been answered already and that industry understands well that their ability to succeed depends upon it.



The Chair: Thank you.



Mr. Roy Cullen: As to the disconnect, if you like, between the R and D and human capital on this capacity issue, I'm not exactly clear what role the federal government could play. I'll be reading your brief. I suspect that what you're saying is it's a moral suasion role, bringing the various stakeholders together and providing some leadership. But I have to move on, if I may, to the other areas.

It's a little ironic, it seems to me, that when the established programs—financing and CAP—were replaced with the CHST, the philosophy behind that was to give the provinces more room. We're not babysitting them. And now—things do go in cycles—we seem to be coming back on health care to the need for more accountability to segregate that funding. Frankly, I'm mildly supportive of that, because I think we've been burned in some provinces, with money supposed to be going to health care being used for tax cuts and other things.

Now we have a case being made on post-secondary education. We need our own separate accountability link there, and I think frankly there is a case to be made there if you look at the plight of students and higher tuition fees, etc.

The balance was previously CAP, and the reason CAP was eliminated, of course, was because it was 50-cent dollars. If you spent a buck at the provincial level, you were going to get 50 cents back, and that wasn't a very efficient way to go about things.

I'm just wondering, we're looking at legal aid, and in some of the interventions by the three groups, although somewhat different in terms of what you're looking for, we have health care, post-secondary education, and then the rest, which is social spending, for lack of a better word. Can you see the case being made at some point that the funding should be targeted and have the same accountability we've moved toward in health care and that we're probably moving toward in post-secondary education? Funds would be earmarked for legal aid, earmarked for children, earmarked for rape and crisis relief, etc. Isn't that going to get awfully complicated?

  (0950)



The Chair: Ms. Brewin.



Ms. Alison Brewin: If it's complicated, if that's what needs to be done, that's what needs to be done. From the legal aid perspective, how specific the federal government wants to get depends on how they interpret their obligations in that area. But I think that ultimately it makes financial sense to attach the dollars you're spending to what you would like them spent on.

I think that's the way it has to go. Legal aid, for example, makes economic sense, because what civil legal aid does is allow people to actually go after money they're legally entitled to. So for the government to spend money and attach it to that on that issue I think makes sense.



The Chair: Ms. Kingsley.



Ms. Cherry Kingsley: I think that we do have to start to scrutinize different federal budgets and provincial budgets and earmark dollars toward children and toward an investment in children and ensure the inclusion of the most marginalized populations.

I think there's an assumption that parents or communities are the natural advocates of children, so we assume the final responsibility rests with them. But the reality is that we see every day in all our cities and communities children who are street-involved or addicted or exploited in the sex trade. Somehow the breakdown happens within the community or family or culture or whatever. We can't assume that all children have access to basic charter rights.

Yes, we do have to have better coordination, even at the federal level, of services for children, whether it be health or HRDC or access to housing for children, whatever. We need accountability to ensure the effectiveness of programs for children.



The Chair: Ms. Lee, I'm going to give you the final comment for this panel.



Mrs. Alice Lee: I am only advocating that the federal government provide some sort of national standard so that we do have an avenue to go after the provincial government.

It does make sense, if they are going to be spending money, that we know exactly what the money is spent on, which does also still give the provincial government some flexibility, if you want to say, in terms of how they are going to spend their money in those particular programs. We absolutely need that.



The Chair: Thank you very much.

On behalf of the colleagues and members of the committee here and those who are still working in Ottawa, we want to thank you for your brief. We will make sure that your words are circulated among all of our members through our clerk. Thank you for attending today and also for taking our questions.

We will now recess for up to five minutes and then we'll start again. Thank you very much, everyone.

  (0954)

  (1000)



The Chair: We will resume with pre-budget consultations pursuant to Standing Order 83(1).

For our second panel of the morning we would like to welcome, on behalf of the committee, the Canadian Association of Sexual Assault Centres, Lee Lakeman, regional representative for B.C. and Yukon. Welcome to you.

From the University of British Columbia we have Dr. Allan Tupper, associate vice-president, government relations. Welcome to you.

From the Canadian Association of Gift Planners, we have Janice Margolis, who is the chair of the communications and government relations committee.

And as individuals we have Margot Young, who is associate professor of law at the University of British Columbia, and Katherine Gee. Welcome to you both. Are you doing a combined presentation? No, separate. Okay. So you will each then get seven minutes for your presentation to clarify.

We will go in the order of the agenda, and I will start with the Canadian Association of Sexual Assault Centres.

Go ahead, Ms. Lakeman.



Mrs. Lee Lakeman (Regional Representative for B.C. & Yukon, Canadian Association of Sexual Assault Centres): Good morning.

I apologize, but I'm going to read some of my submission just because I have to pack a great deal into seven minutes.

I'm very grateful to be presenting to you. I represent the Canadian Association of Sexual Assault Centres, which is made up of the centres across the country, each of which is dealing with different provincial governments. Just keep that in mind, given your last discussion.

We were active participants in a coalition of women's groups appealing to the UN to consider the plight of women in Canada under the CEDAW agreement. I understand you'll be getting our full comprehensive statement about that.

I want to particularly take a little time to let you know that we've been involved in a five-year research project with rape crisis centres across the country. In the course of that research we've had to face the changing conditions women are dealing with. It's from that particular focus that I want to speak to you this morning.

Of all the things we could talk about changing for women in Canada, we decided to focus this one presentation on welfare. CASAC does not accept that the poor will always be with us, that prostitution is the oldest profession, or that men are just naturally that way. These essentialist positions or attitudes are not promoted in our centres. Rather, we see that among other things each corporate move and each social policy and each interaction of the state and its subjects moves us toward or away from the desired future. Class and race and gender divisions and domination are social and economic constructions that are always in the making, and so is equality.

CASAC's economic target of social economy that values women's labour and shares wealth with women has been moved back drastically in this five years. The trajectory of reforms toward those ends that had been won by our grandmothers, our mothers, and ourselves, from the vote to unemployment insurance,

from pensions to child care, from self-determination to settling land claims, from welfare to more humane immigration policies, from criminalizing sexist violence to the inclusion of women in a living Charter of Rights and Freedoms, has been reversed in the service of grotesque individualism and corporate wealth.

CASAC wishes to express our understanding of the impact. Most voters, citizens, members of the community realize that we are contending with mean-spirited welfare reductions and restrictions that make life more difficult for the poor. No government has declared honestly to its citizens before election either the nature of welfare cuts or what it intended, or the further gendering of poverty imposed by those welfare cuts.

It is simply not true that Canadians voted for these attacks on the poor. No government within Canada has been given a mandate to end welfare. This is perhaps why no government makes public to whom it is refusing subsistence. CASAC women are witness to the fact that women across the country have no guarantees or even likely access to a promised minimum standard of living. No matter how poor, women have no guarantee of welfare in any form. As women consider their options for improving their lives, they are certainly made aware of it.

We have lost a small but significant recognition of the historically disadvantaged economic condition of women's lives. As predicted in feminist accounts of the end of the CAP funding, like the equality deficit, which was published by the Canadian government, and as recorded in our alternate report to CEDAW, women in Canada have lost what application we had of this economic human right.

But CASAC is most concerned that we are losing this benchmark redistribution of income toward equality. In each province and community the attacks and erosions have been different—from workfare rules to man-in-the-house rules, to age limitations, to rate decreases, to time-limited access, to lifetime bans, to immigration and settlement restrictions, to punishment bans after and through criminalization, to bans based on health requirements.

À  (1005)

Not only has the formal policy been degraded, but they have also curtailed the positive discretionary power, procedures, and regulations. The management and sometimes the remaining staff too often interpret roles with the same anti-entitlement attitude.

The abdication of the federal role in assuring women and others who need a guaranteed dignified income is plain and Canada-wide, and so is the downward pressure of shrinking budgets and block funding, which encourages provinces to set welfare, education, and health needs against the needs of business for roads and bridges to ship goods and transport tourists.

Transition houses in Canada emerged partly to deal with the limits that already existed in welfare policy in the 1970s. Welfare departments would refuse to grant a woman a welfare cheque when she came to the state for assistance to leave an abusive husband. Welfare workers were directed to tell women that the state could not be responsible for the breakup of families, but if she left and established residency on her own, then welfare might be granted, since it was an assumed economic right of Canadians not to starve or be homeless.

Since they usually have no money, women move to transition houses, not only for immediate safety but to establish a separate residence to prove to the state that they have left the marriage, family, or couple. During their stay with us, they qualify for welfare. They still come.

Transition house residency is not lower, nor are referrals to shelters for the homeless or other emergency

facilities. But now these women qualify less and less often and they never ordinarily receive welfare without aggressive advocacy from someone independent of government. They are reminded constantly that it is not a right and it cannot be relied on. It can be reduced or withdrawn, and they can be denied temporarily or banned for life.

Women, especially poor women, have always had to make extra-legal deals with the men in their lives. When ex-husbands or lovers are taking responsibility by providing money under the table for child care, we are all glad. But in a position of extra dependence created by the state's withdrawal, sometimes those deals are dangerous underground contracts that the women cannot enforce and that subjugate them to the very men they are trying to leave for the sake of themselves and their children.

Any welfare granted currently is so inadequate and so insecure as to force the women into subsidizing it in the informal economy, especially with housework for others, child care for others, personal health care for others, food preparation and production for others, drug sales, and prostitution.

Women who complain to the state of rape, sexual harassment on the job, incest, or sexual exploitation and trafficking face the denial of security. They have no exercisable right to welfare. If by some cleverness or accident or kindness she gets welfare and is subsidizing it to get by, how vulnerable she is to blackmail by her attacker. If she reports criminal sexual abuse, how quickly will she be threatened, directly or indirectly, by the defence bar? Exposure can cause either loss of the informal income or the loss of credibility as a complainant. She can and will be painted as a liar, thief, con, drug dealer, or prostitute, unworthy of the protection of law.

The 14- or 18-year-old incest victim leaving home, the worker on minimum wage making her way in the informal economy, the dislocated woman pulled from a small town or reserve into the city for work or education, the immigrant woman struggling to survive or trying to transition into lawful citizenship and a reasonable life are all frustrated.

If the normalcy of male violence against women were not known, one might think this were other than state collusion with violence against women. Access to the rule of law and equal protection under the law become meaningless.

The right to welfare was a power used by more than the destitute. It was a power in the hands of all women, the knowledge that they could access food and shelter for themselves and their kids, however modest, by right. It was a power used to fend off attackers and make opportunities. It was a basis from which to build one's self-respect. In the organizing in the 1930s, the community had declared and legislated in welfare rights that everyone in Canada was entitled to at least this share in the common wealth.

I have more. I'll put it in writing for you, but I will stop to not use the time.

À (1010)



The Chair: I'll take your speaking notes and photocopy and distribute them.



Mrs. Lee Lakeman: They're pretty crude. I'd rather improve them and give them to you.



The Chair: Okay. That's fine.

Then I will go to the University of British Columbia, Dr. Tupper. Go ahead.



Dr. Allan Tupper (Associate Vice-President, Government Relations, University of British Columbia): Thank you very much.

I'm very pleased to meet with the committee again this year. It's a very significant part of the annual budget consultation in the country. It's also a major opportunity for Canadians to engage their government, and the University of British Columbia is very committed to the process.

My subject is an obvious one, and it's quite closely linked with the subjects my colleagues Dr. Stevenson and Don Avison referred to previously. That is, of course, Canadian universities.

It's interesting when you look at the totality of this committee, if the entire body were able to be with us today, the active committee, almost every one of you has a major university within your riding or adjacent to it. Some, like Sophia, have two, one on each side, and the colleague from Winnipeg North Centre is the same. We have Acadia, UPEI, UNBC, the University of Lethbridge. Mr. Jaffer is not with us today, but certainly the University of Alberta is at the very heart of his riding, and of course the chair is well aware of the University of Western Ontario's contribution to the country. Anyway, it's an issue that's certainly not abstract to the membership of this committee or to members of Parliament generally.

I have a couple of points simply by way of background, and also a suggestion about the future. I think with regard to higher education, I want to make one general point about its significance, which is that it seems to me, if you look at where Canada is going, we're seeing a very large societal change in our midst. For many years access to post-secondary education and participation in it involved only a small part of society. Increasingly, it is something that is going to be desired, sought, and enjoyed by virtually all Canadians. I think this is one of the largest changes in Canadian society.

It's referred to in any number of ways, and some very odd terms, like massification and so on, but it simply means that more and more Canadians understand the benefits of post-secondary education, not merely for economic well-being--which is substantial--but for the overall promotion of a tolerant and just society.

I point out to you in this regard that the government of the United Kingdom has just put out a white paper on education. One of its goals is that half of all Britain will in the future always be in the post-secondary education system--50% of all British citizens would be at any time in the future...at the minimum. This gives the sense of the extent of this revolution and what we're going to be getting into in the near future.

There's one other thing I want to point out, and I'll be very brief, because it relates to my colleagues' previous comments. The federal government's policies of the last decade have been transformative of universities. They're not simply good, they're not simply helpful; they have transformed higher education in this country. Again, if you look at the major reports that Britain and the Australians have commissioned on this subject in the last year, they point to Canada as a model of a country that's put in place a series of policies, and in terms of advanced research, we are the envy of the world.

Universities of Canada clearly understand that with those policies and with the very substantial federal expenditures of almost a decade now there is a very heavy duty on us to be accountable and to give evidence that we undertake important contributions to the society and that we sustain the trust not only of

the politicians, which is crucial, but of Canadians in general.

Now, getting to the precise point I want to put in front of you today, as in all things--and this very apropos remark of Mr. Cullen's of a minute ago--the agenda is never finished. Given what we anticipate in terms of demand for access, the higher education agenda in Canada is going to be a very large one at the federal and provincial levels of government.

We are going to have very substantial challenges of capacity and of access for all Canadians. Higher education will have to be moved into an area so that everyone can have access at reasonable cost and without undue burden in the future of financial debt.

À (1015)

So it's going to be a very busy period in government policy-making and in societal debate in the near future.

One particular item, though, I wanted to address in my brief time here is this. In budget 2003, the last federal budget, there was a very significant policy put in place when there was announced a permanent program--we believe it should be a permanent program--of federal funding for the indirect costs of research. This is an area that is seemingly esoteric and possibly complex, but it's actually fairly straightforward, and I'll just briefly remind everyone of the context and of the nature of the issue.

In Canada the Government of Canada has been the main source of funding for university research through its operations over almost fifty years, but in the last decade intensified. For a large number of reasons, the federal government and its funding agencies have decided to fund what one would call the direct or obvious costs of research, but because of budgetary considerations and many other things, it has never put in place funding for many dimensions of research, like indirect costs, which we call the indirect components of it, the wear and tear on our physical plant, libraries, and so on. I think many of you have had this issue advanced to you by universities in recent times. Year after year, with this funding pattern, you're in effect creating a deficit for your institution, because you're undertaking research that is only partially funded. Ironically--and this point has been made very often--the more successful an institution is in garnering federal research and undertaking important activities in their communities, the greater the deficit.

The point that I want to mention in this debate and in making this point is the following. There has been a missed element, and this is the point I want to hammer at. Who actually has paid the deficit over the years? In truth, our students. They have paid for this through higher fees, through services forgone, or through a diminished quality of education. Indirect costs, therefore, are not an esoteric issue in research, they're very much about the overall costs of funding research in this country.

The federal budget of 2003 changed this situation very profoundly by putting in place a substantial program of \$225 million. What I urge colleagues on this very important committee to consider is moving that program from an absolute dollar value, as it currently is for the next three years, towards a situation where indirect costs would be provided at 40% of the total federal research cost to the institution, which would put us directly on par with the United States of America and other countries.

Again, I just want to make at the end of my remarks the following point. This is not an abstract issue that's very distant or about accounting and unclear. It is very important to the well-being of Canadian universities. It puts in place a capacity to undertake things that for many years were not undertaken properly because of this gap in research funding, which became very large.

The last thing I'd say is, with your indulgence, that the University of British Columbia has already put

forward a very clear document about how it spent its first allocation of this money. It's a very clear accountability statement in some detail that goes to show members of the committee and all Canadians exactly where these funds have gone, and you can see how it supports the totality of our undertaking.

Thank you very much.

  (1020)



The Chair: Thank you very much.

Now we'll hear from the Canadian Association of Gift Planners. Go ahead, Madam.



Mrs. Janice Loomer Margolis (Chair, Communication and Government Relations Committee, Canadian Association of Gift Planners): Good morning, and thank you for the opportunity to address you today. I have been before this committee, and actually some of you, for a number of years.

I am senior director of major and planned gifts for the B.C. Cancer Foundation, but today I am representing the Canadian Association of Gift Planners, which is an association of over 1,200 individuals across Canada who either work for charity or who are in the related professions of law, accounting, and financial planning and generate philanthropic support for a wide variety of charitable causes across the country. Our members work to sustain a wide variety of charitable causes, national, provincial, local, grassroots, small organizations and large organizations, causes like arts, health care, education, research, social services, the environment, etc.

I'm just going to address a couple of things about our association.

We have standards of ethical practice, and we have an ethics enforcement process to ensure that members adhere to these standards. I'm telling you this to let you know that we place a strong emphasis on ethical practice and recognize that the success of the charitable sector is dependent on public trust and confidence.

In addition, because of the diversity of CAGP's membership, we are championing changes to tax policies that benefit the whole charitable sector, both large charities and small charities, and I think all our submissions should be acknowledged in that light.

In the submission that is before you--I did send it out very early for copying--you'll see that we made only five recommendations. We were being very specific. The first point is to eliminate capital gains on gifts of publicly listed securities to charities. I think that's our biggest piece, and I'll address it. The second is to expand the capital gains incentive to gifts of real estate. The third is to extend all tax incentives equally to private foundations and monitor the progress of the charitable remainder trust project. There are five recommendations in our full proposal that come under four points. Because of the time constraints, I'm going to focus my comments on the proposal for the complete elimination of capital gains on gifts of qualified securities. I refer you to our written submission for greater explanation of the other issues. I'd welcome any questions at the end of the presentation.

I know you've heard a lot about this. I know I have colleagues across the country from various associations who have been talking about the elimination of the capital gains on gifts of securities. It remains the CAGP's number one priority. We think it's the single most effective measure this committee can

recommend to enhance charitable giving. I want to thank this committee for recommending this enhancement for the past two years in a row. You've also recommended including the extension of this incentive to private foundations and consideration of extending this to gifts of real estate. I'd encourage you to do that yet again this year. I'm hopeful that maybe even during our questioning process, you can give us some guidance or ask us questions that can assist us in doing more to ensure that at some point the Minister of Finance will actually act upon some of the things you are recommending.

We are aware that there have been a couple of recent academic articles in the *Canadian Tax Journal*--probably you've seen them--that have questioned the impact of the reduction of the capital gains tax on gifts of securities. I understand they have attracted some attention from the committee. I want to take this opportunity to remind the committee why this recommendation is so vital to the voluntary sector, and it's virtually unanimously supported by the sector itself.

First, I would like to note the obvious, which is that these articles--and there are only two of them, if you recall, and there is a third one in there that is very strongly in support of it--represent only two individuals' opinions. The William Innis article in the same journal argues the position that this committee has advocated for over the past number of years. Other commentaries, including, of course, your own Department of Finance report, the Deloitte & Touche report, and everything else, are going in favour of this, including also--I think it has been referred to earlier--a paper by Wolf Goodman that was in response to the *Canadian Tax Journal*. I believe one of my colleagues provided the committee with a copy of this as well.

This committee will receive or has already received submissions and presentations from all the major national voluntary sector umbrella organizations, which collectively represent virtually every possible charity in the country. These organizations, in addition to CAGP, include the Association of Fundraising Professionals, the Canadian Bar Association, Community Foundations of Canada, Philanthropic Foundations Canada, the Council for Business and the Arts in Canada, and the Canadian Centre for Philanthropy. It's really remarkable, with this show of unity, that each of these organizations is recommending this measure as a top priority for charity. I think that is really a big statement.

This measure positively affects all charities large and small across the sectors and provides them with a very strong tool for increasing charitable giving. Key recipients of gifts--and I think this refers to some of the things we're discussing in some of those articles--are Community Foundations and United Way. We know those organizations often distribute the benefits of the securities to smaller organizations, so all charities across the board are benefiting.

We all know donors do not give because of tax benefits, they give because they passionately believe in the mission of the organizations they support, but the size of their gift is often affected positively by tax incentives. While we celebrate the wealthier citizens in this country who are giving back to their community, it's equally important to recognize that this measure applies to all donors, regardless of their means.

À  (1025)

I think the majority of gifts that I have received in gifts of securities have not been from the wealthiest of individuals, they have been from middle-income Canadians. It has made them give the biggest gift that they have ever been able to make in their lifetime. It has been very helpful for them. We know that much of Canadians' wealth and assets are held in the form of publicly traded securities, so we think this measure applies to everyone.

The full exemption will unquestionably be equally effective at encouraging further giving, thereby enhancing the sustainability and capacity-building of the sector as a whole.

For these reasons, I would encourage that, once again, this committee recommend the complete elimination of capital gains on gifts of securities.

Thank you for your time. The Canadian Association of Gift Planners appreciates everything this committee has done for the voluntary sector in the past. I would be pleased to answer any of your questions at the end.



The Chair: Thank you very much.

Now we'll go to Margot Young, associate professor of law.



Ms. Margot Young (Associate Professor of Law, University of British Columbia, As Individual): Thank you. Thank you for the opportunity to address you today.

As has been said, I'm an associate professor of law at the University of British Columbia, where I teach constitutional law and social welfare law. I've also been active working with women's equality-seeking groups and with anti-poverty groups at both the national and the local levels.

I want to talk to you today briefly about a number of key obligations the federal government is subject to, and which must shape and guide separate budget consultations and formulation. In particular, I believe there are two key obligations that are especially relevant. I want to focus on these. Both of them flow from the Canadian Constitution and from international agreements to which Canada is signatory.

The first obligation is the obligation to ensure women's equal benefit and protection of the law, without discrimination based on sex, race, age, and other enumerated and analogous grounds. The second obligation is the federal government's leadership role in ensuring the substantive and equal availability of social programs across the country.

The policy obligations that are particularly relevant to the task that lies before this committee stem from a number of features of the Canadian constitutional and international rights obligation matrix. I want to talk a bit about what I see are some of the key features that support and underline that these are obligations relevant to the tasks of the finance committee.

To begin with the right to equality, and specifically, I would argue, of relevance to the work that I do, women's equality is guaranteed by section 15(1) of the charter.

The sexual equality guarantees in section 15(1) are reinforced by section 28 of the charter, which states that "notwithstanding anything in this Charter, the rights and freedoms referred to in it are guaranteed equally to male and female persons".

Now, the Supreme Court of Canada consistently, since its first case dealing with section 15, the Law Society of British Columbia and Andrews, up to its most recent case dealing with section 15, has interpreted section 15 as a guarantee of substantive rather than merely formal equality.

This means that the focus of government action and programs must look to the interplay between law and the actual circumstances of individuals or groups affected by that law. It is the effects of the government actions on groups and individuals within Canadian society that form the environment for consideration of

whether the equality obligations have been met.

Section 15 also addresses the equality of women who are members of other specifically enumerated or analogous groups. Government programs and budget choices are reviewable, therefore, for their discriminatory effects on women who are members of other disadvantaged minorities: women who are poor, aboriginal women, women with disabilities, and women who are elderly.

Sections 15 and 28 provide direction for the federal government as it sets its budgetary priorities. The federal government must ensure that its spending choices, its choices about revenue and expenditures, do not discriminate against women either in form or effect. Given the substantive content that the Supreme Court has assigned to section 15 of the charter, these choices must as well, very importantly, affirmatively recognize and promote equality as an underlying objective of federal spending and program development.

The second observation I wish to make is one that buttresses and informs these constitutional obligations of equality and substantive equality. These are the obligations found in international and human rights law. I am not going to talk about all of the conventions to which Canada is signatory, but of particular importance to the focus of our talk, obviously, is the convention against all forms of discrimination against women signed onto by Canada in 1981. This convention commits Canada to prohibit and to condemn discrimination against women in all its forms, and to take “all appropriate measures, including legislation, to modify or abolish existing laws, regulations, customs and practices which constitute discrimination against women”.

Article 3 of the convention states that state parties must take in all fields, in particular the political, social, economic, and cultural fields, “all appropriate measures to ensure the full development and advancement of women”.

À  (1030)

The convention goes on and sets out a series of specific guarantees, including such things as equal participation in public and political life, the right to equality in education, the right to equality in employment, the right to free choice of employment, and so on. Among the measures that Canada commits to, with respect to the Convention on the Elimination of All Forms of Discrimination Against Women, are a number of more specific obligations elaborated upon in the Beijing Platform for Action, to which Canada also signed on.

One of these commitments is to “analyze, from a gender perspective, policies and programmes - including those relating to macroeconomic stability, structural adjustment, external debt problems, taxation, investments, employment markets and all relevant sectors of the economy” — this is a quote from the Platform for Action — “with respect to their impact on poverty, on inequality, and particularly on women”.

The Platform for Action goes on to say that the government should “provide adequate safety nets and strengthen State-based...support systems, as an integral part of social policy, in order to enable women living in poverty to withstand adverse economic environments”.

The Platform for Action sets out a number of remedial steps that Canada and other signatories to the Beijing Declaration have committed themselves to: improving women's situation and prospects with respect to such areas as health, the economy, human rights, and institutional mechanisms.

Equivalent provisions are found in the other conventions, such as the International Convention on Civil and Political Rights and the International Convention on Economic, Social and Cultural Rights, but I won't go through those at the moment. The point to register is that there are significant and substantive economic

equality guarantees.

The last point I want to make is a reference to subsection 36(1) of the Constitution Act wherein the federal government has made, by express commitment, the promise to promote equal opportunities for the well-being of Canadians to further economic development, to reduce disparity of opportunities, and to provide public services of reasonable quality to all Canadians.

There is a constitutional obligation for the federal government, then, to do this. Section 36 clearly stipulates a cross-nation net of programs and services designed to promote individual equality and well-being, rather than the current system of large gaps, discrimination, and interprovincial disparities. Absent concerted federal support for welfare-related programs and services at both the federal and provincial levels, the constitutional undertaking established by subsection 36(1) will be meaningless.

My conclusion is simply to state three recommendations, which I'm happy to elaborate upon in the discussion.

The first recommendation is that specific funds be dedicated to fulfill Canada's obligation to women under its international commitments. Many of these matters that are of concern lie directly within federal jurisdiction.

Secondly, the federal government should exercise its spending power to transfer funds, with conditions attached or reattached to the province, to ensure compliance with its own constitutional and international obligations.

Thirdly, there should be an establishment of some national body to monitor compliance, at both the federal and provincial levels, with these obligations.

Thank you for the opportunity to speak to you today.

   (1035)



The Chair: Thank you.

Now we'll go to Ms. Katherine Gee, as an individual.

The floor is yours, Madam.



Ms. Katherine Gee (As Individual): Good morning. My name is Katherine. I'm here to share my personal experience of the provincial child care subsidy cuts and to recommend vital child care changes to the federal pre-budget committee.

I would like to begin with my personal story. I was pregnant and working when the cuts to the provincial child care subsidy program were made. Now, after completing my maternity leave and returning to work, they affect me directly. I didn't realize the full impact of the child care cuts on lower-income families at the time, as I was thinking about the combined incomes of my partner and me and our capabilities together. However, after an unsuccessful but heroic attempt to share family life and child-rearing responsibilities with my ex-partner, I am now in the position of being a single parent.

I couldn't afford infant child care, and after wondering who would take care of my daughter, I was relieved to find out about the child care subsidy program. At the time, I thought that meant I could afford to go back to work. I was then very fortunate to get my daughter Asha into the YWCA daycare program, which is just half a block from my office.

When I returned to my position at the English language school, my hours were reduced from full time to part time as a result of SARS and world economic and political troubles. My salary was naturally also reduced and is now \$1,620 per month after taxes.

When I submitted my pay stubs to the child care subsidy worker, she explained that I was above the threshold income level, which is \$1,182 per month. She said I would not qualify for the maximum subsidy of \$585 per month, but for only \$360. This meant that I must pay the parent portion, which is \$585 per month for the \$945 per month infant child care fees.

I was shocked at the low threshold income level set by the provincial government and the subsequent low standard of living caused by this child care budget policy. This is my first encounter with living on an impossibly low income, and it comes at a time when I have a child to take care of. Currently I am supporting my daughter by myself, with no financial support from her father.

The following are some approximate figures to illustrate my cost of living parameters within the child care subsidy cuts: My salary, as mentioned, was \$1,620 per month; child care is \$585 per month; rent is \$400 a month, which is unusually low; food is \$400 a month, which is bare essentials; and my 1986 Toyota van is \$150 per month for insurance and gasoline.

I pay more for child care than for food or for rent, and there is very little left over for extras like diapers, medicine, clothes, shoes, or entertainment. At the moment, I am in arrears of my child care payments after six months of a vicious financial circle of having little or no money for other expenditures.

Yet I'm a resourceful and progressive person trying to make a better life for my daughter and me. I am planning to diversify my skills and make a career change. These plans, I trust, will provide me with better financial means to care for my daughter independently. It's very difficult, though, as a parent, to make changes while worrying.

I worry about the quality of child care if I had to move my daughter from the YWCA--which is excellent, regulated, and convenient--to another daycare. I worry about how to pay the bills, most notably child care. I worry about how to be a good parent while I am worrying and with little energy. I worry about how and where to work so I have more time with my daughter. I worry about money all the time. This leads to frustration, as I am less present for learning and play with my child and less able to make changes that will take me out of the lower income bracket. I often feel frustrated.

I realize now that I am just one parent amidst many lower-income families and single parents going through the same or similar experiences. I am concerned for the children who are invariably affected by their parents' worry and struggle to provide a safe, nurturing, and healthy environment while they are away at work. I know that, like me, they have to make choices that will compromise the development of their children because of inaccessibility to affordable child care. I think constantly about how to make child care programs an integral, funded part of our society so that my 17-month old daughter and I have a secure, financially manageable future. I know other parents share these thoughts.

À  (1040)

Based on my personal experience and reflection on the issue of child care, these are my recommendations

to the pre-budget committee: to urge the federal government to insist on restoration of the provincial child care subsidy program to its former level by raising the threshold income level; to request that the provincial government direct the federal funds targeted for the Early Childhood Development Agreement and the multilateral framework agreement to regulated child care, thereby increasing accessibility to child care by making it affordable to single parents and lower-income families; and to ensure that child care is a shared responsibility between all levels of government, with complete accountability for targeted program expenditures.

While these suggestions will directly help improve my child care situation, I strongly wish this federal pre-budget committee will follow the recommendations of child care advocacy groups that have worked so hard to provide the facts and figures that show a publicly funded early child care education system is a needed and natural beginning to the existing quality, publicly funded education system in Canada.

I passionately hope that the federal government will invest in these recommendations with the same degree of commitment that we have seen with hosting Olympic events, which is now occurring in this province.

I thank you for your time and for giving me the opportunity to share my experience and perspective with you.

Go well.



The Chair: Thank you very much.

Thank you to all of you.

Now we'll go to nine-minute rounds for everybody.

Go ahead, Mr. Solberg.



Mr. Monte Solberg: Thank you very much, Madam Chair, and thank you again to our presenters. I'll start with Dr. Tupper.

I appreciate some of the things you had to say, and I was interested in your comments about the U.K., predicting 50% of people would be engaged in post-secondary education at any one time in the future, which obviously is wonderful, in a sense, but also poses huge challenges for government. I want to tie this to the recommendation you made respecting indirect research costs. When you talk about the need, you are recommending that indirect research costs be tied to the direct funding that now goes to universities for research.

I agree that in the future you'll have a lot of people engaged in post-secondary education, but won't a lot of that be done through distance learning, for instance? Won't it be less and less the case that they will be going to big university campuses, and more of this will be done on the Internet, and so on, which will therefore decrease the need to provide indirect research costs for universities?

À  (1045)



Dr. Allan Tupper: This is a very important question, and one that has been widely discussed.

What we understand about this is that what was thought to be a major revolution in learning, not just at the university level, has really not occurred in the way it was anticipated. Let me elaborate very briefly.

First of all, Internet education has been found to be very expensive. The cost of establishing capacity within institutions and to make sure society at large has access are very, very consequential.

Second, a very strong view has emerged in the higher education world, and in education generally, that for people to be taught effectively, they need to be taught in relatively small groups and in face-to-face situations, such that distance education has really reverted to the traditional ideas of outreach for people who have serious problems of distance, geography, or disability that impede ready access, of which there is a very substantial role, no doubt.

But what I'm driving at is that the revolution is not costless. It has been very expensive, and it has not been nearly as revolutionary as we thought it would be. The bricks and mortar here remain very, very important to Canadians in terms of the physical plants in their institutions of post-secondary education.

The last thing I'd say is that this is like all revolutions that are thought to occur in learning. When television first came forward, all the same arguments of the Internet were made--that this would be a new revolution, and all those kinds of things. There were those visions of planes flying above cities and of broadcasting TV shows to schools. Movie stars were being converted into lecturing roles, and so on. It was only 30 or 40 years ago that we talked in these terms.

So I think we have had a very profound shift. We now have a lot better focus on this kind of activity. There are established institutions that are doing an excellent job in distance education, but we don't believe the growth potential is what was anticipated at all.



Mr. Monte Solberg: Thank you.

I have a question for Professor Young and others who commented on this as well. It has to do with funding for.... Well, I will simplify what you said, and I recognize that this is a simplification. But effectively, you seem to be arguing that the federal government has an important role to play in welfare funding in the province--not just welfare funding, but certainly welfare.

The question and concern I have--and I raised this the last time around, during the last panel--is that the federal government becomes directly involved again. Then don't you start to mix up accountability and end up in a situation where you have finger-pointing going on between two levels of government when it comes to determining who's responsible for making cuts? Certainly the federal government has demonstrated in the past that it's not about arbitrarily withdrawing from social spending, which we know they did in 1995 to a huge degree. So right now you know where the fault lies or who you can go after when it comes to ensuring that there's proper funding for welfare. You go after the provincial government.

I would point out too, to further make the point, that one of the reasons the provincial government has cut back, I would argue, is that they had to increase provincial funding for hospitals, for health care, after the federal government pulled out.

In the end, now that we've gone quite a few years with the federal government effectively withdrawing, to a large degree, from direct funding for welfare, isn't it better to leave it that way and hold the provincial government to account for funding welfare instead of getting the two mixed up again? At the end of the day, there's just one taxpayer, at any rate.

So I would just ask you to comment on that. I'm sure lots of people have interest in commenting on that issue.

   (1050)



Ms. Margot Young: I have a lot of comments. I'm going to try to organize them coherently, but it's a big topic with lots of roads to go down.

I guess I would begin by saying the dilemma you describe in terms of accountability is, I think, an inevitable feature of living in a federal state where you have divided jurisdiction between federal and provincial governments. As well, the availability of two governments means that, as a citizen in Canada, you should be able to ask both levels of those governments to work towards the creation of a just society.

It's clear, both historically and constitutionally, that the federal government has a strong role, and has had a strong role, to play in the character of programs that are put into place at the level of provincial jurisdiction. This is through exercise of their spending power, which has been recognized by the courts to be constitutionally sound, and in fact, in the recent Social Union Framework Agreement, was said to be one of the most essential features in the growth of Canada's social union. So there's an explicit judicial and political recognition of the legitimacy of the federal spending power, although there are a number of concerns that come from a provincialist perspective about its exercise.

My position is that, as a citizen of Canada, I care very much that there are national standards of well-being across the country. I think there are reasons that the federal spending power is needed to ensure this at the provincial level that have something to do with the structure of our division of powers, that the ability to bring in revenue is greater at the federal level than it is at the provincial level. We have this constitutional irony of having jurisdiction over these matters being substantially in the provincial domain, with the money to actually spend on them substantially at the federal level, and the federal spending power as a way of working around this structural issue in the Canadian federation.

The attachment of national conditions to federal spending power is a long historical feature, and only recently has the federal government backed away from it. Our international obligations, as they're set out by a number of international treaty bodies, are all clear about the federal responsibility, I think, to exercise its spending power with its conditions attached, to show a leadership role in the observance of these international obligations across Canada.

I may have left some aspects of your question unanswered. I don't think the reason you end up with mixed government involvement, and you may actually have to talk to both levels of government about program failure or inadequacy, is a reason for the federal government to withdraw. It has a clear responsibility at a number of levels, constitutional and international obligations, and just in terms of the history and the ability of the federal government to establish a national social union. Those strike me as the most pressing features of the situation, and I think, frankly, it's an area that the federal government is abdicating quite wrongly, both politically but also constitutionally and in terms of its international obligations right now.

I see the Social Union Framework Agreement as affirming the spending power and in fact laying down some conditions for the attachment of conditions to the exercise of the spending power.



The Chair: There are about 45 seconds left, if somebody would like to add something else.

Ms. Lakeman.



Mrs. Lee Lakeman: It's pretty hard to top that research and argument. But I would say that on an emotional level I'm as interested in people not starving on the streets of Newfoundland as I am in Vancouver; and I'm as interested in women being able to exercise their rights as individual human beings in Quebec as I am in B.C. I think that's why I have a federal government and that's what I expect from my federal government, that the bottom level of humanity is recognized everywhere and is an essential part of citizenship—in fact, of residency, not just of citizenship.



Mr. Monte Solberg: Right.

I guess my concern is twofold. First of all, I would argue that people in Newfoundland, including people in the government, are certainly very concerned about Newfoundlanders not starving too.



Mrs. Lee Lakeman: But they are so much less able to do anything about it.



Mr. Monte Solberg: Right, but there are big transfers that go to the provinces, so the provinces have to sort out their priorities, all of which are pressing; there's no question about that.

If I might, Madam Chair, my final point is simply that one of the problems is that if you get the federal government involved in this, then the provinces can withdraw from spending, which happens all the time. For instance, it happened in the past with transfers for universities ostensibly, where the province would then just quietly withdraw. In the end, you have the same amount of funding, but you have two levels of government providing it, and finger pointing as to who is responsible for withdrawing funding.



Mrs. Lee Lakeman: I guess what we're telling you is that we're aware that they're responsible.



The Chair: Thank you very much.

We'll go to Ms. Leung.

À  (1055)



Ms. Sophia Leung: Thank you, Madam Chair.

I want to thank you all for your very interesting presentations. It's so nice to see Dr. Tupper from my alma mater here.

We are very pleased to hear that R and D has been really growing in all the universities. The innovation fund has really worked quite well. Also, we responded to the need for the indirect costs for the research; we designated \$225 million for that. You feel we need to increase. I thought we set up the R and D on the basis that each university ought to have the responsibility to seek some funding. So now you ask to have a secure 40%. If UBC has generated a lot of funding from the innovation fund and also the chairs for professors, I was wondering why it is now that the 40% is the figure you presented.

Ms. Katherine Gee, we have heard about the child care needs. I am on the social policy committee of the federal government, and we have discussed it many times, really wanting to know. We know such needs are desperate, and we have discussed a different way. We did have the idea that perhaps we should have a sort of infrastructure type of funding, which means the three levels of government would share support for child care. I would like you to respond to that. Definitely, the need is urgent there.

I was really touched by your presentation. You represent many low-income people, and as a matter of fact, I think you're from my riding.



Ms. Katherine Gee: I don't have all the facts and figures, as I mentioned, that the child care advocacy groups have, and I can't speak to their research and so forth, aside from my own personal experience. I've been blessed in a sense in having this experience, because it's opened up to me a huge social reality I wouldn't have been aware of if I hadn't been put in this position.

From what's been described to me about policy and what's happened with funding, there hasn't been any accountability. I think it's very alarming for people at the level of citizenship when they don't know where the funding is going. You're hearing speculation about it being shuffled around and that there was supposed to be allocation of funds for child care, but no one is speaking to that and no one's being accountable for it. At the end of the day, you're just sitting there with your own reality, not being able to make ends meet. This is why I'm here today.

It's very encouraging to know you have been involved in these meetings and are hoping to bring different levels of government together, because I think again, just touching on the other issues here, what I'm hearing is the issue of accountability for funding, where it's going. It is a difficult issue to coordinate, I'm sure, but I think federal funds that were allocated for early childhood education need to be put into regulated child care situations. I hadn't even thought of the fact that after maternity leave, from the time the child is one year old until it is five or six years old, families are responsible for providing for the children's expenses or for child care. It hadn't occurred to me--why is that gap there, why don't we have some investment in publicly funded child care when we have it beginning at age six? We should continue it forward, especially, I have to say, with regard to lower-income families.

That's obviously my experience, but I know I speak for many other single parents and lower-income families. I would like to be more involved with this kind of discussion, trying to make better recommendations and seeing the funding going to those places.

Á (1100)



The Chair: Dr. Tupper.



Dr. Allan Tupper: I just wanted to make one thing absolutely unambiguous, to highlight in my remarks that there is absolutely no doubt in the universities and colleges of Canada that the federal policies you refer to have been fundamentally important--I would point out, with the strong support of all parties in the House of Commons. Our gratitude is expressed again by me very strongly.

I want to clarify a couple of points relative to the question. First, one of the bodies you referred to, I think, in your question was the Canada Foundation for Innovation, which funds infrastructure for important research projects within institutions. The CFI contribution to that is 40% of the total costs. The remaining portions have to be garnered by the institutions themselves. Frequently provincial governments are involved, frequently institutions contribute themselves. Those projects have been very successful. Some of them, though, are very difficult to fund because of that structure. That's one area where the number of 40% comes in.

With regard to the question of indirect costs that I referred to in the body of my comments, this is a different program altogether. It's quite independent of the CFI. In some ways they're linked, but in a programmatic sense they're quite distinct. The number of 40% of total costs is essentially the best assessment possible of what we believe the full cost of undertaking the research without incurring a deficit would be. This is broadly comparable to that prevailing within the United States and other countries, as I mentioned. So the number 40% comes up in two different contexts, one for CFI on investments and another for indirect costs. I hope that clarifies.

But again, let there be no ambiguity about our gratitude. I would just say, in the context of Katherine's remarks with regard to early childhood education, this is one thing that will be heavily stressed in Canada in the future and, I think, one of the very best investments society could make. The benefits for the well-being of society through advanced programs of early childhood education are inestimable, really. The lack of funding for that extracts a great toll.



The Chair: Thank you very much.



Ms. Sophia Leung: Professor Young, in your third recommendation you suggest establishment of a national body to monitor. You know we have a secretary of state for women. I'm wondering if any specific national body you suggest could work with the secretary of state.



Ms. Margot Young: I don't think the system that's currently in place is adequate to do this kind of monitoring, nor do I think it is in fact doing it. I would add that in the recent review of prevention of discrimination against women, the committee specifically urged Canada to provide some national leadership and to provide some oversight or monitoring of adherence to this convention, particularly across Canada. I

think it's a concern of other convention committees as well at the UN level.

I think one of the things that are most important is that in the establishment of such a monitoring committee there be the involvement of the NGOs that are working on this issue and have the local and national expertise on it. I know there are working groups between federal and provincial governments with respect to the creation of the reports that go to the committees monitoring or reviewing periodically Canada's compliance with these international obligations.

There are a number of relevant considerations that I think are quite obvious, but the main point, I think, is that in order for Canada to take seriously and substantively these commitments it has voluntarily signed on to and in the national arena espouses quite loudly, structuring itself as a good citizen in respect of equality, women's equality in particular, it needs to put its own house in order and have a good eye for what's happening across the country, to provide some leadership and guidance to the provinces on their compliance as well. I think the involvement of the NGO groups is important. Some sort of regularized process or structure is necessary, and that it be a transparent process and open to public input is also very important as well.

   (1105)



The Chair: Thank you very much.

We will now go to Ms. Judy Wasylycia-Leis.



Ms. Judy Wasylycia-Leis: Thank you, Madam Chairperson.

I'll just jump in where Margot left off with respect to the need for a mechanism within government, with funds, a national body, and a process, for ensuring that Canada is in compliance with its own charter obligations vis-à-vis women and in compliance with international conventions.

I think you and others this morning have provided very important advice for the committee, which I hope will end up drafting a report including some of these recommendations. I just want your clarification, Margot, but I think what you're saying is that the finance committee should specify very clearly the need for an allocation of resources in the next federal budget, as well as a mechanism to ensure that the focal point is there within government to oversee and ensure Canada's compliance in terms of the equality provisions of the charter and international conventions.



Ms. Margot Young: That's exactly right.

And I should emphasize—if I haven't already—that allocation of adequate resources is really a key feature, which obviously lies very much in the bailiwick of this committee.



Ms. Judy Wasylycia-Leis: I appreciate that.

What's been really useful this morning, and I hope it will continue the rest of the day, is that there have been such a significant number of presenters representing women's concerns. I think you're helping to make visible what has been so invisible over the last number of years vis-à-vis women's equality.

My questions now have to do with the whole issue of social policy and transfer payments. I'd like to ask Lee Lakeman, who might have been here this morning when the Fraser Institute made it sound like it was a good thing that Canada got out of the whole area of social policy in the mid-1990s, when we established the CHST.... I would suggest to you that has been a disastrous development. At that point—under Paul Martin, don't forget—we lost CAP, we lost national standards in terms of social assistance, and we saw the biggest bite taken out of funding of social programs in the history of the country. Now we have to try to figure out how to correct that.

First of all, I'd like you to comment on whether or not you think it was as disastrous as I do. Second, how do we put in place a mechanism that will ensure the transfer of dollars from the federal government to the provinces for welfare or social assistance, with national standards, in the current context? The CHST has been partly dismantled with the move to the CHT, and the rest is vague and unclear. So what do we need to do in this federal budget to clarify the specific investments required and the mechanisms to ensure compliance?



Mrs. Lee Lakeman: Thank you. I completely agree with you that there is a disaster; I'm intentionally pointing to drug trafficking and prostitution as replacing welfare, health, and education as the hope of the poor. It's a pretty drastic analogy to make and I am clearly making it. It's no accident I'm here in Vancouver.

I can clearly point to the CAP funding as being instrumental, the old CAP agreement. I remember for myself starting one of the first transition houses and rape crisis centres. I had to convince my community under the CAP funding that we wanted a shelter, and then I had to convince the province, and then I had to convince the federal government. It was a lot of work but it was a good idea, and having to deal with all three levels of government was a good idea.

The problem for me is that the buck never stops now. So I am completely supporting what you are saying about the need for national standards. They have to, of course, be better than the last national standards. We have to have a level of income guaranteed to individuals within the country that is both dignified in its delivery and substantial in its amount. We never did get there. The administration of such things may be provincial, but there is essentially a role that must be played by the federal government in establishing the equality of its citizenship. That's a fundamental issue for us.

In this current budget, I think it's important that the federal government exercise the power that it has over spending to see to it that there are bottom lines that provinces meet. We cannot be setting up the poorest of the country against the largest corporations of the country.

I want to make a second point, that certainly one of the expectations the women within the anti-rape movement have is that the federal government helps to protect individual people against the international economic forces we are dealing with here. Globalization is being experienced by women on the bottom, and we are absolutely looking to the federal government to be some protection against the international trade in women that's going on, the trafficking at our door.

So I can't say that strongly enough. There are full recommendations on some of these things that women came together on in the CEDAW groupings that we put together. This morning I am mandated specifically to emphasize the right to welfare, the need to welfare. And welfare is a colloquialism in this case. We don't

mean just welfare. We do mean the bottom level of income that must be available to every person in the country. It has to include the minimum standard of pay. It has to include the old and the pensioned. It has to include all of us.

We do think that was achieved, perhaps not in law, but it was achieved in a sense. It was a common community understanding that was built up from the thirties to the end of the CAP funding. I don't believe any government has been given a mandate to either reverse that or wipe it out. People are just beginning to figure out that it's happening, and it's certainly my hope that as the community figures it out the community will rise.

   (1110)



The Chair: Yes, Professor Young.



Ms. Margot Young: I think that's a great question, and it seems to me that the larger point behind this is that the federal government have courage in acting like a national government and playing a strong role in the construction of the fabric of our shared social life together as a social union of Canada. It seems to me that we need a new legislative scheme wherein we maintain conditions around the spending of health care, because this is used extensively by middle- and upper-class Canadians--they care about it, it has some political power in our debate--but what we need to do is extend the strong role of the federal government in ensuring conditions of life for all Canadians across to those goods that are used predominantly by those most in need in our society.

I see this involving a new legislative scheme, a scheme that is clear and strong and courageous about national conditions, one that speaks strongly to what social citizenship we share as Canadians and recognizes that we are not just a loose federation of provinces, that we actually have a national community and a national government that constitutes in a principled way that community. So we need a legislative scheme with national conditions attached that extends beyond simply the provision of health care, but also gives goods to those who need them most disproportionately in our society. I think we need more money for these programs, and I think it should be a cash transfer; it shouldn't be the transfer of tax points.



Ms. Judy Wasylycia-Leis: I have two questions. How much time have I got?



The Chair: Less than three minutes for the answers and the questions.



Ms. Judy Wasylycia-Leis: I have a question on this issue of the appropriate mechanism for the transfer for all the areas we're talking about, and I'd like some further comments from Lee and perhaps Dr. Tupper on this.

It seems to me that one of the ways we could do this would be to convince the federal government to have a separate transfer, as we now have for health, for education and for social programs, each with its

own legislation as we have with the Canada Health Act, each with its own national standards and conditions attached. It would, of course, require a significantly increased transfer of cash--and I would agree with Margot that it has to be cash--which could come from the accumulated surplus. Instead of putting that against the debt and more tax cuts, this would be the time when we have to put this against social programs and start investing in the future. So I wouldn't mind a comment on that idea.

And then to Katherine Gee, thank you for raising the issue of day care. You probably know that the call for a national day care program has been around a long time. It's probably the longest running broken political promise in the history of this country. I can remember back in 1988 under Mulroney and then in 1993 and then in 1997--you name it. It's been on and on and on.

The last budget was supposed to be the answer, but it turned out to be such a pittance that it just doesn't do the job. What's it going to take to convince the federal government that we need a national day care program?

   (1115)



The Chair: Dr. Tupper. Could you make a very brief comment--30 seconds.



Dr. Allan Tupper: Very brief. The political scientist in me says this, and then in my current role I'll say a second thing.

The first thing is that there is just no doubt the entire structure of federal-provincial financial relationships needs a very serious re-examination, for many reasons that I think are increasingly clear. Equalization is upon us now, anyway; we've seen the debate. So there's a whole sphere that needs a complete review.

Secondly, I think it is entirely possible, and probably desirable, that we see a separate envelope of funding for education from the federal government, and I think we will see that in the decade.



The Chair: Does anybody wish to comment?

Yes, Ms. Lakeman.



Mrs. Lee Lakeman: In general, yes, health, social welfare, and education, but I would particularly like to make the point that my mandate this morning is to speak to the needs for social transfer to the individuals within Canada, the cash payment directly to each person who needs it; and that there is a role for the federal government to play in what that amount is and how people get it, and there's a role to play in making sure that equality is advanced, not abandoned, which is clearly what's happening now. The gap is widening, not shrinking.



The Chair: Thank you very much.

Mr. Cullen, 10 minutes.



Mr. Roy Cullen: Thank you, Madam Chair.



Ms. Judy Wasylycia-Leis: Madam Chair. Could I ask the indulgence of the committee to have Katherine answer the question on daycare if that's possible?

Do you mind, Mr. Cullen?



Mr. Roy Cullen: I'm going to be asking something about day care, so maybe she can work it into her answer to me. But first I'd like to go to Ms. Margolis.

This committee has supported the need to eliminate the capital gains tax on publicly listed securities to travel organizations. One of the arguments that comes back to you, and perhaps to us as well, is that by making this a permanent fixture, it puts the federal subsidy of this type of donation up into the--I forget the exact percentage terms--the 60% to 70%, or two-thirds, level, and it raises the question--you might have the right number; I'm not sure exactly what it is, but I do know it's high, that's for sure--is that the appropriate level of subsidy given other priorities, etc.?

Have you heard that argument before, and how you would respond to it?



Mrs. Janice Loomer Margolis: It's the whole issue around the notion of subsidy, and I think we're having Canadians directing where social dollars, their social capital, is going to be directed across the country. I don't have the exact figures. I think it's something that was asked last year and what we did do was give back the Department of Finance report that has been prepared for you all, showing what the numbers are. It is going to the same organizations that the government has said are valuable across the country. It is assisting with social service organizations. Those dollars are assisting with some of the issues that we're hearing about today. They are supporting the YWCAs of the world. They are supporting shelters and organizations across the country.

I think that in terms of it being subsidized, I wouldn't see it as that. I would see it as going to where Canadians think there is importance for enhancing the benefits in the community.

▲  (1120)



Mr. Roy Cullen: Especially when you look at the added burden and role that is on the voluntary sectors these days, given that governments are getting out of some of these service areas.

Thank you. I'd like to go now to Ms. Gee.

I want to congratulate you for the courage to come forward today and tell your story. Regrettably--and you've said this yourself--many other Canadians are in similar positions. But I have a question for you.

The Early Childhood Development Agreement, my understanding is, allows the province the flexibility to focus on day care programs, but in the federal government we're often criticized as someone in Ottawa telling the provinces how to do things. Within the Early Childhood Development Agreement, I think there's a latitude by the provinces to say, we think child nutrition programs are more important, or pre-natal programs, or breakfast programs alike, are more important than day care.

In fact, in my province of Ontario, the Ontario government has decided not to do any day care and focus on these kinds of programs and many others. I know that doesn't help you, but I think what you're suggesting is that we, the federal government, should unilaterally say that child care takes precedence over these types of programs, or at least there should be some notional allocation for day care or child care, irrespective of how the province might view this.

I wonder if you could answer that, and maybe work in Ms. Wasylycia-Leis' comment as well.



Ms. Katherine Gee: Thank you.

Again, because I've just thrown myself into all of this, since I've just been back in the workforce for the last six months, I don't have a lot to speak to with regard to exact facts and figures, and policy and so forth. But what seems right to me is that if we have invested federally with the notion of a publicly funded education system from the time a child is six years old and onward, why are we not doing it from the time a parent, or parents, are no longer able to stay at home and must return to the workforce, which leaves a five-year gap?

For me, obviously, this is extremely important, because I'm a single parent and I'm not receiving any assistance whatsoever from my daughter's father. It leaves me in a very vulnerable position, obviously, as it does many other lower-income families. Certainly it doesn't take precedence over the idea of nutrition. I'm a firm believer in, for example, healthy eating and, to go further, organic food, but I think this should be like health care and education; I think it should be an integral, funded part of our society.

I think that with the recent provincial child care subsidy cuts, families have had to make choices that involve asking neighbours and friends, people who are either not qualified or will not be regulated or monitored in terms of child care, for help, or worse yet, children are being left at home, depending on circumstances.

The bottom line is that people need to make money. I have no intention or desire to go on social assistance. I have a university degree and I'm planning my life, but these are my circumstances. My question again comes back to this: why do I need to struggle until such time as my daughter is six years old, when I can finally give a sigh of relief and say, thankfully, I don't have to pay any more? It doesn't make sense to me.

There's one other point I was thinking about. The other confusion for me is that it seems that child care has been shuffled around to many different ministries. It's under the Ministry of Children and Family Development, it's under many different ministries that have been reformulated, and I think that--again, going back to legislation--if we could legislate and coordinate a ministry that would be responsible for this particular area, it would be very helpful.



Mr. Roy Cullen: Good, thank you. Keep up the good fight. It's good to hear you come forward and

express what you did.

I wanted to go to Dr. Tupper. The federal government, in the last budget, committed to the indirect overheads--it was a one-time initiative--and then I think there was some indication that this would be extended. Maybe you could just refresh my memory on that.

Second, if we moved, as a federal government, to 40% of federally conducted research in universities, how much are we talking about, and what kind of bump then would be needed to the indirect cost of research?

Á (1125)



Dr. Allan Tupper: You're absolutely right. In 2002 there was a one-time program put in place. Budget 2003 put a three-year program with \$225 million per annum with a mandatory review at the end of the third year, which we look forward to and are already working on.

I can't quote you a magic number, because of course through the good works and generousities of governments we anticipate that the overall envelope for research funding will continuously increase. That I think is the point of linking it to a percentage basis. I don't have the number at my fingertips, but you could simply take the aggregate budgets of the research granting councils now and take 40% to get your number. Since they're forever in motion, you'd be moving toward it and, in that way, get the proper and full funding in place.

This is of course our ideal state. There's no ambiguity about that. Again I think, as all the institutions have said, the indirect cost issue has been the most long-standing desire of Canadian universities. Ever since we began to organize politically, this point has been made—for 40 years, really. Our generosity is much deeper than our immediate desire for gain. Again, that is the ideal state.



Mr. Roy Cullen: I guess one could take 40% of what the current budgets are—I imagine the researchers can dig that out—and then propel it forward. It's always nice to know what the ideal state is. Then try to deal with it more pragmatically, given what the resources are.



Dr. Allan Tupper: There have been various proposals of incremental moves toward that total. It's a variation on the theme.



Mr. Roy Cullen: Good. Thank you very much.

That's all I have.



The Chair: On behalf of all the members who are present and our colleagues who are working in the House right now, we want to thank you for giving us your presentations, for attending, and for answering

our questions.

We'll suspend for a couple of minutes so we can change to our next panel. Colleagues, take a couple of minutes, up to five minutes, to stretch your legs and we'll be right back at work.

  (1128)

  (1132)



The Chair: We will continue with our pre-budget consultations, pursuant to Standing Order 83(1).

On our third panel of the morning, from the Tenants Rights Action Coalition, we have Tom Durning, community legal worker, together with Linda Mix, who is the coordinator. Welcome to both of you.

From the Business Council of British Columbia, Jerry Lambert, president and chief executive officer, and Mr. Jock Finlayson, the executive vice-president. Are you alone, then, today? Thank you and welcome to you.

From the British Columbia Real Estate Association, David Herman, president, and Steve Olmstead, manager of government relations. Welcome to you, sirs.

From the British Columbia Health Coalition, we have Terrie Hendrickson, who is the coordinator, and Caryn Duncan, who is on the steering committee.

We have a change, colleagues, from the Indian Taxation Advisory Board. Mr. Paul is still on a plane trying to get here. I'm sure he'll be here by our question period. So David Paul will be joining us as a board member, and Ken Scopick, who is the director of operations, will be testifying for us.

So with that, welcome to all of you. If you have briefs already submitted, they've been circulated. If you have not given us a brief and would like to give us your speaking notes after you've spoken, we will ensure that they get copied and circulated for you.

With that, we'll go in the order of the agenda. Try to stay to your seven minutes, just because we have many witnesses and we want to give everybody a fair shot at getting on the record.

So the Tenant Rights Action Coalition, we'll start with you. Who would like to go first?



Ms. Linda Mix (Coordinator, Tenants Rights Action Coalition): First I'd like to welcome the committee to Vancouver. I'm sure that if you've been to the city over the last number of years, upon coming to Vancouver today you have probably seen a visible number of homeless living on our streets who weren't here a few years ago.

The Tenants Rights Action Coalition is a provincial non-profit advocacy group based in Vancouver. We work to protect and advance the interests of people who rent their homes and promote the development of affordable housing. TRAC is also a member of the National Housing and Homelessness Network. That's a coalition of groups from coast to coast that promotes an end to homelessness through the reinstatement of a

national housing program.

We operate a tenant information hotline and provide legal information to over 10,000 callers a year. Calls to our hotline indicate that, now more than ever, it's more difficult to be a renter in British Columbia. High rents are coupled with limited decent rental units, and much of the rental stock is deteriorating through landlord disinvestment. Any new rental stock that is being built is high-end and out of reach to most moderate and low-income earners.

Tenants with low incomes have few housing options, living in substandard housing, and find it difficult to contribute to Canadian society, let alone keep a roof over their heads. Finding and keeping affordable housing is a challenge for thousands.

In the Vancouver CMA the median income is \$21,897, meaning 390,000 households can only afford \$547 or less on rent. Canada Mortgage and Housing cites the average rent for a two-bedroom apartment in Vancouver at \$919 a month. British Columbia employment assistance program, otherwise known as welfare, allows a family of four \$590 a month for rent.

With new welfare laws that are coming into effect in April, we'll see thousands of people being kicked off welfare and many more thousands of families with children over three years old who'll see their income assistance payments reduced by \$100 a month. It's going to be more difficult to pay rent in British Columbia.

Lack of housing supply, lack of income, and lack of employment all go hand in hand around the affordable housing crisis in Canada. Key to obtaining housing for all Canadians is access to employment that pays living wages.

As the income gap between rich and poor increases, we're seeing a sharp decline in the numbers of skilled labour and tradespeople. The Vancouver 2010 Bid Corporation, in preparing for their successful bid for the 2010 Olympics, undertook a skills gap analysis of tradespeople who'd be prepared to build the many venues and infrastructure associated with the games. The Bid Corporation found a serious shortage in the local labour pool. Major investment in training must be undertaken in the region if the venues and other major projects will be ready for 2010.

Recently the Toronto-Dominion Bank released a paper with recommendations that assert that--and I'm quoting here--"maintaining a strong and stable economic environment, combined with measures to knock down barriers for low-income households to improve their economic prospects, should be a top government priority". We couldn't agree more.

Government investment in meaningful skills development is required in order to assist low-income Canadians to participate in the economy and obtain adequate housing. In addition, investing in the creation of new affordable housing is key to ensuring that low-income families, singles, seniors, and people with disabilities are not relegated to life on the streets. Once housed, Canadians can pursue further education and employment in order to become a player in our economy.

The opportunity to succeed in Canada lies directly with access to affordable housing. The TD Bank also asserts that recommendations previously put forward by developers to stimulate private rental investment has not been effective in increasing the amount of affordable housing. It is more economical to target public resources in preserving and rehabilitating existing rental stock rather than investing in new housing.

The Tenants Rights Action Coalition, the Federation of Canadian Municipalities, and the National Housing and Homelessness Network have repeatedly come before this committee and have taken every

other opportunity to assert the same recommendations. The federal government has taken some steps based on our past recommendations and has invested some new money in the Affordable Housing Framework Agreement, CMHC's extended RRAP program, and the supporting communities partnership initiative. These programs have made some homeless and those at risk a bit more comfortable. There is still a long way to go, and a significant investment in affordable housing and supports is required to alleviate homelessness in this country.

  (1135)

Based on the themes set out by the standing committee, we make the following recommendations.

Despite the recent initiatives of SCPI, RRAP, and the Affordable Housing Framework Agreement, the level of homelessness has not abated. Once again, along with community groups from coast to coast, we implore the federal government to commit at least 1% of the federal budget to new affordable housing and programs for low-income Canadians and establish a mechanism under the Canada infrastructure works program for municipalities to provide affordable housing. We view this as recognition that affordable housing is an investment in Canada's social infrastructure.

We also recommend you create an economic and social environment where Canadians can enjoy the best quality of life and standard of living from investment in training and skills development.

In terms of housing, we recommend that through Canada Mortgage and Housing you commit \$1.4 billion in each of the next four years to build 20,000 new units of social housing; through the RRAP program, commit \$200 million each year of the next four years to repairs and renovations to existing purpose-built rental housing and rooming houses; and through the SCPI program under the national homelessness initiative, commit \$150 million to shelters and transitional houses across Canada to lessen the immediate pressure on those who are absolutely homeless.

At the bare minimum, commit at least 1% of the budget to these initiatives in order to end homelessness in Canada, and through the Affordable Housing Framework Agreement, require the provinces to do the same.

We must look at investment in affordable housing as good public policy with a multitude of benefits for all Canadians and the economy.

Thank you.

  (1140)



The Chair: Thank you very much.

Now we will hear from the Business Council of British Columbia.

Mr. Finlayson.



Mr. Jock Finlayson (Executive Vice-President, Business Council of British Columbia): Thank you very much, Madam Chair. I just want to begin by apologizing for not having our brief done in time to have

it translated. Unfortunately, our board approved it only last week, so there wasn't time to ship it to Ottawa.

The Business Council is pleased to meet again with the committee on your trip this year through Vancouver. Just by way of background, our organization represents large and medium-sized businesses with a presence in the province. Our companies are drawn from about a dozen of the major sectors that make up the B.C. economy and together account for about one-quarter of all jobs in the province.

Canada's economic fortunes shifted significantly over the past year after a number of years of strong growth. A battery of shocks basically brought our economy to a halt in the second quarter and appear to have seriously damaged economic activity in the third quarter. We believe that as the effects of the Iraq War, SARS, mad cow disease, forest fires, electricity blackouts, and various other adverse developments gradually fade, we will see the economy pick up and enjoy a modest resurgence over the final months of 2003, going into a stronger year, hopefully, in 2004.

Contributing to the softer growth outlook--and no doubt you've heard about it from other interveners--is the extraordinary 20% appreciation of the Canadian dollar since the end of 2002. There's nothing wrong with the stronger Canadian dollar in the long term; it means our buying power in world markets is actually improving. The problem is the remarkably rapid pace at which the dollar has strengthened and the fact that a year ago, when business plans were being developed in many corporations, no one was anticipating anything remotely like what we've seen. With exports of goods and services to the U.S. accounting for about one-third of the nation's GDP, the much stronger dollar will in fact slow output and employment growth in the coming year, as noted by the Minister of Finance in comments he made last week. Certainly the stronger dollar has pummeled profit margins in a number of the export-oriented industries here in B.C., including forestry, pulp and paper, metal mining, tourism, and many segments of manufacturing.

There's not a whole lot we can do about it from a policy point of view, but we would urge that the Bank of Canada, in formulating monetary policy, give proper weight to the fact that the much stronger Canadian dollar will act as a substantial drag on the economy going forward. In our view, the Bank of Canada so far has underestimated the impact of the appreciating Canadian dollar, and we see little justification for the current 175 basis point spread in short-term interest rates between Canada and the United States in light of the current economic conditions and near-term prospects in the two countries.

Turning briefly to the B.C. economy, we in this province continue to struggle with a number of structural issues that are affecting some of our key resource industries and have weighed down growth in the province for several years.

Since the beginning of 2001, the structural problems in the forest industry--which remains B.C.'s biggest industry--have been compounded by the stiff American tariffs on softwood lumber shipment south of the border.

Like the rest of the country, B.C. has also been battered by several of the shocks that have hit Canada in 2003, including SARS--although we didn't have very many cases of SARS in B.C., it had a very severe impact on tourism in 2003--the rising Canadian dollar, and the worst forest fire season in history over this past summer. As a result of these developments, B.C. is likely to come in near the bottom of the pack among the provinces in economic growth this year.

At the forefront of our economic challenges in this province are the crisis in the coastal forest industry, which you may have heard about, and the U.S.-Canada softwood lumber dispute. Both of these continue to exert a negative effect on provincial exports, business investment, employment, and overall growth.

It's important for the committee to realize that forestry and the related downstream manufacturing that

flows from the forest sector account for about half of B.C.'s international exports--lumber alone representing almost a quarter--and forestry also delivers about half our manufacturing output. So it has a very wide effect on the performance of the overall economy. And if you have occasion to leave Vancouver, you will see it much more acutely than you do here in the city. The U.S. tariffs have resulted in many mill closures and the loss of thousands of jobs in the north, the interior, and coastal British Columbia. Some form of settlement to this long-running lumber trade dispute, which is benefiting only lawyers on both sides of the border at the moment, is imperative if B.C. is going to achieve its economic potential.

  (1145)

The SARS outbreak, which hit Toronto much harder than any other part of the country, did have a very severe effect on tourism in British Columbia over the summer months. Tourism employs 115,000 people in B.C. and generates about 4% of all economic activity in the province. The recent downturn in tourist activity has, therefore, slowed job creation and detracted from overall growth in the province. The good news is that we expect some improvement, and there are early signs of that as we move into 2004.

There are some bright spots in the B.C. economy. Stats Canada's revised investment intention survey, done a few months ago, indicates that B.C. should rank in the top three provinces in the growth of capital spending in 2003. We have managed to post reasonably decent job creation numbers since the end of 2002, with total employment up by about 25,000 since last December.

Although our non-energy exports have been languishing, to some extent this has been offset by higher prices and rapidly growing production from the upstream oil and gas industry, which in fact has emerged as the strongest growth leader in British Columbia.

Finally, as in Canada, the low interest rate environment that we're in has been instrumental in keeping the housing market robust. Strong sales activity and low supply conditions have paved the way for solid gains in residential construction spending, which are expected to continue into 2004. However, as the previous speaker has mentioned, the flip side of a hot housing market is a very difficult environment for low-income renters.

This year B.C. will lag behind most of Canada in growth, with perhaps a 1.5% real GDP increase. Next year we expect to get a lift from improved export markets, higher commodity prices, and some revival in tourism, which should pave the way for about a 3% growth rate.

Let me turn briefly to federal fiscal management. The federal government has made important strides in addressing the serious fiscal challenges inherited in 1993. Of greatest significance has been the sharp drop in the level of federal debt to GDP, which is far more important in the long run than the annual deficit.

The debt-to-GDP ratio, which was almost 69% in 1995, currently stands at 44%. As long as the budget is kept balanced or even close to balanced, the debt-to-GDP ratio will remain on a downward track as nominal GDP in Canada grows. The February budget predicted the debt-to-GDP ratio would drop to 40% by 2004-05.

The Business Council supports the position recently enunciated by the former Minister of Finance, the Honourable Paul Martin, who stated that the federal government should seek to lower the debt-to-GDP ratio to 25% in anticipation of the fiscal pressures that will result from the coming wave of retirements among the baby boom generation.

Although Canada has made progress in putting its fiscal house in order, we are concerned about the rapid run-up in federal spending in the past few years. According to the February budget, total federal program

outlays will rise by 31% in the four-year period of 1999-2000 to 2003-04, and spending will be up by 37% in the five years ending March 2005.

In our view, spending increases on this scale are neither prudent nor sustainable going forward. We, therefore, endorse the position taken by a number of other business organizations that have called for the adoption of some form of overall federal spending cap. A variety of different recommendations have been made to implement that.

We also support a policy of ongoing expenditure management review, building on the modest initiative taken in the February budget to reallocate \$1 billion of spending in the current fiscal year.

We believe there are a number of areas of federal government expenditure where dollars can be removed and redirected to fields where there is a greater need, or where more benefits can be delivered to Canadian taxpayers. We have a few suggestions in our brief on what those might be.

We have three additional recommendations on fiscal policy for the coming budget.

First, continue to plan for a balanced budget or better in 2004-05 and beyond.

Second, continue to use relatively cautious economic assumptions in preparing the budget. Many have criticized the Department of Finance for being too cautious, but this year we've seen very clearly that the caution has paid off and paid off significantly. I think that really is a message that the critics should digest, and the federal Department of Finance would be well advised to continue with that policy. We do live in an uncertain world.

Finally, in the same vein, continue to incorporate contingency and prudence allowances into the budget and use these funds to pay down debt if they're not needed to offset weaker than expected revenues.

   (1150)

On taxation, there has been progress in building a more competitive tax system in Canada, but it's worth noting that the tax gap, at an aggregate level, with the United States does remain near a near-record high. Although it is neither desirable nor necessary for Canada to adopt American tax policies across the board, our tax system does need to be reasonably competitive with what exists in the United States, given the large and ever-growing flow of goods, services, and capital between the two countries, and the tendency of many large businesses to treat North America as a single economic space when making their investment decisions.

Canada's tax burden will remain higher than that of the United States because we have chosen to deliver more services through the public sector, but we do need to look for areas where we can create some form of competitive advantage on a north-south basis. In our submission, we talk about a few ideas that can be used for that purpose.

Thank you for your attention.



The Chair: Thank you very much.

Now we will move to the British Columbia Real Estate Association.

Mr. Herman, go ahead, please.



Mr. David Herman (President, British Columbia Real Estate Association): Thank you, Madam Chair, for the opportunity to present the pre-budget recommendations of the British Columbia Real Estate Association.

The British Columbia Real Estate Association represents 12 real estate boards and more than 12,000 realtors across British Columbia. While our primary government relations focus is the provincial government, we support the endeavours of our member boards and the Canadian Real Estate Association in their approach to other orders of government.

For your perusal, we have submitted copies of the Canadian Real Estate Association's submission in both English and French.

The real estate sector is one of the key drivers of both our provincial and federal economies. Last year in British Columbia, over 80,000 homes were sold in this province through the multiple listing service. The dollar volume of these sales skyrocketed to over \$19 billion, a new record, and it looks like we will surpass that record this year. In addition, research tells us that the average housing transaction in Canada generates an estimated \$19,800 of spending for general household purposes, such as furniture, renovations, and financial services. In B.C., this spinoff generated nearly \$1.6 billion last year alone.

These highlights demonstrate that real estate continues to be the bright light in our provincial economy, and a significant economic driver nationally. Current market conditions are expected to continue indefinitely, and demand for all types of housing shows no signs of slowing.

Real estate is a good investment, and considering the economic benefits to our economies, we recommend the federal government take steps to encourage further investments.

B.C. realtors are concerned with a range of affordable housing issues, including homelessness, the dwindling stock of available rental housing, financing for first-time buyers, and affordability for everyone.

In British Columbia, progress is slowly being made on housing for homeless people, thanks in part to Canada Mortgage and Housing Corporation's affordable housing through partnerships program. BCREA supports this program, but believes that incentives for private industry will complement federal and provincial efforts, leading to a more sustainable solution.

To help stimulate private sector investment in rental housing, BCREA supports the Canadian Real Estate Association's key recommendations that rental investors should be allowed to qualify for the small business deduction for income tax purposes.

The Income Tax Act should be amended to enable tax deferral on capital gains and the recapture of accumulated capital cost allowance for self-managed rental property investments when a rental property is sold and the proceeds reinvested in another rental property within a fixed timeframe. The federal government should amend sections 18 and 20 of the Income Tax Act to allow remediation expenses for the redevelopment of brownfield sites to be treated as deductible expenses in computing income.

On the topic of financing for first-time buyers and affordability for everyone, BCREA supports CREA's recommendations. We further recommend that the federal and provincial governments reduce the burden of government-imposed costs on new housing. Specifically, the federal government should review how accessible the GST rebate is to purchasers of a home that is newly constructed or substantially renovated, and evaluate how accessibility can be improved.

The federal government should also encourage provincial and municipal governments to reduce and standardize financial impediments, such as development cost charges and property transfer taxes. The federal government should increase annual RRSP contribution limits immediately to \$19,000, and by \$2,000 each year thereafter until reaching \$27,000. Upon reaching the \$27,000 limit, the contribution ceiling should be adjusted annually for inflation.

In conclusion, Madam Chair, by acting on these recommendations, the federal government will provide important rallying points for economic optimism in B.C. and throughout the rest of Canada.

BCREA and the Canadian Real Estate Association would be pleased to further consult with the government on these recommendations.

I would like to thank you for the opportunity to present these.

   (1155)



The Chair: Thank you very much.

We now have the British Columbia Health Coalition. Go ahead, the floor is yours.



Ms. Caryn Duncan (Steering Committee Member, Administrator of the Vancouver Women's Health Collective, British Columbia Health Coalition): Thank you very much, and thanks for the opportunity to speak with you today about health care.

The B.C. Health Coalition is a network of 30 organizations, including seniors, women, anti-poverty activists, people who are HIV-positive or living with AIDS, workers at community centres, nurses, concerned citizens, and health care workers. The B.C. Health Coalition believes that everyone has the right to high-quality, responsive, appropriate health care that is publicly funded, publicly accountable, and publicly controlled.

I hope you've all had an opportunity to have a look at our brief. We do make six very specific recommendations about transfer payments from the federal government to the provinces. Interestingly enough, some of the conversation in the previous panel touched on some of the issues I'd like to talk about at this opportunity.

With deficit financing under control, the debt under control, and as one of the previous speakers said, the debt-to-GDP ratio diminishing, we are looking to the federal government to reinvest in social programs. I remember Prime Minister Chrétien saying a number of years back that once the economy was under control and the debt and deficit financing were under control, we would look to reinvesting in social programs. That's what we're here today to tell you British Columbians and the citizens of this province who are involved in our coalition are looking for.

With regard to the six recommendations, I'll just touch on all six, and you can feel free to ask any questions later on.

First, we'd like to see the federal government return to a fifty-fifty cost sharing arrangement with the provinces for health, post-secondary education, and social assistance.

Second, we'd like the federal government to restore funding for those three envelopes to pre-1995 levels.

Third, we would like to see the federal government place conditions on transfers of funds to the provincial governments for those three areas--health, post-secondary, and social assistance--thereby making the provinces accountable for the expenditure of funds earmarked for those three envelopes.

Fourth, we'd like to see the federal government ensure that national standards of a sufficient level are re-established for health and social assistance and introduced for post-secondary education. This will ensure the universality of these programs and access to similar programs by all Canadians across the country.

Fifth, we believe the federal government should expand conditional transfer payments to include the establishment and funding of a national pharmacare program.

Sixth, the federal government should extend the criteria of the Canada Health Act to include home care and support cost-shared at fifty-fifty between the provinces and the federal government, as Allan Rock proposed in 2000.

I'd like to speak about what we see as made-in-B.C. problems. We see these problems arising because the federal government is not taking a leadership role. There have been a number of developments in the last couple of years that we find very troublesome, specifically under the envelope of social assistance. As you've probably already heard this morning, the provincial government is setting a two-year maximum for British Columbians to receive social assistance over a five-year period. We have grave concerns about how that is going to affect British Columbians.

Of course, we believe in the determinants of health and so believe that adequate housing and adequate social assistance for all British Columbians--Canadians in fact--are an important factor in Canadians being healthy people, in British Columbians being healthy people. We have grave concerns about that two-year limit.

We also have concerns about the two-year independence requirement whereby, if you're 19 years or older, you have to have lived independently of your family for two years before you're eligible. We are concerned about how that is going to affect young women in particular. I work for a women's centre, and there is some concern that it may force young girls into survival sex, into the prostitution trade, because they won't be able to access social assistance if they can't prove they've been independent for two years.

These problems have arisen because of the abolition of the CAP.

⚠️ (1200)

We have seen developments in terms of post-secondary education in this province--skyrocketing tuition fees, debt burden--and we have concerns about those. We need some standards in this country to govern the funding of education so we don't see those debt loads and barriers to accessing post-secondary education.

The last envelope, the health care envelope, is obviously the area we want to emphasize. There are a number of things happening in this province that are very troublesome in terms of health care.

As you probably know, British Columbia and Alberta are the only two provinces in the country that levy a premium against their residents for accessing health care. This is, as we see it, a big problem, particularly given that premium was increased by 50% last year. In order for an individual British Columbian to access health care in this province, you have to pay \$54 a month. That's over \$600 a year just to access health care. We see that as a detriment to quality health care and as a contravention of the Canada Health Act.

We also have concerns about the construction of a hospital, a P3 hospital, in Abbotsford. We have grave concerns about the Vancouver Coastal Health Authority contracting out surgeries that were previously performed at the Richmond Hospital and the roster of surgeries that are being off-loaded onto private clinics for profit.

We have concerns about the numbers of seniors who are being moved out of residential care facilities into assisted-living units, because along with off-loading into assisted living is the concern that seniors are now being expected to pick up much of the cost of their medical devices and drugs, which were previously covered under a residential care facility. Most residents of residential care facilities are women, and they're poor or of modest incomes.

We have concerns about home care and support in this province and the extreme cutbacks and availability of home care and support now to seniors. Again, the vast majority of seniors who rely on home care and support are senior women, and it is becoming increasingly difficult for them to access those services.

Overall, we have a number of concerns about the British Columbia government and the actions it's taken in the last couple of years. We're looking to the federal government to act on the six recommendations that we have made in order to hold the provincial government accountable for their actions and the decisions they're making around financing health care, social assistance, and post-secondary education in this province. We believe there need to be standards. We need the Canada Health Act enforced. We need standards governing social assistance and post-secondary education to ensure that all Canadians have equal access to the same sorts of social programs from coast to coast. We're looking to the federal government to act on those issues and for you to send a strong message to Prime Minister Chrétien and to Paul Martin that this is what the B.C. Health Coalition is expecting of its federal government.

Thank you very much.



The Chair: Thank you very much.

I'm glad to see Mr. David Paul could join us. We'll hear from the Indian Taxation Advisory Board.

Mr. Paul, go ahead.



Chief David Paul (Board Member, Indian Taxation Advisory Board): Thank you very much.

I'd like to thank you for allowing us the opportunity to speak to you.

The Indian Taxation Advisory Board was formed in 1988 as a means of implementing Bill C-115, which provided first nation governments with the authority to real property tax interests on their land.

The Indian Taxation Advisory Board was created to provide an institutional backstop to this regime. We provide institutional support with training and development of model bylaws, dispute resolution, and a regulatory framework to ensure fairness. We also work to raise awareness of the benefits of taxation and to help those first nations develop the revenue potential of their tax base.

This is the fifth time that the Indian Taxation Advisory Board has presented pre-budget submissions. Five

years ago we appeared before you and outlined our plans to transform what is known as ITAB into the First Nations Tax Commission, FNTC, which would be supported by other fiscal institutions. You supported us and we proceeded with Bill C-19, and we thank you for that.

There are some striking similarities between the situation of first nations today in respect to our economies and that of the world right after World War II. In the post-war years, most of the economic institutions that have guided our development were created. They were all created by relatively small groups of countries that realized they had reached a stage where they needed a coordinated framework to really be able to move ahead. Today, we must all be grateful for their vision. They overcame controversy and moved ahead, and over time, virtually every other country in the world saw the benefits and chose to participate.

Let me cite a few examples, one being the European Union, which was created in 1951 with only six members and a mandate limited to coal and steel. Even this was controversial in its day. From the beginning, the modern EU has emerged, a true federation with 15 countries, 12 of which participate in a full monetary union.

The OECD was created in 1960 with 20 member countries. Today, it has a relationship with over 70 countries, all of which are seeking to live up to its stringent conditions.

The GAAT was formed in the late 1940s with only 23 countries, dedicated to liberalizing trade in goods. Today, there are 146 members, with 30 observers, virtually the entire world, and the mandate has been greatly expanded.

The World Bank was created with 28 members in 1945. Today, various institutions that collectively comprise the World Bank have between 130 and 180 members each.

Our board, the Indian Taxation Advisory Board, works with over 100 first nations that are ready to move ahead and create the institutional framework that all first nations will one day benefit from. Our board represents the interests of these first nations, 100 tax administrators, and we want to lead first nations forward.

When first nations first acquired property tax authority about 15 years ago, many observers felt that, at most, one or two dozen first nations would be able to take advantage of this. We started small and with small expectations, but we greatly exceeded those expectations, and because we engaged first nations people right in their communities, it allowed us to prosper.

Property tax gave many first nations the first real opportunity to shift from a dependency mindset and has provided them with a real stake in the success of the economy beyond the reserve.

The success of our first nations with tax authorities is creating changes in the first nations country. People are noticing success. Young people are more interested in business. First nation administrators want to develop their own sources of revenue. We need help to overcome start-up difficulties, and I would like to provide an overview of the requirements for this.

We want to be able to expand the Indian Taxation Advisory Board and create new institutions to remove impediments to our further development. Right now, we are limited in the following ways:

One is that there are limitations on our ability to use property tax revenues to finance infrastructure improvements. We need Bill C-19 passed in order to overcome these limitations. It is difficult to use infrastructure funding from other sources in combination with property tax. We need a dedicated first nation infrastructure program to address this.

Ⓐ (1205)

First nations want to explore other opportunities to work collectively in pursuit of service efficiencies and investment opportunities. We need your support for an organization of first nations economic cooperation and partnerships in order to pursue this.

First nations want to share information about best practices, provide other governments and investors with a forum to approach us, and develop codes of conduct in investment facilitation procedures. Again, we need your support for an organization for economic cooperation and partnerships in order to make this happen.

A first nation infrastructure program would greatly accelerate our overall development. We have been successful with property tax but still face impediments in developing infrastructure.

The most evident impediments include some first nations not being able to overcome financial thresholds needed for initial infrastructure projects to go ahead. These initial infrastructure improvements are often what is necessary to meet the requirements of business investment and really get the ball moving in that direction.

Many first nations lack the property tax revenues to build infrastructure on the scale or scope necessary to take full advantage of their opportunities. All first nations report considerable difficulties in combining funding from different sources. All first nations report considerable difficulties in creating deals with the private sector to improve the provision of infrastructure.

What we are proposing is that the federal government dedicate funding to the first nation infrastructure program to address the problems as identified.

The objectives are to provide funding to assist first nations in meeting project financing thresholds, to support infrastructure on the scale necessary to engage in region-wide services agreements, and to promote the conclusion of private-public partnership agreements. Investments in infrastructure on first nation lands offer the highest rates of social return of any public investment.

There have been many criticisms of the Infrastructure Canada Program. Critics argue that the moneys have subsidized projects that would have been made in any case. They argue that some of the moneys have skewed investment funds away from higher-valued uses and thus produced no net benefit to Canada. The program being advocated would address both of those criticisms.

Investments in first nations that work with the Indian Taxation Advisory Board would support investment into sites of high potential with underutilized resources. They would provide work opportunities on first nation lands where economic potential is mostly unrealized. They would create administrative capacity and business connections for communities that have long lacked these. The private investment they induce would create positive examples for an entire generation of first nation youth. The funding would be entirely incremental and would not simply replace funding that would have occurred in any event. The Indian Taxation Advisory Board calculates the borrowing capacity of first nations as part of its operation. It can only use this knowledge to ensure that funds requested are only for the amount that the project cost exceeds this borrowing capacity.

The Indian Taxation Advisory Board is intimately aware of the administrative capacity and economic potential of its member first nations. It is uniquely positioned to understand what infrastructure is needed to take advantage of this potential. All of this knowledge would be used to ensure funds are allocated on the basis of the highest expected rates of return. The Indian Taxation Advisory Board also works to ensure that

the members spend funds only as directed.

We support the development of a first nations organization for economic cooperation and partnership. We need funding prioritized to support the development of the organization. With an interest in economic development, this organization would aim to enhance the investment climates of all member first nations by developing codes of conduct for members and providing marketing on behalf of its members, making centralized services and expertise available to all members, and offering network opportunities with other first nations, businesses, and governments.

I would like to thank you for your time and patience.

   (1210)



The Chair: Thank you for giving us these presentations.

Now we'd like to take at least the next half hour for questions, and I'll allow everybody present, who wishes, up to seven minutes.

Go ahead, Mr. Solberg.



Mr. Monte Solberg: Thank you, Madam Chair, and thank you to our presenters. There are lots of interesting things we could go into, but I want to start with Ms. Duncan.

Ms. Duncan, you have been pretty sharply critical of the British Columbia government for some of the things they have done and you have suggested that the federal government should step in to provide more funding in certain areas. But a couple of things occur to me.

First of all, the provincial government a couple of years ago received a very large mandate to go ahead and to do a lot of the things you are talking about. They ran on a platform of balancing the budget and reducing taxes and things like that, which would make necessary some pretty deep cuts in certain areas. So in one sense they do seem to have a mandate to do some of these things.

Second, the federal government reduced spending fairly dramatically—and you touched on that—when it came to the health and social transfer. They did so at one point because they felt they needed to balance the budget.

Both governments justify doing this by saying that if we balance the budget we can start to lower taxes, increase revenues overall, and eventually produce more wealth and more revenue to use for social programs. What is wrong with that argument?

   (1215)



Ms. Caryn Duncan: To address the first issue, I think British Columbians were tired of the NDP, and in part the mandate of the B.C. Liberal Party was a result of that. That doesn't necessarily equate to British Columbians giving the B.C. Liberals a mandate to slash and burn our social programs. I don't think the

Liberals were upfront about their intentions, and that's why there's been such an outcry over the last couple of years.

There is real concern, particularly related to health care, around what's happening in this province. I think a lot of British Columbians are very alarmed about what's happening in this province. I think people are becoming increasingly alarmed about the changes to social assistance, and we're seeing some momentum on that front.

So I don't believe the B.C. government has a mandate to do much of what they've been doing in those two portfolios. I don't think they were upfront with British Columbians. I think British Columbians were tired of their government and, as is often the case in Canada, they elected a new regime, from which there have been many surprises.

With respect to the second question, can you just again...?



Mr. Monte Solberg: The second part of the question had to do with what in a way is coming to pass. The federal government initially cut expenditures for social transfers to the provinces pretty dramatically as part of their overall efforts to reduce expenditure and balance the budget. Now we are on the positive side of the equation, and money is starting to come back in. I guess I used it as an argument for what the provincial government is doing here. Now they are able to increase social transfers again, because we are running at surplus and could be in a position where transfers for social programs are sustainable. I would ask you to respond to that argument.



Ms. Caryn Duncan: Am I supposed to be pleased that the government cut millions and billions of dollars out of transfer payments to the provinces, because now they can reinvest? Our social programs have been damaged. They are being further damaged in this province, and I think there is much evidence of that. I would like to see the federal government reinvest in social programs as they promised us they would do.

Now that we have our deficit financing under control, it's time to start reinvesting. It's time for both the provincial and federal governments to reinvest.



Mr. Monte Solberg: I'm sorry time is so short. I'd like to get into this more.

Ms. Mix, I'm wondering if you've ever talked to Mr. Herman about some of these issues you've raised. In particular, I'd be interested in whether you would comment on some of the things he has talked about as ways to increase the stock social housing—getting rid of capital gains on apartments and that sort of thing. Have you had any kind of relationship with him?



Ms. Linda Mix: We've not met, but I think we should go for coffee at a future time and sit down and have a chat.

Some hon. members: Oh, oh!



Ms. Linda Mix: Thanks for facilitating that.

I suppose we probably come from two different areas with regards to taxation for rental housing. There were programs brought in in the 1970s--the MURBs and all of those other things--that created some rental stock, but as the stock got older, and with the existing program, they were converted; they were taken out of the rental stock.

I know there are many landlord associations that talk about different tax credits that could be available to build rental housing. We just don't see the evidence that the private sector is going to do much to help create affordable housing for low-income Canadians. What is being built now is at the higher end; moderate and low-income earners can't get into that market.

So yes, we should talk more, and there's more research that needs to be done, but I don't think tax credits are going to build affordable housing.



Mr. Monte Solberg: Mr. Herman, do you have a comment to make?



Mr. David Herman: Yes, I definitely think that affordability is an issue in the Greater Vancouver area and some parts of the island.

But we would like to see the private sector more involved, and I think the amendment for the deferral of capital gains would help. As an example, let's say there is a commercial property at the corner of Robson and Denman Streets right in the heart of Vancouver, which is one of the most expensive pieces of property in the city. But it's been a parking lot for years and years; the family doesn't dispose of that property because of the cost of doing so, or the taxes. If they were able to dispose of that property for rental property, or for whatever use you would have, then they could also purchase within a limited timeframe by using that tax deferral.

So I think a lot of investors in the market would look at various other ways of upgrading the density or upgrading the ability to sell that property for a better use than what might currently be done today. So we'd like to see more private investing in that end of things.

⚠️ (1220)



Mr. Monte Solberg: I have one quick question, Mr. Finlayson.

I would think the spike in the dollar would obviously have a big impact on forestry, but the Bank of Canada is saying there is also a big increase in demand in the U.S. Will the spike in the dollar cause a lot of layoffs in the forestry sector in B.C., or will that be taken up mostly by increased demand in the U.S.?



Mr. Jock Finlayson: Well, I hope the second scenario is the correct one. A rise in the dollar will reallocate economic activity or resources away from export-oriented industries, particularly those like forestry that don't have a lot of import content in what they produce, to domestic industries. Actually, we are

seeing that in the Canadian economy right now; the export sector is in decline, while domestic demand is actually fairly robust. I expect that will continue into 2004. Firms will adjust to the higher dollar, but the manner in which they adjust will not be positive for employment and output in some of the trade-exposed sectors of the economy.



The Chair: Thank you.

Now I will go to Mr. Cullen, and then Mr. Finlayson and Mr. Durning.



Mr. Roy Cullen: Thank you very much, Madam Chair.

Thank you to all the presenters.

Mr. Finlayson, you mentioned that the softwood lumber dispute is having a huge impact on the economy here, and I would agree with you.

Is it possible that a deal can be struck? I know our government has been approaching it on the basis of two tracks. One is to take the legal action through the NAFTA and the WTO, but also to try to reach some kind of accommodation with the U.S. I've been more cynical about that in the sense of what is realistically possible and in our interests in Canada. That's the first part of my question.

Second, when we hear from B.C. that the B.C. government is changing forest policies to deal with domestic forest policy concerns, I'm also a bit cynical about that, including when we hear about moving to auctioning timber as being something that makes good domestic policy here in British Columbia. In fact, I think it's more driven by concerns coming from the United States. I'm told by many companies that if we go to more auction timber in British Columbia, delivered wood costs could go down. That's why it's supported to some extent by the industry here.

If wood costs go down, surely that works against what the Americans are trying to achieve, if what they're trying to achieve is really what they're saying on the face of it. I think it comes down mostly to market share, and that's it.

So what are the possibilities for resolving this through some negotiated settlement, and is auctioning timber really going to help the situation?



Mr. Jock Finlayson: Well, your latter comment actually fully explains the situation south of the border. The U.S. Coalition on Fair Lumber Imports, which is misnamed, by the way, takes the view that what they are trying to do is get Canada to move away from market distortion policies--Canada being the provinces. The real issue is market share. We have seen historically that whenever Canadian lumber market share crosses certain thresholds, we get bombarded with trade remedy cases south of the border. That's what has happened here. Unfortunately, the timing of it has been excruciating, from our point of view, because we now have the dollar rising and compounding the competitive difficulty.

I think we should pursue the legal route. It can't weaken our case to get NAFTA or World Trade Organization rulings that are more supportive of the Canadian than the American argument. Although I

don't have much confidence that will actually deliver the result we want, to be candid, because the Americans have shown they can alter and tweak their trade remedy legislation, which they will do.

If there is scope for a negotiated settlement, we should certainly pursue that option. I'm not sure there is scope prior to the U.S. presidential election, but that's not my call.

Certainly, in economics we have something called the theory of the second best. The first best is free trade in lumber. We are not going to get that in the near term. The second best option would be some kind of agreement on acceptable terms that would, by the way, save the Canadian side hundreds of millions of dollars a year in legal costs that are being incurred by both governments in the private sector now.

That's the route we would favour, but I honestly can't tell you what the odds are for success. I'm not usually optimistic.

  (1225)



Mr. Roy Cullen: Yes. While I agree with you, the lawyers are the ones who are getting rich over this.

What about the second part of the question dealing with the move to more auctioned timber? It's being touted as a forest policy that makes sense domestically. I'm not so convinced that it's geared to the domestic policy concerns. Will it actually increase wood costs, which is what the U.S. wants? It seems to me that it could work in the exact opposite direction.



Mr. Jock Finlayson: Well, there would be a rather interesting irony if we implemented an auction-based system for allocating at least some portion of the harvest or a larger portion of the harvest in B.C. The result of that was to actually push down a little bit of the wood costs. One wonders what the American response would be.

I have heard that as well from people in the industry. I can't speak for the provincial government, but I think their motivation is a mixture of domestic reasons and trade policy reasons. There are domestic reasons to review and overhaul the forest policy regimes in B.C.

When you think about an auction-based system, as owners of the resource, since 92% of all land in B.C. is crown land, presumably we want a system where the taxpayers who own the trees are going to get the maximum possible return. That is probably more likely to come about in the long run through an auction-based model rather than one where the bureaucracy in Victoria basically allocates the fibre or the timber to various mills and companies, which is the system we have traditionally had in B.C.



Mr. Roy Cullen: I was interested in Mr. Solberg's dialogue with Ms. Mix and Mr. Herman as to why the two of you should communicate. One of the disappointments for me has been.... In your recommendation you talk about the need to constantly review these affordable housing programs because the government in the end went with direct granting programs for affordable housing. I think part of it was the frustration of not seeing policies coming forward that would differentiate the inventory of housing from the high end to the low end. The low end, the affordable housing, is where I think our government has most of its interest, so in the absence of policies that would provide that differentiation, the government has gone in with a

granting program with the provinces. Whether or not that will work in the end—hopefully, it will work and is working—I think you're right to say that the government should evaluate it.

The argument that policies that favour the development of housing will result in the development of housing in all tiers—the high end, middle end, and low end—has never convinced me. I and I think others have been looking for policies that would provide that differentiation and create some kind of boost to affordable housing, which is where the government has an interest and where there is a concern, as Ms. Mix has noted.

I still don't see those kinds of policies coming forward. Are they just not there? Are we doomed to granting programs with fifty-fifty sharing?



Mr. Tom Durning (Community Legal Worker, Tenants Rights Action Coalition): I'm not quite sure what Mr. Herman meant by evaluation of policies. It's the first time I have seen his brief. Most of the policies under Homes BC and the federal policies up until 1993 were quite successful. Only 5% of our housing stock nationally is affordable housing; it's the same percentage as in the U.S.A. So I'm not quite sure what he meant by it.

I think we have to look at things like income gaps, though. I think the income gap is widening between what renters can afford to pay and what people can put on the market. It just can't be done with the income gaps currently.

Let me give you an example. I had a bulletin here.

This is from a paper done by the Survey of Financial Security, by Statistics Canada. It talks about the income levels of renters and tenants in a period of 14 years. I think you will find it quite startling, Mr. Cullen.

Can you read those two, Linda?

 (1230)



Ms. Linda Mix: For homeowners, there is an income gap of about 16% from.... You should read it.



Mr. Tom Durning: I'll just be a few seconds here.

In 1984 homeowners had almost double the income of renters. In 1999 it had increased to more than double. These are all Statistics Canada figures, Mr. Cullen. Homeowners' wealth had increased from being 29 times that of renters in 1994 to 70 times in 1999. I don't know what Mr. Herman's people could put on the market, but it's certainly not what a lot of British Columbians can afford. It was always the role of the federal government—in fact, we had one of the best social housing policies in the western world until 1983, when Mr. Mulroney came in.

If we're seeing that, it's a question of income. It's a little more complex than that, mind you, but from a federal perspective, I think that's what you should be looking at.



The Chair: Thank you very much.

Ms. Judy Wasylycia-Leis, you'll have seven minutes.



Ms. Judy Wasylycia-Leis: Thank you very much.

First of all, I wanted to acknowledge Caryn Duncan's response to my colleague Monte Solberg's argument about health care spending over the last decade. It seems to me another way to put it would be that we have to kill medicare in order to save it. That doesn't have a lot of logic, but I think we're in danger of repeating it in this coming budget cycle unless we can organize a strong enough voice to say, we've tried that old way; we've done it. It's not working, and we have to start investing in programs again.

I want Caryn and others to give some thought to how we can convince Paul Martin, who's going to become the next Prime Minister, not to go down this path any more, which he appears to be willing to do, given the statements he's made around 100 days of cuts and around focusing on debt reduction, and his making no commitment on health care spending. What are we going to do, given this ton of surplus? We've tried this decade of deficit reduction and tax cuts and now debt reduction. How are we going to turn around this agenda?



Ms. Caryn Duncan: That's a big question.

I just want to restate that I think Prime Minister Chrétien set us on a path when he was elected, and he said that at the end of the day he would reinvest in social programs. I hope Paul Martin carries on with that theme. I too am troubled by what I've been hearing in the news in the last few days about Paul Martin's intentions around further tax cuts and perhaps a shift away from the theme of reinvesting in social programs.

I think that's what Canadians want. I think the vast majority of Canadians want to look to strong social programs, because it's how we define ourselves. I would hope the federal government has heard that message over the last number of years. Certainly the B.C. government is hearing that here, and I think the Ontario electorate sent that message very clearly in their provincial election.

How do we turn it around? I'm hoping the finance committee is going to take the message that we've delivered to Paul Martin and ask him to make a commitment, like the Prime Minister did, to reinvest in social programs now that deficit financing is under control. And we do not want huge tax cuts.



Ms. Judy Wasylycia-Leis: Let me ask Linda Mix a similar question.

I think we're at a crossroads in Canada. You heard the Real Estate Association and the Business Council of B.C. recommending more of the same in terms of tax cuts. We know from the last budget that tax cuts, the changes in the RSP arrangements, and the capital tax reductions cost a lot of money but are benefiting only a small number of people.

Would it not make more sense to take that money that you spend on tax cuts and spend it directly on programs such as a national social housing policy for Canada?



Ms. Linda Mix: I agree. I think the experiment that's been done over the last decade or more in terms of tax cuts has hurt the people--that government has a role in providing assistance to people who are vulnerable. The tax cuts and the policy changes we've seen over the last number of years has hurt the people government aims to help.

I think it's an experiment that went wrong. I think government needs to look at priorities and people who are poor, people who have disabilities, have health problems. This is a sector that needs to be taken care of. I think real estate developers and big business can take care of themselves, thank you very much. I do think we need to relook at our priorities and take care of low-income Canadians and poor Canadians.

A  (1235)



Ms. Judy Wasylycia-Leis: The last question would be to both the B.C. Real Estate Association and the Business Council of B.C.

It's the same argument. I think we've tried your suggestions. We've tried it for the last decade. We first had deficit reduction, then we had tax cuts. Now we have to focus on the debt reduction, as Paul Martin would have it down to a 25% ratio of debt to GDP. It's unheard of, incredible. There's a price tag for your tax cut suggestions, and there's a price tag for Paul Martin's debt reduction scenario. For the last decade, all we've seen is Canada dropping like a rock in terms of human resource development. We are slipping internationally. Our record is appalling on the worldwide scale, and yet you're suggesting that we do more of the same.

Why?



Mr. Jock Finlayson: To deal specifically with the health care part of this, I think that certainly provincially it looms large. An earlier speaker talked about health care cuts, and I'm sure there have been some.

The budget of the Ministry of Health in B.C. has gone up by 23% in three years, under the last year of the previous government and the first years of this government. Yet we are hearing about cuts. I don't have any solution to the health care problem, but the 23% increase in the health care budget provincially is a fairly hefty increase in the context of the slow-growing economy.

Nationally, a report from the Conference Board recently noted that health care budgets provincially are growing two and a half to three times faster than total provincial spending. They argued that over time it will squeeze out resources for a lot of other services and programs, including other social programs.

I think there is a real conundrum that goes beyond partisan politics and beyond which government one is talking to, that is really across Canada, of how health care can be managed in such a way as to maintain a good system without squeezing out all of the available resources for all of the services. With respect, I don't think anybody has the answer to that.



The Chair: Who else would like to go? Mr. Herman.



Mr. David Herman: I'm not an economist, I'm sorry, so I don't know how that works. I can tell you that in the real estate industry, each buyer of a residential home spends somewhere around \$20,000 after the transaction, which goes into appliances, jobs, turf, fencing, and blinds. It stimulates the economy.

Tax cuts, in my opinion, clearly have benefited this country. We're balancing the budget. If anything, we're having surpluses. It's more a question of how the government spends that money. There is surplus money to be spent.



The Chair: Thank you very much, both of you.

Ms. Leung, you have seven minutes, please.



Ms. Sophia Leung: Thank you, Madam Chair.

I'd like to ask Mr. Paul to talk about first nations investment in various areas—infrastructure, different things. I'm not sure how you feel about education for youth and adult training programs. To me it seems to be very important in terms of being a priority. I don't know how you feel about it. But last week we did meet some first nations, and it was pointed out that this is a basic need before we address any others. Would you like to comment?

Also, I'd like to ask Ms. Duncan. We've all heard so much concern about long waiting lists for patient services. They are just not adequate. There's also a suggestion for perhaps allowing private clinic service to fill some of the gap. In the meantime there's concern about pharmacare, especially for the seniors. It's becoming quite a burden, a great deal. I'd like you to comment on that.

For Mr. Finlayson, I'm trying to frame my question, and you can use the rest of time. We know we have much dependency on export trade with the U.S., and the idea is that we should develop more diversity, diversify our markets and not become totally dependent. I know a lot of effort has been put into trying to export, for instance, wood to Asia for housing. Do you think that's the route we should take? I want you to comment on that.

⚠️  (1240)



The Chair: We'll start with Mr. Paul. There were witnesses from the AFN before us last week in Ottawa, and they alluded to the education of first nations. Go ahead.



Chief David Paul: Thank you very much.

Thank you for the question also.

I'd like to say I started my career in first nations government. I was called back from my final year of university to assist in the administration of what, at the day, were called manpower projects—currently HRDC, formerly CEIC, and they've changed their moniker a few times—dealing with predominantly employment and training.

I spent a large part of my career within my community in both human resource development initiatives and economic development initiatives. As a practitioner of that, I became very aware of, I believe, what works, what hasn't worked, what's been tried within our communities, and of the necessity to attempt to bring about some solutions, simply because I don't see it getting a lot better. And there are other influencing factors that are coming into play soon that not only will continue to affect the lack of our having a participation within the mainstream economy of Canada, but will also impact greatly upon Canada's economy. They are the shift in demographics in terms of our population explosion, our lack of participation in terms of contributing to mainstream economy, and the predominance of social programming economies within our communities.

Looking at this, we've actually asked ourselves—I and a group of other practitioners a few years ago, when I moved over to the private sector—what is going on here? Canada has invested literally billions and billions of dollars to address these issues. What's going on? Our conclusions were—and fortunately, the Harvard study on Indian economic development that came out about a year and a half ago supported our unlearned conclusions, as practitioners—that we haven't the necessary fundamental building blocks to build on our economies. That requires more than having a group of educated people; we need the institutions.

The Harvard study spoke directly to that: in order to develop, you must have institutions to house this type of development. How do I rationalize prioritizing spending more on education? There has to be an investment in it. There has to be an investment in training. The Canadian economy requires that.

Over 20% of all new entrants into the labour force in Canada will be aboriginal people within less than 10 years from now. Canada has to prepare. The economy has to prepare. We have to prepare. In order for us to do that, we have to create the necessary institutions in order to bring about this change to deal with these problems.



The Chair: Thank you very much.

Perhaps before you leave, you'd just give my researcher the name of that study again, so we can check it out ourselves. I'll have it distributed when we find it.

Next we have Ms. Duncan and then Mr. Finlayson at the end.



Ms. Caryn Duncan: In fact, in British Columbia since the Liberals took power, our wait lists have increased by 25%. There's a reason for that. It's about government priorities. With the last budget, the provincial government wanted to hold a freeze on health care. Just to be very clear, I never indicated that the provincial government cut funding for health care. In fact, they tried to introduce a freeze, but in the eleventh hour they cut a deal with doctors and offered them more money. They knew they couldn't pay for it within a freeze, so they introduced a tobacco tax, and then there were further pressures put on them, so they had to allocate a few more dollars to health care.



In fact, the provincial government has spent more money on health care over the last year. Unfortunately,

though, the intention of a freeze doesn't acknowledge a few factors: inflation, population growth, and an aging population. All of those factors mean that a freeze is in fact a cut.

Their initial intentions backfired for a bunch of reasons, and those policy decisions and funding decisions put pressure on our health care system in this province. We now have even longer wait lists. The provincial government has created a problem that they're now offering up private clinics to solve.

That I believe is not going to solve the problem. It is a further erosion of the public component of our health care system. It's going to involve queue jumping. We have grave concerns about surgeries being performed in day clinics where there aren't adequate facilities to deal with emergency situations. Ironically, about 40% of the surgeries that were originally listed on the bid for the private clinics from the Richmond Hospital were surgeries that affected women's lives, like hysterectomy and mastectomy. Those sorts of surgeries should not be performed in day clinics for profit.

In terms of pharmacare and seniors, we have huge concerns about the costs of off-loading high drug costs onto individuals, particularly seniors.

  (1245)



The Chair: I'm very sorry, but we're running overtime.

Mr. Finlayson, I want to give you some time too. Go ahead.



Mr. Jock Finlayson: Briefly, you phrased your question in a way that anticipates my answer. Yes, we should be diversifying our export markets to add additional trading partners. We are too dependent on the United States. With 85% of our exports going to one country, it does expose us to some vulnerability.

It's been good for our economy in some ways, but in the long run I think all the forecasts show that world economic growth increasingly will be shifting. The centre of world economic growth will be shifting to Asia, East Asia, South Asia, some parts of Latin America. Canada should anticipate that and reallocate some of our trade development resources away from slow-growing markets like Europe into those rapidly growing areas.

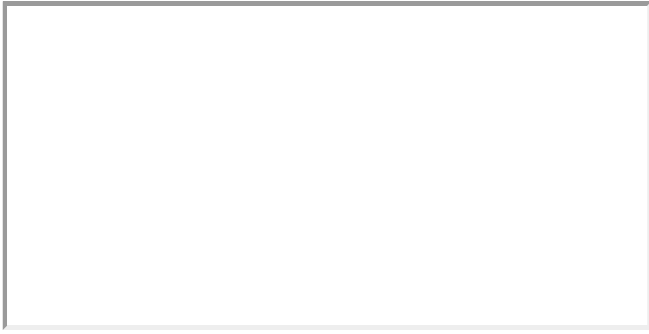


The Chair: Mr. Discepola will not do questioning, so we can wrap up this session.

On behalf of all the members here and all of those who are working in Ottawa, thank you. All of your briefs will be submitted around to all of them. We thank you very much not only for taking the time to prepare them, but also for coming here today to present and answer our questions.

Colleagues, when we meet back here, we have three panels this afternoon. Two o'clock we start. We are adjourned for this session.

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