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Chair

Mr. James Rajotte

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•(1535)

[English]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): I call to order this 33rd meeting of the Standing Committee on Finance.

I want to welcome all of our guests here this afternoon as we're continuing our pre-budget consultations. We have five organizations here. For the first panel, we have Canada's Venture Capital and Private Equity Association, the Association of Consulting Engineering Companies, the Aerospace Industries Association of Canada, the Canadian Association of Fire Chiefs, and the Canadian Electricity Association.

Colleagues, we have votes at 6 p.m., and we have five motions and two full panels, so it will be a very busy afternoon for us.

Each organization will have five minutes for an opening statement. We'll start with Canada's Venture Capital and Private Equity Association.

Mr. Mark McQueen (Board Director, President and Chief Executive Officer of Wellington Financial, Canada's Venture Capital and Private Equity Association): Thank you, Mr. Chairman.

My name is Mark McQueen. I'm a board member of the CVCA and I run a venture capital fund in Toronto called Wellington Financial.

The CVCA was founded in 1974 with 130 member organizations with 1,800 individual participants. In 2008 there were 1,755 VC-backed companies employing 150,000 people, with sales of \$18 billion a year in this country.

VC funds focus on many sectors, primarily through active management in emerging technologies such as information technology, life sciences, clean tech, alternative energy, and biotech. Our portfolio companies grow five times faster than non-VC-backed firms and, on average, export 70% of their sales.

In the U.S., venture capital has played a role in Microsoft, Google, and Intel. In Canada, VC has had an early role in Research In Motion, Corel, Day4 Energy, Biox, and Miranda.

Vancouver's Vision Critical is a good recent example. With \$11 million of private capital, Vision Critical in Vancouver has grown from 30 employees in October 2006 to 350 today and is going to 450 by Christmas. Revenue is up by 20 times.

PE funds are also active capital providers to the high-growth, mid-sized firms in our country, with very meaningful employment numbers. Porter Airlines, which is a story of merchant banking and private equity backing, is a good case study. In five years it has created 1,000 jobs, acquired half a billion dollars' worth of Toronto-made Bombardier aircraft, and has preserved 4,500 jobs at a manufacturing plant during a very difficult recession.

Canada's VC investment is, however, at a 14-year low. Our nation's R and D investment of \$18 billion a year is being stranded because there is not enough capital to commercialize the investments being made by governments, both federal and provincial. The United States spends twice as much per capita to commercialize their R and D as we do. The U.S. venture capital industry put \$18 billion U.S. into their economy last year, versus \$1 billion in Canada, well below our GDP ratio or our population ratio. With their deeper pockets, U.S. VCs invest twice as much per portfolio as we do in Canada.

The ability of our funds to raise new money and put that money to work in the economy diminishes by the day. Without new capital to invest, the next five years will be even bleaker, and a 14-year trend will become a 19-year trend. Last year, VCs financed 330 companies, down 38% from 536 in 2005. That's a lot fewer jobs, a lot fewer start-ups, and a lot fewer chances to recreate Research in Motion's success.

We have five ideas that we've tabled with the government to correct this imbalance. They tackle the angel stage, the commercialization stage, as well as the venture capital stage. Many of these ideas are costless and should attract attention in this environment.

The first is to improve the IRB offset program to allow investments by foreign companies in venture capital firms to count as their offset credit.

Second is to do what many provinces have done through their budget processes: to enhance the retail investor capacity to put money into the asset class through an enhanced labour-sponsored tax credit.

The third, which is our primary suggestion here today, is to do what provinces have done in many parts of the country and establish a \$300 million private sector-managed VC fund of funds program, which should actually be a profitable undertaking over time.

The fourth is to permit corporations to treat their investments in VC funds in the same manner that they treat internal R and D expenditures, namely, as a business expense. For some reason, money spent internally is tax deductible, but money invested externally is not.

Last is to recognize the fantastic success of the SR and ED program, but to enhance it, where \$1 of each qualifying expense would receive a credit of \$1.50, versus the 80¢ or 90¢ credit that might happen today. This is a well-understood program that the government and successive governments have promoted, and entrepreneurs know how to access it, engineers know how to utilize it, and VCs know how to leverage it. It requires no change to your current systems and it would be a modest cost to the public purse.

In the package you've received there are statistics going back to 1996 showing the venture capital decline. If you look back at 1996, there are about as many dollars going into the economy as there are today, so 14 years have passed, our economy has more than doubled in that time, if not tripled, and the VC dollars are flat.

That explains the problem in black and white and why we're here today to seek your help to address it.

Thank you very much.

The Chair: Thank you, Mr. McQueen.

I'll go to Mr. Gamble next, please.

Mr. John Gamble (President, Association of Consulting Engineering Companies): Good afternoon.

I'm John Gamble, president of the Association of Consulting Engineering Companies. I'm accompanied by our vice-president of policy and public affairs, Susie Grynol. We're pleased to have this opportunity to appear before you.

We are a business association representing approximately 500 consulting engineering companies across Canada that provide professional services to both public and private sector clients. Today we'll be providing key highlights from our written submission provided earlier.

Public infrastructure, to our mind, is a core business of government and is vital to our economic, social, and environmental quality of life in Canada. Therefore, we applaud the significant infrastructure commitments from successive governments, including the more recent \$12 billion infrastructure stimulus fund and the ongoing \$33 billion Building Canada plan.

While these programs have made significant progress in renewing Canada's infrastructure, they have been insufficient to overcome the infrastructure investment shortfall accumulated over many decades. Recent reports and studies observe a decline in infrastructure investment from nearly 6% of GDP in 1960 to approximately 3% in 2004.

It's our view that we must return to a long-term strategic infrastructure investment plan in order for Canada to properly address its infrastructure investment gap and preserve our competitiveness. In order to do this, we are offering three recommendations, which will now be outlined by Ms. Grynol.

● (1540)

[Translation]

Ms. Susie Grynol (Vice-President, Policy and Public Affairs, Association of Consulting Engineering Companies): Thank you for giving me the opportunity to testify before you today.

[English]

ACEC recommends that the government develop and commit to a long-term investment strategy.

ACEC is cognizant of the spending and tax constraints currently facing the federal government. With last year's \$50 billion deficit and with further deficit details forecast until 2015, the federal government will be limited in terms of its spending ability. It is for this reason that ACEC believes that a long-term investment strategy is essential.

ACEC recommends the following key features be included in a long-term investment strategy: first is a commitment to close and stabilize the infrastructure deficit over the long term; second is an ongoing assessment of infrastructure investment needs, including the state of current infrastructure, changing needs of society, and population growth; third is the prioritization and sequencing plan for projects and programs; fourth is realistic timelines that balance the long-term urgency of infrastructure investment with current fiscal pressures; fifth is clearly defined roles and expectations for all three levels of government involved; and sixth is the institution of an annual evaluation of progress.

A strategy that sets a clear path toward bridging the infrastructure deficit gap will provide clarity and certainty to both public and private sector organizations that participate in the planning, implementation, operation, and maintenance of public infrastructure.

Our second recommendation to the Government of Canada is to maintain the existing pre-stimulus infrastructure programs until a long-term strategy is in place.

Based on remarks earlier this week by Minister Stockwell Day to the Canadian Public Procurement Council, we understand this is the intent of the government. This is supported and applauded by ACEC.

Until such time that a long-term strategy is in place, it is important that Canada does not lose ground on infrastructure deficit. Continuation of pre-stimulus programs will allow both the government and the private sector to remain well-resourced as they implement infrastructure projects. With the exception of the gas tax fund, the majority of infrastructure investment programs from the federal government, such as the stimulus fund and the ongoing Building Canada plan, are scheduled to end in 2011 and 2014 respectively. We're happy to hear the government plans to maintain these programs, while realizing they will shortly be coming to a close.

Our third recommendation to the Government of Canada is to provide flexibility on the stimulus funding deadline on projects for which funding has already been approved but for which legitimate delays were experienced during implementation.

For these reasons, we support the pragmatic approach suggested by Minister Flaherty.

Mr. John Gamble: We'd simply like to conclude by re-emphasizing that it's our view that public infrastructure is a core business of government. That's not to say there can't be private sector involvement.

Infrastructure must be considered an investment, not an expense. Embracing a long-term strategic infrastructure investment plan to address our infrastructure shortfall will make Canada more competitive and, just as important, more resistant to economic downturns. It will enhance our social, economic, and environmental quality of life. It will help us reduce the capital, upkeep, and operational cost of infrastructure over its design life and create long-term jobs in multiple sectors.

However, as we mentioned, commitment to long-term funding strategies by all three levels of government has significantly waned since the sixties, and infrastructure investment has decreased by half.

Thank you very much for your time.

The Chair: Thank you for your presentation.

We'll now go to the Aerospace Industries Association of Canada.

Mr. Claude Lajeunesse (President and Chief Executive Officer, Aerospace Industries Association of Canada): *Merci, monsieur le président.*

The Canadian aerospace industry is no less than fifth in the world. In 2009 it produced \$22 billion in revenue, 80% of which was generated through exports. Since 2009, it has employed 79,000 Canadians, 46% of them in Quebec, 28% in Ontario, 17% in western Canada, and 10% in Atlantic Canada. It's an industry that is spread over the country.

Aerospace is a poster child for the new knowledge-based economy. The key message I want to give to you today is that we need to make sure our growth continues.

[Translation]

Our companies are undisputed leaders in sectors like regional aircraft, business aircraft, helicopters, small turbine engines, flight and training simulators, satellites, robotics, fleet maintenance, landing gear, avionics and composite materials, to name but a few.

● (1545)

[English]

Our expertise in aerospace is the envy of many larger nations, and we are proud of it.

In order to remain competitive, and because we believe in the importance of reducing our environmental footprint, we are working at the greening of our industry through the green aviation R and D network, GARDN, a business-led centres of excellence program with a budget of approximately \$23 million, \$12 million of that coming from the federal government.

Many of you have heard the industry position on the government's decision to acquire 65 F-35 aircraft. Indeed, we are determined to optimize the benefits that our industry and Canadians will get from participating in Lockheed Martin's global supply chain being developed over the next 24 months.

[Translation]

It is very important to note that the expertise and knowledge we gain through our participation in this military program will be applicable to the great civilian platforms of the future.

[English]

But GARDN, and even an optimized participation in the F-35, will not guarantee our long-term competitiveness in the globally competitive environment. The forecast demand is estimated to reach \$3.2 trillion over the next 20 years for 30,000 aircraft.

[Translation]

This demand represents extraordinary growth potential for our industry, as long as we work together to forge a strong partnership between industry, governments, the public, the education sector and workers' representatives.

[English]

In order to reap the benefits of the growing demand, we have to be ready to present new technologies to be integrated in the future major platforms that will operate in the coming decades.

Our key point today is that our member companies are currently working on three technology demonstrator projects: low-cost composite manufacturing of structures; electric engines and noise reduction of turbofan engines; and advanced engine systems. These are collaborative efforts. To continue competing to access this growing demand, we need government support on this, and I'll come back to that in a minute.

Space is an extremely important part of the industry. We all know about the Canadarm, but many of you also know that RADARSAT-2 plays a role in monitoring environmental indicators, in ensuring our sovereignty in the Arctic, and in precision agriculture, to name a few.

There is no doubt that there is an imminent need to develop and support a comprehensive aerospace strategy, a clear vision of Canada's ambitions regarding aerospace, including a well-funded space plan, in partnership with the stakeholders.

Our immediate demands to you today consist of the funding for what I've mentioned: the technology demonstrator projects, which require \$40 million per project for a total of \$120 million.

In conclusion, given the global growth in demand for aircraft over the next 20 years, our opportunity is nothing less than to double the size of this sector to create jobs for all Canadians. The risk of not playing hard is losing ground rapidly.

Merci, monsieur le président.

The Chair: *Merci beaucoup.*

We'll now hear from the Canadian Association of Fire Chiefs.

Mr. Robert Simonds (President, Canadian Association of Fire Chiefs): Thank you, Mr. Chair, and good afternoon. My name is Rob Simonds and I'm the fire chief in Saint John, New Brunswick, and the president of the Canadian Association of Fire Chiefs. I'm here to speak about a serious public safety issue in Canada.

The Government of Canada can play a vital role in solving the growing problem of recruiting and retaining volunteer firefighters through the introduction of a \$3,000 income tax credit for volunteer firefighters who have performed more than 200 hours of service each year. By way of background, the Canadian Association of Fire Chiefs is a non-partisan national association that was formed in 1908. Our 1,000 members include fire chiefs and other chief fire officers from every Canadian province and territory and include fire chiefs from Canada's first nations, industry, airports, seaports, major health care facilities, and Canadian Forces establishments. Our national board of directors includes the president of each provincial and territorial association of fire chiefs.

The CAFC is in the best position to speak on behalf of all elements of the Canadian fire service. I would offer, Mr. Chair, that volunteer firefighters are unique, even amongst other volunteer emergency first responders. Many Canadians, including members of Parliament, are shocked to learn that the vast majority of Canadian communities are protected by volunteer firefighters. Of Canada's 3,492 fire departments, more than 91% are volunteer departments, and four out of every five firefighters are volunteers. In many of Canada's rural and remote communities, volunteer firefighters are the only emergency service first responders. In no other emergency responder service do volunteers play such a significant role.

While they are volunteers in name, their training and the services they provide are highly professional. Unlike other volunteer emergency responders, they are trained in the same way as are career firefighters. Once volunteers are recruited, for them to be properly trained takes approximately three years, and sadly, many of them do not stay past five years. The lack of reimbursement for out-of-pocket expenses, inadequate equipment and resources, and the time spent away from families and paid employment make it difficult to attract new volunteer firefighters and to keep those already trained.

Other emergency service providers choose when they want to volunteer, whereas volunteer firefighters are often on call all the time. These brave men and women leave their full-time jobs to attend emergencies, losing wages and incurring personal cost in the process.

So how much will this tax credit cost Canadian taxpayers? The CAFC is currently conducting a survey of Canadian fire departments to determine how many volunteers would qualify for this proposal in order to provide the Minister of Finance with accurate costing. However, if we assume that 75% of Canada's volunteer firefighters would qualify, this tax credit would cost the Government of Canada less than \$29 million a year. To put this in perspective, it would cost \$3.8 billion to replace Canada's volunteer firefighters with paid, full-time firefighters at \$45,000 a year. To pay existing volunteers for their current hours of voluntary service at a rate of \$23 per hour

would cost more than \$860 million a year. These are very conservative estimates that provide a cost-benefit perspective for this committee.

What compensation do volunteer firefighters currently receive? There are some misconceptions that volunteer firefighters are sufficiently compensated for their volunteer service. It is true that in limited cases in some provinces volunteer firefighters receive an hourly stipend for responding to emergencies. This is rare. Most volunteer fire departments do not offer hourly stipends. For those that do, stipends usually cover only the specific time a volunteer spends responding to calls, which on average amounts to less than 30% of a volunteer's time commitment.

Currently, up to \$1,000 of any stipend provided to a volunteer firefighter does not have to be declared as personal income. Unfortunately, this tax credit is of limited value because only 20% of volunteer fire departments have the fiscal capacity to provide honorariums. The 74% that do provide less than \$1,000. That is why Canada's fire chiefs have proposed that the current \$1,000 tax credit be replaced by a \$3,000 non-refundable tax credit that can be applied to any income.

We strongly believe that our tax relief proposal is urgently needed and would help ensure that rural Canadians would receive the same level of fire service as those who live in urban Canada. The CAFC recently launched a website in support of our proposed tax credit. The website, www.givefirefighterscredit.ca, includes a petition that members of the public can sign in support of their volunteers. In just two weeks, the petition has received more than 2,000 signatures.

• (1550)

Mr. Chairman, in summary, I would offer that the Canadian Association of Fire Chiefs is committed to working with the Government of Canada. We feel that as stewards of public safety it's our responsibility to alert the Government of Canada when there are issues that would impinge upon public safety, and we are concerned that we could fall into crisis with respect to having insufficient resources across this country. We are committed to working with government and pleased to be before this committee today.

Thank you.

The Chair: Thank you, Mr. Simonds.

We'll hear from Mr. Smith next.

Mr. Geoff Smith (Director, Government Relations, Canadian Electricity Association): Thank you, Mr. Chair.

Founded in 1891, the Canadian Electricity Association is the voice of Canadian electricity. Every day, CEA members generate, transmit, and distribute electrical energy to industrial, commercial, residential, and institutional customers across Canada. From vertically integrated electric utilities to power marketers, to the manufacturers and suppliers of materials, technology, and services that keep the industry running smoothly, our members ensure that Canadians have safe, reliable, and sustainable electricity service. And Canadians have a high level of confidence that Canada's electricity system will continue to provide electricity when they need it. They are proud of the fact that over 75% of Canada's electricity is generated from non- or low-emitting sources. By comparison, approximately 30% of electricity in the United States is generated from non- or low-emitting sources.

The electricity system is the backbone of our economy. CEA members provide Canadians with some of the most competitively priced electricity in the world. While recently there's been much parliamentary debate about Canada's corporate tax rates, often missing in that discussion is the tremendous competitive advantage that safe, reliable, low-cost electricity continues to provide to Canadian business.

Ensuring that the Canadian economy remains competitive and that Canadians will continue to enjoy a superior quality of life—one that includes a clean environment—requires action by the federal government on electricity sector challenges. The federal government has made an international commitment that Canada will reduce its GHG emissions by 17% from 2005 levels by 2020 and a national objective of generating 90% of its electricity from non- or low-emitting sources by the same year. Achieving these targets and continuing to meet increasing demand for electricity, while simultaneously replacing aging infrastructure, is no small task.

CEA's pre-budget submission proposes three high-level recommendations that, if implemented, will help achieve these goals. The first, amending the renewable energy classes in the Income Tax Act to improve capital cost allowance rates, would facilitate capital upgrades for existing and new transmission infrastructure, which would enable more intermittent renewable energy sources such as wind, solar, hydro, biomass, tidal, and other emerging renewables to flow into the grid.

Our second recommendation relates to energy storage technologies. With the exception of large hydro, most sources of bulk electricity cannot justify the added costs of developing and implementing utility-scale storage technologies to save surplus energy production to fulfill peak periods of demand. In addition to saving otherwise lost power, energy storage technology can provide a cost-effective solution to the widespread integration of the intermittent renewable energy technologies I mentioned a moment ago, such as wind, solar, and tidal.

There are numerous emerging energy storage technologies that have the potential to form a large part of the electricity grid of the future, from the generating station all the way down to the potential for customers to plug in an electric vehicle. CEA proposes the establishment of an energy storage grant program to fund electric utility energy storage pilot projects to assist in bringing these technologies into the mainstream.

Our third recommendation addresses the need for regulatory reform at the federal level, a necessary precursor to building tomorrow's electricity system and enabling more effective operations today. Electricity infrastructure projects and existing facilities are subject to multiple pieces of legislation and regulation falling under the jurisdictions of various agencies and orders of government, each of which may have a different mandate and jurisdictional obligation. At the federal level, these include the Canadian Environmental Assessment Act, the Canadian Environmental Protection Act, the Fisheries Act, the Migratory Birds Convention Act, the Navigable Waters Protection Act, the Nuclear Safety and Control Act, and the Species at Risk Act. This regulatory structure has resulted in unnecessary complexity, increased uncertain or absent timelines for project approvals, and a lack of process clarity for all stakeholders, including project proponents, regulators, and the public. Regulations often overlap and conflict, and there's a lack of a strategic framework or vision for how these regulations should work together to meet Canada's environmental, economic, and social objectives.

Let me be clear. CEA members do not seek the watering down of these acts to evade compliance. They seek regulatory predictability, consistency of application, and, in every instance, positive environmental outcomes. We would welcome the inclusion of changes to the aforementioned acts in budget legislation and would be very pleased to share more detailed recommendations at your request.

On behalf of CEA members, thank you for the opportunity to share our association's view on how electricity can continue to play a central role in an environmentally sustainable, competitive, and prosperous Canadian future.

Thank you.

• (1555)

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

We'll start members' questions with Mr. Brison, for seven minutes.

Hon. Scott Brison (Kings—Hants, Lib.): Thank you, Mr. Chair, and I thank all of you for presenting to us today. It is always helpful.

I'd like to start off, actually, with the venture capital industry. Welcome, Mr. Rémillard and Mr. McQueen.

When I look at countries around the world with regard to the relative strength of their venture capital industries, some countries really stand out. Israel is one of them.

I agree with your proposals here to strengthen venture capital in Canada because I'm concerned with the dearth of venture capital today; we're going to have a dearth of discoveries in jobs of tomorrow in 10 or 15 years. A lot of this speaks to the aerospace industry as well, I think.

What are countries like Israel doing differently to create such a strong venture capital industry, particularly in the area of green technology? We're a high carbon economy. We consume and produce a lot of energy that is not clean. We have an opportunity to produce cleaner energy and to become more energy efficient. It takes technology. What is Israel doing, and what could we be doing better to be a leader in the emerging clean technology space?

• (1600)

Mr. Mark McQueen: Thanks, Mr. Brison, and for your ongoing interest in our sector for now many years.

We released a study in May that looked at 14 different nations around the world. One of them was Israel. The first and foremost thing was that the government of the day got industry to get together with business and elected officials and they said, "This is important. What can we do?" They didn't only put it on the universities. They didn't simply leave it on the doorsteps of public officials, but brought business into the ecosystem.

One of our five ideas would do that. If Encana is going to do research internally, it's tax deductible. Why can't Encana put money into a venture capital fund and have that be tax deductible too? It's a disincentive to create new innovations outside their own company to the betterment of everybody, not only their own shareholders.

Israel, because of its small economy, is seen to be able to attract silicone valley venture capital firms to base there, and that has been done in part by leading with limited partnership commitments, but primarily by making it a focus. It's that simple. If it's not a focus of the government of the day, it's not going to be successful.

Mr. Richard Rémillard (Executive Director, Canada's Venture Capital and Private Equity Association): Perhaps I could add to that, Mr. Chairman.

Thank you again for your interest.

We're happy to send around this document that we prepared two months ago, if the committee so desires. It is on our website already, for those who are interested.

Israel is a very interesting case. They've made a lot of small and large decisions to enhance the development of their high-tech and their venture capital space. On the small side, they've taken one of their most leading entrepreneurs—I think one of the co-founders of RIM—and plunked him into the Department of Finance and told him his mandate is to come out with the next generation of programs for Israel to keep at the forefront of the world industry.

Second, in terms of large, they came up with a very innovative program called the Yozma program, about seven to nine years ago. They realize it has come to its natural conclusion, and they are working on Yozma II right now. There are some interesting indicators that we can discuss with you offline on that score.

Hon. Scott Brison: They've even taken their government procurement, not only at the national level but at the cities level, and are using it to buy and promote next-generation technologies. And Shai Agassi, with the electric car work he is doing there, has really made Israel a game-changer in that space. Again, that speaks to the important role of procurement in terms of the aerospace industry and creating national champions. Other countries are doing

it. We're probably not doing enough of that, and haven't done so for a long time.

I want to speak to the volunteer firefighters issue, because what a lot of people don't realize, and what Mr. Simonds brought to this committee, is that in rural and small town Canada, the volunteer fire protection and also the medical first response in communities like Cheverie, where I live, is provided by volunteers. They are paying for their equipment, in a lot of cases, either by fundraising or, in many cases, paying for it out of their own pockets. They are paying for training, spending their time and money out of their own pockets to do it, and they're providing an incredibly important essential service and risking their lives for the privilege of doing so.

We're very supportive, and our party is very supportive, of your initiative in terms of the \$3,000 tax credit.

There's one thing I want to ask you. It's 200 hours to qualify for the \$3,000 tax credit. For some in smaller communities, their sacrifice is significant, but it may be 100 hours because of the nature of the calls. Should we be looking at a smaller tax credit to perhaps reflect 100 hours to make it more broadly available and equitable?

Mr. Robert Simonds: Mr. Chair, I'd offer that the notion has absolutely been discussed. A variety of considerations have been discussed with the fire chiefs across Canada. What we have indicated to government is that we are committed to working with them to find the most optimum solutions so as to recognize the invaluable contributions of those volunteer firefighters.

As Mr. Brison suggested, if the thresholds need to be changed, we can certainly revisit that. However, at this juncture, the feedback we have received from the fire chiefs across Canada is that the 200-hour threshold would be a meaningful and appropriate one.

However, going back to our previous discussions with the senior officials from the finance department, we are committed to working with them to find an optimal solution that may very well address the concerns that have been expressed here.

• (1605)

The Chair: You have 20 seconds.

Hon. Scott Brison: Okay.

I mentioned procurement earlier and its importance to venture capital, potentially, and to new technologies and their early adoption. In terms of aerospace, we're getting feedback from companies like IMP in Halifax on the importance of in-service support and that the changes to the policy on in-service support have been detrimental to the Canadian aerospace industry. So I'd appreciate your industry's feedback on that and how important it is in procurement that we have long-term, in-service support contracts for Canadian aerospace.

The Chair: Mr. Brison, just for your information, when I say "20 seconds", it means for questions and answers.

So you have three seconds to answer.

Voices: Oh, oh!

The Chair: I don't know if you want to come back to that.

Mr. Claude Lajeunesse: That's a very important issue for our members. There are thousands of jobs at stake across the country, and we believe we are in the best possible position to keep those jobs, to increase those jobs, and I certainly hope the policies will be developed to allow that.

The Chair: Thank you.

[Translation]

Mr. Paillé, over to you.

Mr. Daniel Paillé (Hochelega, BQ): My first questions go to the representatives from Canada's Venture Capital and Private Equity Association.

I would like to make a comment first. I am not sure how you will see it. On page 6 of your brief, you protest too much, methinks. Let us leave the histrionics to the lawyers. You say that the number of funded companies has dropped by 38% from 2005 to 2009. That seems to me to be a little coy for finance people. I feel that you should be talking about amounts of venture capital and providing annual averages or annual composite averages. Whatever, you get the right result anyway.

When we look at the figures, we see that they go from \$1.7 billion to \$1.35 billion in the two years you have chosen. That is right, because it comes to 39% over four years, but let's say that we might hope for more financial rigour.

I would like to highlight another point, the \$300 million fund that you propose on page 8 of your brief. Would this \$300 million be leveraged to get other investments? The amount seems much too small.

[English]

Mr. Mark McQueen: We chose that number because we thought it was achievable, not because it was the perfect number, sir. You know, Teralys in Quebec—

[Translation]

Mr. Daniel Paillé: Are we talking about \$300 million per year?

[English]

Mr. Mark McQueen: It would be one time...for six or seven years, let's say. Relative to what Teralys is doing in Quebec, which is \$750 million, it is obviously not sufficient money. We saw that number as representing five or six or seven lead orders for five or six or seven funds, and that it would be leveraged probably three to one or four to one with private sector investment.

[Translation]

Mr. Daniel Paillé: So the multiplier would be about three or four times. That would be about \$1 billion or \$1.25 billion, wouldn't it, Mr. Rémillard?

[English]

Mr. Mark McQueen: A \$30 million lead order would probably wind up with a \$120 million or \$150 million fund, so a four to one—

[Translation]

Mr. Daniel Paillé: Okay, so four times.

The Association of Consulting Engineering Companies' third recommendation mentions that the government could show some flexibility with the stimulation projects deadline.

Without getting into partisan politics, could we not say that, in October, given the weather conditions, the working conditions and the lack of materials, we can be more or less certain that the March 31 deadline to finish all the infrastructure projects is a bit of a stretch, and not in a good way?

[English]

Mr. John Gamble: First of all, I want to be fair to all parties. The government made it very clear to us right from the onset that this was not a long-term infrastructure catch-up program; this was a job creation program, and I think on balance it was largely successful.

The very rigid deadline has been a source of concern. You are quite correct, there are a lot of complications in delivering infrastructure projects. Aside from the inherent complexities of design and construction, you are quite right, the climatic challenges in Canada are severe. A well, we have three layers of government, sometimes four, and the coordination of regulatory approvals can be vexing.

We understand the government's intent; they don't want an open-ended program. We do understand that you need to have a deadline if you want things to get done, but I think we're asking for some pragmatism. Some of the delays are legitimate and justifiable. We're not asking for new money to be committed to this program; we understand this was a one-time program. We're simply looking at some flexibility in disbursing the previously announced funds. We're just looking for the practical.

• (1610)

[Translation]

Mr. Daniel Paillé: We agree that there is a difference between keeping programs going for ever and having a program with finite amounts so that projects can be done in a reasonable time. If we insist on getting them done too quickly in order to meet the March 31 deadline, labour costs will clearly be higher, because we will have to pay for overtime and salaries could double. The price of some materials could go way up in that period too.

[English]

Mr. John Gamble: I agree that there is a very important distinction between the short-term programs and the long-term programs. Minister Baird was upfront with us from the beginning. We wanted long term; he was very clear that this was to address the short-term economic crisis. And in fairness, to a great extent it has done that. But you're quite right, not all projects lend themselves well to the stimulus program. That's part of the reason we're here, that as much as we are very happy to have had the stimulus program, it doesn't resolve a bigger issue, which is a long-term, chronic infrastructure deficit that's been dogging us for decades.

[Translation]

Mr. Daniel Paillé: Yes, that is something else.

Mr. Lajeunesse, you are hoping too. How do you propose to get as many spinoffs from military purchases as possible if they are not bound by a contract? The government has said that it wants as many economic benefits as possible in Canada. But, without a commitment in a contract, isn't that just wishful thinking?

The Chair: You have a minute.

Mr. Claude Lajeunesse: Absolutely not, Mr. Chair. Without exception, every Canadian company working in this area has repeatedly told us that they are ready, willing and able to be competitive, that the \$12 billion target—which is a lot of jobs here in Canada—is perfectly attainable and that they are ready to sign contracts already. To date, some have been signed, to a value of around \$1 billion. Personally, I am convinced that the companies are right and that they can reach the targets.

The Chair: Thirty seconds left.

Mr. Daniel Paillé: Thank you, Mr. Chair.

Speaking of volunteer firefighters, I would just like to point out that, last year, during the Bloc Québécois tour, we made recommendations to the Department of Finance that were more or less the same as theirs. I hope that, if we keep hammering away, they will get the message and the government will provide the tax credits that these people need in order to be able to do their work in all the towns and little villages in Quebec.

The Chair: Right, thank you.

[English]

We'll go to Mr. Wallace, please.

Mr. Mike Wallace (Burlington, CPC): Thank you, Mr. Chair. I appreciate our guests for coming today.

I'd just ask for clarification from our consulting engineering friends. There are two things.

First, I believe in your presentation you said that the clarification last week from Minister Flaherty that there would be some flexibility in looking at this was helpful. We're hearing from the opposition about this deadline, but you were comfortable with that commitment from the government, or from Mr. Flaherty, on that issue. Is that correct?

Mr. John Gamble: Yes. We haven't seen details, but certainly the suggestion is that he's prepared to take a pragmatic, flexible, and reasonable approach, and if that's the case, then we're very supportive.

Mr. Mike Wallace: Thank you.

Do you have a definition for your organization of "long term"? What does "long term" mean to consulting engineers?

Mr. John Gamble: It means ongoing.

Mr. Mike Wallace: So...employment forever, then?

Mr. John Gamble: Well, it's infrastructure forever, which employs everybody.

The challenge we have is that infrastructure assets in many cases typically have 50-, 65-, sometimes 100-year design lives, and what we're trying to do is deal with them in annual cash in, cash out budgeting cycles, and we're competing with other priorities. It's hard,

and I think the economic crisis makes it even more imperative that we have a long-term game plan.

• (1615)

Mr. Mike Wallace: It would be fair to say, then, that infrastructure issues will always be an issue. Is that correct?

Mr. John Gamble: That's correct. As we say, we believe it to be a core business of government. That's not to say there's not a role for other partners, but it is a core business of government.

Mr. Mike Wallace: Okay. I appreciate that.

I have a quick question for our fire chief. Thank you for coming. I'm a little bit surprised at the Liberals' approach, saying they've always been supportive, because when they were in government they didn't do it. There were bills, in actual fact, that they were opposed to. I have Mr. Wilfert's quotes here as well as those of Ms. Jennings. Anyway, it's ironic that they say now that they're in favour of it.

However, my question was, and I may have missed it in the discussion, if you were to get the \$3,000 non-refundable tax credit—and I'm glad you called it that—at the 200-hour mark, do we know what that will cost the treasury? Have you been able to figure out yet what that would cost the taxpayers of Canada?

Mr. Robert Simonds: Mr. Chair, as we had indicated through our preliminary analysis, we know that if we predicate our numbers on 75% of the volunteers across this country qualifying with a 200-hour threshold, it's approximately \$29 million per year.

Mr. Mike Wallace: I appreciate that because I didn't see that in here.

The aerospace folks were at the defence committee during the summer. Were you not at the defence committee, talking about the purchase of the new aircraft? Am I not correct on that?

Mr. Claude Lajeunesse: That's accurate.

Mr. Mike Wallace: That's right. That's where I know you from.

Then in the same presentation today, our venture capital group, and I do have another question for them, is making recommendations to improve the IRB program.

My question to you, for your industry, and the IRB program isn't applying to the purchase of this aircraft, but are your companies able to survive without that? Why is it important on this contract that you are supportive of buying these jets?

Mr. Claude Lajeunesse: Let me try very briefly to say that the purchase value of the F-35 planes is about \$4.8 billion. This is a new plane. This is not an off-the-shelf product. If we were to apply, for example, the IRB policy to that, we would be limited to about \$4.8 billion. I did mention before that we're looking at a potential of \$12 billion.

Mr. Mike Wallace: Right, so it's improved.

Mr. Claude Lajeunesse: This is possible because this is not off the shelf.

In terms of the IRB, it is an excellent program. Last year Minister Clement made some amendments. There had been no amendments in 23 years. He made some great amendments to that program. We really support the IRB program, but it's better for off-the-shelf products.

Mr. Mike Wallace: Beautiful. Thank you very much.

How much time do I have left?

The Chair: You have two and a half minutes.

Mr. Mike Wallace: Good. I have lots of time.

The venture capital market, as Mr. Brison has pointed out, let's be frank, is not huge in Canada. There are other countries that have more opportunity.

I know you have here an establishment of a \$300 million private sector fund. You want public money to go to a private sector investment fund. Is there anything we could be doing from a tax perspective, other programs, to encourage Canadians to invest in venture capital companies, to provide capital for you to reinvest?

What is it called? We have the workers—

Mr. Mark McQueen: It's the labour sponsored fund.

Mr. Mike Wallace: Sorry, it's the labour sponsored program. Are there any other programs that would encourage Canadians? Nothing drives me more crazy than when something happens to a corporate entity and people say that government should not allow foreign investment in there. My response has been, "Well, why haven't you put your money in there?" I mean, I do it politely.

What do we need to do to get Canadians to invest in venture capital?

Mr. Mark McQueen: Two things: first of all, the government already does fund private sector funds via the Business Development Bank of Canada, through its fund of \$58 million, which is not enough. It shouldn't be a crown entity, anyway.

On the question of the labour sponsored fund, it is a very useful program and works very well in British Columbia, Quebec, the Maritimes, and Saskatchewan. Ontario, unfortunately, cut this off at the knees four or five years ago. That has brought Ontario venture capital down to be half of what Quebec has per capita. That has had a direct impact.

On flow-through shares, our people have talked about parts of our ecosystem in order to match up with the mining companies and with what oil and gas companies are able to do. Venture capital and biotech are not, strangely. What a surprise. Canada is a leader in oil and gas and mining exploration, and we're trailing badly in technology and biotech.

• (1620)

Mr. Mike Wallace: So more flexibility...flow-through shares are not part of your recommendations here today?

Mr. Mark McQueen: No, they're not, because of the inability... what the costing might be. BIOTECanada, for example, would be in favour of it.

But you asked the question, and I'm trying to give you an answer for that.

Mr. Mike Wallace: Thank you very much.

The Chair: Thank you, Mr. Wallace.

[*Translation*]

Your turn, Mr. Mulcair.

Mr. Thomas Mulcair (Outremont, NDP): Thank you, Mr. Chair.

I would like to welcome all the witnesses who made a presentation.

I am going to start with Mr. Lajeunesse. I really want to make sure that I understood his remarks and that I am not putting words in his mouth inappropriately.

You are in favour of spending the money to buy the F-35, which, I suppose, will become the CF-35. We are on the way to signing a contract without having gone to tender. First of all, is it normal, in your opinion, for a government to make such a procurement without a tendering process to make sure that, if there are competitive products, the taxpayers get value for their money? The reason this committee is here at present is to prepare a budget and the word budget implies managing the public purse.

I would just like to know your thoughts on that, if you would be so kind.

Mr. Claude Lajeunesse: Thank you, Mr. Chair.

Our association played no role in the government decision. We...

Mr. Thomas Mulcair: Mr. Chair, I am going to save the committee some time. He is arguing a point I never raised. I never said that his association was playing a role in the decision. I am asking him if, as a representative of business, he thinks it is a normal practice to make a major purchase without a tendering process, without making sure that we are getting the best price.

Mr. Claude Lajeunesse: Mr. Chair, those are political considerations that I do not want to get into. As far as we are concerned, the decision was made and announced. We know that, in the next two years, the supply chain for the F-35 will be developed and put into place. Our objective is to make sure that Canadians working in the area now or in the future will derive as many benefits as possible from this investment made by the Canadian government.

Mr. Thomas Mulcair: We all agree on that, Mr. Lajeunesse. But if, in this untendered contract, there is not the slightest indication that any part of the work will be done in Canada at all... You are just in the process of telling us about a supply chain that will be developed and put into place. But where? Will it be in the United States, or somewhere in Canada? Where in this project do you see the slightest guarantee for your clients and your industry?

Mr. Claude Lajeunesse: Mr. Chair, that is an excellent question. I really have to explain our position on the matter clearly.

First, as I mentioned earlier, our companies are ready, willing and able to be competitive and they all tell us that they will be successful at it. But there is also the obligation to be accountable. We have proposed that, every four to six months, we produce a detailed report on the investments that have been made and the contracts that have been signed in Canada. We believe that it is very important for us to make sure that the promised objective of \$12 billion is met. A little like the United Way, we are proposing to make a thermometer with \$12 billion at the top, so that we can track the progress towards it every six months. I think that is the only way to make sure that our objectives are reached.

Mr. Thomas Mulcair: One last question, Mr. Lajeunesse, if I may. Who in the government mentioned an objective of \$12 billion?

Mr. Claude Lajeunesse: Minister MacKay indicated that it was possible to go after contracts worth \$12 billion dollars. We have also spoken to Lockheed Martin. We have had discussions with officials from the Department of National Defence. The figure seems to be recognized by them all.

Mr. Thomas Mulcair: If they are prepared to recognize it, why haven't you asked them to put it in writing?

Mr. Claude Lajeunesse: They indicated that it was the objective. As I mentioned, we want to make a kind of thermometer with \$12 billion at the top so that we can track our progress towards the objective, as a result of the innovation of our companies. Let's not forget that our companies will be able to benefit from their investment in this project by developing products, operating methods and so on.

• (1625)

Mr. Thomas Mulcair: Mr. Lajeunesse, there is no way you can make that statement because you have no guarantee.

Mr. Simonds, I would like to thank you for being here with us today and to tell you what an important request you are making on behalf of the volunteer firefighters of Canada. I have met you before, as well as the director of the fire prevention service for the city of Montreal. In Quebec and in Canada, the work of volunteer firefighters is often very dangerous. As their title implies, volunteer firefighters provide their time with no remuneration. In our opinion, what you are asking is achievable in the big picture of government expenses. In our business, we hear a lot of presentations. You have a way of explaining things that is so direct and straightforward that it is easy to follow you and provide you with support. You have ours.

Mr. Chair, if I have any time left, I am going to ask Mr. Gamble a question. I am going to ask him to reassure us.

Could he tell us whether his engineers' association accepts that fateful date of March 31, 2011, or whether they would like it to be flexible? If it becomes flexible, would he prefer it to be equally flexible for everyone, or just for the constituencies represented by government MPs?

[English]

Mr. John Gamble: To clarify, we don't see a long-term investment strategy and a stimulus program as being mutually exclusive.

In terms of the stimulus program being what it is, which was very clear to us, we accept the fact that there's a March 31 deadline,

because you have to pick a deadline. However, it's apparent and not entirely unexpected that there are great complexities in meeting these deadlines. We're saying we know the stimulus program is not going to be renewed, and we're not going to pick that battle. We are simply asking for some pragmatism. The whole point of flexibility is that it doesn't apply across the board. I believe the FCM is in agreement that if the municipalities created the situation themselves and simply didn't have their act together, that would be one thing. But there are a number of municipalities and a number of projects across the country that have a little bit of a challenge. In Saskatchewan there's been flooding, and sometimes there has been the environmental approvals regime.

The Chair: Thank you.

Thank you, Mr. Mulcair.

Colleagues, as you know, we have five motions here today. I'm going to ask the witnesses for their indulgence for about two minutes. My understanding is that we have agreement from members to have no debate and to go straight to votes on the five motions. We have four motions by Mr. Brison and one motion by Mr. Wallace.

I'm going to call the vote.

The first motion deals with the estimated costs of the F-35 aircraft.

All in favour of this motion?

(Motion agreed to [See *Minutes of Proceedings*])

The Chair: On the second motion, "that the Department of Finance provide committee with...adjustments to the fiscal framework to incorporate the costs of the Government of Canada's justice legislation."

All in favour of this motion? All opposed? It's unanimous.

(Motion agreed to [See *Minutes of Proceedings*])

The Chair: With respect to the third motion, "that the Department of Finance...provide...the cost of hosting the G-8 and G-20 summits."

All in favour? All opposed? That's unanimous.

(Motion agreed to [See *Minutes of Proceedings*])

The Chair: The fourth motion by Mr. Brison, that the Department of Finance provide costs of the "planned reduction of corporate tax rates."

All in favour of this motion? That's unanimous as well.

(Motion agreed to [See *Minutes of Proceedings*])

The Chair: The fifth motion is by Mr. Wallace, "The Committee requests that the Department of Finance provide [this] Committee with...adjustments to the fiscal framework to incorporate the costs of...legislation" with respect to a number of private members' bills.

All those in favour?

Mr. Mike Wallace: Can I have a recorded vote on this, please?

The Chair: We'll have a recorded vote.

(Motion negatived: nays 6; yeas 5 [See *Minutes of Proceedings*])

The Chair: Thank you, colleagues, for doing that very quickly.

I apologize for that intervention, but we did have to deal with those motions today.

We'll now go back to members' questions.

Mr. Szabo, go ahead for five minutes, please.

• (1630)

Mr. Paul Szabo (Mississauga South, Lib.): Thank you.

For the electrical association, the estimate on the investments over the next 20 years is some \$230 billion. I thought the statement was very telling, and I agree with it very much, that it has to ensure that our infrastructure is maintained, new low carbon facilities are in place to meet growing demand, that Canadians continue to benefit from secure, safe, and reliable electricity.

Canadians want to hear this. I think they understand it's important that we make those investments. I tend to agree that the CCA route—recommendation one—would be certainly very helpful. Productive, good projects, etc., will certainly pay back the government many times over on that.

The energy storage grant, I'm not very familiar with. The regulatory reform—I'm a little concerned about that in the near term.

Could you briefly tell the committee what the energy storage program is?

Mr. Geoff Smith: Sure. I think in terms of linking those things and that investment in core infrastructure to not only continue to meet current demand but to reconfigure the electricity system for the vision of the future, which in many ways is the two-way grid and distributed generation, and integrating some of the renewables onto the grid, something like investment in the research in energy storage technology really is a key component to that. Essentially, whether it's electric vehicles or whether it's any sort of wind, solar, or whatnot, it has to... At this point our grid is the same as the one our grandparents built. In order to get to that point, this kind of investment is the Gordian knot, if you will. Energy storage really is the catalyst to get to that point. It really is a vision for the future, and there's good work being done elsewhere that we could highlight. It would be very important, I think. It would really do a lot for Canadian electricity.

Mr. Paul Szabo: I agree. Thank you, and continue to pursue it. I think you're going to get some support.

For the consulting engineers, this is probably the most significant revelation that I think the committee has had with regard to the underinvestment in infrastructure. This is not just "let's make some jobs and we'll have a defined period". We have an investment deficit. I was on the finance committee over ten years ago and the problem was mildly identified at that point, but it's gotten worse.

I have not seen the publication *Public Infrastructure Underinvestment: The Risk to Canada's Economic Growth*, but the title alone, "*The Risk to Canada's Economic Growth*"... Virtually every banking institution, every economic input we've had at this

committee, has said that we have to balance budgets. And you can't balance budgets without having sustained economic growth.

I want you to explain to the committee, as best you can, the consequences of underinvestment in this infrastructure.

Mr. John Gamble: The infrastructure underlies virtually every aspect of our lives—our roads, our water systems. You cannot go into a building—including this building—you cannot go into a factory that creates jobs, you cannot go into a car plant, you cannot go into a mine, you cannot go into a public school without infrastructure allowing those assets to exist, to provide their service to society, and to employ people. What we're concerned about is if we allow our infrastructure to erode...and by the way, if you average it all up, in lump sum, Canada's infrastructure on balance is at about 85% of its usable design life. It's not something you can fix immediately.

Here's the dilemma. You need to be fiscally sound to make these types of investments, but it's hard to become fiscally sound when your infrastructure is threatened. That's why we're appealing for a balanced plan. We know there's no quick fix. We recognize that the government has to be fiscally responsible in the management of its affairs. We think this actually adds to the urgency of having a long-term vision, compared to what we've seen for the last several decades of sporadic, intermittent infrastructure investment programs. I think we need to work in all three levels of government, the public and the private sectors, and I think we need to do some hard thinking about where we need to get to and maybe set a goal on the horizon—maybe that's 25 years, maybe that's 50 years. But we need to develop a long-term sustainable plan so that we can take a very rational approach. I think that's responsible to the taxpayers. I think it measures expectations.

We don't want to be trading off a structural fiscal deficit against a structural infrastructure deficit.

• (1635)

The Chair: Thirty seconds.

Mr. Paul Szabo: The estimate is that GDP is going to decline about 1.5% if we don't deal with it.

Mr. John Gamble: I have the title of the report here; it's *Public Infrastructure Underinvestment: The Risk to Canada's Economic Growth*. The report forecasts a drag, if we maintain the status quo, net of stimulus—that is, not including the stimulus, but just the status quo.... The stimulus did help; it didn't fix it, but it did help. They're looking at a drag of about 1.1% on the GDP; that's lost opportunity cost.

The Chair: Thank you.

Mr. Paul Szabo: Thank you.

[Translation]

The Chair: Your turn, Mr. Carrier.

Mr. Robert Carrier (Alfred-Pellan, BQ): Good afternoon, gentlemen. Welcome to this meeting of the committee.

I would particularly like to welcome Mr. Lajeunesse. I have been an engineer for about as long as he has. I am somewhat familiar with his career.

Mr. Claude Lajeunesse: We do not have the same colour of hair.

Mr. Robert Carrier: I just hide my grey hair.

On the subject of the economic benefits from the contracts that the government is currently handing out, you seem to be fairly confident, from the aerospace industry's point of view. Earlier, you were asked about the F-35 aircraft and you seem to be satisfied and happy with the direction the government is taking.

We at least have a text from you, which is important for us, and, in your second recommendation, a very eloquent one, you say:

AIAC recommends that government and industry work in partnership to develop, adopt and implement a cohesive and visionary defence industrial strategy...

The way in which that is written implies that a strategy does not exist at present. You continue with the words:

This strategy should align Canada's defence industrial capability and Canada's military needs; maintain other benefits to Canada and the defence sector...

Those are all fine intentions that I share and I feel that my party also shares, but they do not correspond to current government actions. Everything is uncertain still. All we see is contracts being given to a foreign company, an American one, and we are rushing after little scraps from that table.

I wonder about the extent to which you are able to influence the government to improve things when it comes to a real military defence plan.

Mr. Claude Lajeunesse: Mr. Chair, in terms of the F-35 aircraft, I would like to say that I see no reason why history will not repeat itself. The Canadian aerospace industry is the fifth largest in the world. It exports 80% of its annual production. For me, that guarantees both ability and innovation. It proves that we are able to compete with anyone, anywhere in the world.

With the possibility of getting up to \$12 billion in contracts as a result of the decision to purchase F-35 aircraft, and the ability to do so, I feel that our companies have proved that they can succeed. I am completely confident about that. In my presentation today, I mentioned developing an aerospace policy, including both aviation and space as well, since we can already chalk up some successes there.

The monthly magazine *Policy Options* published an article by Tom Flanagan this month entitled *Space: Punching Above Our Weight*. He discusses exactly these Canadian abilities and achievements in the area.

I think it is important to have a plan. If our government puts its words into action, our industries will certainly be there to provide support.

Mr. Robert Carrier: Thank you, Mr. Lajeunesse. We are going to put our faith in your determination when it comes to convincing the government to act on this. Having active pressure groups always helps us.

I have another question for the people from Canada's Venture Capital and Private Equity Association. I am not an expert in the

area. I am just a member of Parliament. In your document, you say that "Canadian VC investment is at a 14-year low". As a man in the street, I have a question. We have been told several times here that the Canadian economy is doing well compared to other economies, the United States, for instance, and that our control over our banks ensures that they perform well.

In your opinion, why is venture capital dropping? Financially and economically, things seem to be going well, so why are we so uncertain about the future?

• (1640)

[English]

The Chair: *Merci.*

I know that's a big question, but could we have as brief a response as possible?

Mr. McQueen.

Mr. Mark McQueen: Yes, Mr. Chairman. Canada's is a new industry relative to the United States'. They've been doing venture capital since the sixties, and it came to Canada in perhaps the late seventies or early eighties, so there's less time on the job.

Largely, institutional investors got into the sector in 1997 and 1998. They had one experience and it wasn't a good one: when the NASDAQ went from 6,000 to 2,000.

American investors who had been doing this since the sixties were able to go through a tremendous 25-year cycle in which venture capital returns beat every other asset class. So as a result, money has been pulled out of the system by the Canada Pension Plan, by OMERS, by Teachers', by the Caisse de dépôt, by bcIMC, and by AIMCo. If Canada's six largest pension plans have pulled out of the sector, there's less money to be in funds, which is less money into companies. It's that simple.

The Chair: Thank you.

We'll go to Ms. Block, please.

Mrs. Kelly Block (Saskatoon—Rosetown—Biggar, CPC): Thank you very much, Mr. Chair.

Welcome. I've certainly appreciated all of your presentations today.

My first question is for Chief Simonds.

I am a former mayor of a very small community with a volunteer firefighting department. I noted that in your executive summary you state, "Currently, most Volunteer Fire Departments are experiencing serious challenges in recruiting and retaining valuable members." It was my experience that often the issue was retaining members because they didn't often have the opportunity to use their skills. In a small rural community, often they were fighting field fires and working with their RMs.

One of the questions I have for you is on your first recommendation, which is that the grant would be given to all volunteer firefighters who provide at least 200 hours of service. That would not include the time they spend in training and keeping up those skills. Is that correct?

Mr. Robert Simonds: Mr. Chair, that's an excellent question. I thank Ms. Block for bringing that forward.

The compilation of that 200 hours includes emergency response, public education initiatives, training initiatives, and the care and maintenance of the equipment within the fire service. It is broad enough so that it catches the broad activities of the volunteers with respect to their contribution to the community.

Mrs. Kelly Block: Thank you.

My second question is for Mr. Smith.

As you are probably very aware, a large source of greenhouse gas emissions in Canada is road transportation, at nearly 30%, but the potential for reduction in kilometres travelled by Canadians is limited, obviously, because of our geography, our demographics, and often our urban design. While there is no silver bullet to reduce transportation emissions, one of the most talked about solutions in this area is electric vehicles.

I did have an opportunity this past summer to be in Israel and visit a Better Place. I saw the electric car and the infrastructure that might need to be put in place. I understand there is actually going to be a pilot project—I think it might be in Toronto or Ottawa—with a taxi service.

I guess my question for you is this: assuming that we would proceed with the development of electric vehicles in the next decade, what would be the impact on the electricity system in Canada?

Mr. Geoff Smith: Thank you. That's an excellent question.

I think it's an issue that our sector often wrestles with, and it's not out of reluctance. It's essentially the electrification of other sectors in order to be cleaner or more environmentally friendly, and transportation is obviously one, in reference to electric vehicles, that is at the top of that list. Initially in that sense, I think, if we are even going to do electric vehicles and whatnot, you have to look at the core issue of increased demand pretty much right out of the gate.

You have people like the Premier of Ontario speculating that 5% of all cars would be electric by 2020. On the other hand, you have recent comments that if 10% of the people in Toronto were to plug in a car after work, there could be some real challenges there. So it becomes an issue of addressing... Our core issue, which is the infrastructure challenge in this issue, primarily would be distribution and transmission systems.

Once you've gotten to that point, I think the question becomes one of how you make that work. It's an issue of technology. I would bring that back to the energy storage issue and our proposal for a grant program that I think would allow you to get to the point where you can then plug in cars and do all those things you would have to do to make it work. But essentially it would be in order to meet that demand with our core infrastructure challenge, and you can then go from there and figure it out.

• (1645)

Mrs. Kelly Block: Thank you.

The Chair: You have one minute.

Mrs. Kelly Block: One minute? Then my question is for Mr. Gamble or Ms. Grynol. I just want to ask a quick question.

You said that there are great complexities in meeting the deadlines that were set. I want to hear from your industry what the impacts of this stimulus fund were on your industry in terms of all of the projects that perhaps needed to have your services at the front end.

The Chair: Thank you.

We'll hear a very brief response.

Mr. John Gamble: It was certainly helpful to our industry. It was probably more helpful to the downstream industries, such as the construction, the trades, and the operating and maintenance people who operate the facilities.

While there were some complexities with it around the deadline, I would have to say in fairness to the government that on balance it was a successful program, given the scope the government had established for it. We're just hoping we can get you to look longer term at a more sustainable plan.

The Chair: Thank you.

We'll go to Mr. Pacetti, please.

Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.): Thank you, Mr. Chair.

Thank you to the witnesses for appearing.

Mr. Simonds, I'm not sure whether this question was asked. When I chaired this committee, we wrote a report on wanting to give the firemen this \$3,000 benefit or deduction, and the contingent issue with the Finance officials was how to calculate the 200 hours of service—would it be when you're in the firehouse playing cards?

I know I've asked this question before, but how do you plan to resolve this issue?

Mr. Robert Simonds: Mr. Chair, in anticipation of the interest of this committee and our parliamentarians, I can offer that we have a very robust method by which to monitor and to audit this function. We have our town and village councils and mayors, who have a responsibility with their fire chiefs to ensure that accurate record-keeping is maintained. They are further augmented by the roles and responsibilities of the provincial fire marshals and fire commissioners, who also have the ability to do audits.

Mr. Massimo Pacetti: So do you have something in mind whereby it will be pre-simplified and able to be verified? You know that you'll be audited more quickly than you'll be able to get a benefit. It could end up costing you more than the actual benefit.

Mr. Robert Simonds: An overarching consideration here is the requirement to maintain accurate logs with respect to workers' compensation. Whether you are participating in any of the core functions of the fire service—whether it be emergency response, public education, training, or what have you—it's an overwhelming responsibility of those fire chiefs to maintain these records for workers' compensation. That is one of the pillars of that responsibility, and it would satisfy this interest.

Mr. Massimo Pacetti: I don't mean to interrupt you, but we have limited time.

Are the logs or the records that you keep or plan to maintain going to be okay with the Finance officials, according to your discussion with Finance?

Mr. Robert Simonds: The Finance officials have been very open in our dialogue with them. They recognize the integrity of the fire service across the country and have every confidence that we will adhere to those requirements.

Mr. Massimo Pacetti: Great. Thanks.

[*Translation*]

Mr. Lajeunesse, you have mentioned the figure of \$12 billion several times today. Does that figure come directly from the amount of, I think, \$34 billion, or is it \$12 billion in economic spinoffs?

Mr. Claude Lajeunesse: The \$12 billion represents contracts that could be done here in Canada. We must remember the advantage of the program: Canadians, Canadian companies and their employees and so on will have access to the entire fleet, which is supposed to be 5,000 aircraft. That means that they will eventually have access to \$12 billion from a possible total of about \$350 billion. That is a share that Canada can easily get. Once again, I repeat that I am convinced of it. That is what our companies tell us.

• (1650)

Mr. Massimo Pacetti: It is \$12 billion out of \$305 billion.

Mr. Claude Lajeunesse: It is \$12 billion out of about \$300 billion.

Mr. Massimo Pacetti: What proportion of those \$12 billion could go to your members in Quebec?

Mr. Claude Lajeunesse: They will be competing against others like everyone else. I cannot tell you how it will be distributed. At the moment, I know that we say that about half the industry is in Quebec, but there are also competitors in British Columbia, in the Atlantic provinces, in Ontario and so on. The benefits could go to companies anywhere in the country.

Mr. Massimo Pacetti: Thank you.

[*English*]

Mr. McQueen, in your brief, you're asking that the research and development credit program be enhanced so that each dollar of qualifying expenses leads to \$1.50 in credit. How did you calculate that?

Mr. Mark McQueen: We're going to do that—

Mr. Massimo Pacetti: Is that not what is happening now?

Mr. Mark McQueen: No. If you are a company with 35 employees, and \$800,000 is going into your R and D credit application that's audited by your own auditor and then sent to CRA, you might get 90¢ on the dollar of that application, so that's \$720,000.

Our recommendation would be to send \$1.50 back, rather than send back that discount. So \$1.2 million would be the tax credit in that case, and it would go right back into hiring and growing the business.

Mr. Massimo Pacetti: Interesting.

Thank you, Mr. Chair.

The Chair: Thank you, Mr. Pacetti.

[*Translation*]

Your turn, Mr. Généreux.

Mr. Bernard Généreux (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, CPC): Thank you, Mr. Chair.

Thanks to all the witnesses for being here.

Mr. Lajeunesse, your first recommendation mentions three technology demonstration projects at \$40 million each. Can you tell us a little more about those projects? Have they already been determined? If so, what sectors are we talking about?

Mr. Claude Lajeunesse: The three projects have already been submitted to the government. One is on new, composite materials. It is absolutely essential to develop new materials so that aircraft can be made lighter and stronger, and can provide more safety for the passengers.

Another project deals with engine noise reduction. With the increase in air traffic and in the number of people who want to travel around the world, it may be necessary to increase the number of hours during which aircraft can use various airports. This is very important. In Europe, for example, noise conditions are very strict. So one of our projects is trying to improve the noise levels of aircraft.

The last project is quite interesting. It deals with hi-tech vision systems. These are applications that could be used in medicine, in climatology and so on.

Mr. Bernard Généreux: We know that research and development cost a great deal. An amount of \$40 million dollars each for projects such as you mentioned is not necessarily very high. Do the organizations that are going to conduct those research projects have access to other resources, such as research and development tax credits? I am sure that we all agree that \$40 million per project is not a huge sum.

Mr. Claude Lajeunesse: Mr. Chair, that is an excellent question. I should have mentioned that the sum is what we are asking the government for. The companies are investing at least the same amount. For example, with the Green Aviation Research and Development Network, the companies are putting in \$12 million so that their investment is equal to the government's.

Mr. Bernard Généreux: Mr. Simonds, I was a mayor for the last four years, up until last November, that is. Our municipality only had 5,000 people, and we also had difficulty recruiting volunteer firefighters. What led you to set the figure at 200 hours? It can vary considerably, when you consider small or medium municipalities. The municipality of which I was mayor was a medium-sized one, but, in my mind, it was small. We cannot compare ourselves to much larger cities. But it is often in the very small or medium-sized municipalities that you find the volunteers.

What led you to set the figure at 200 hours? What justified that choice for you?

•(1655)

[English]

Mr. Robert Simonds: As far as quantitatively trying to determine the optimum level, that came out of a recommendation from consultation with fire chiefs across the country. However, as previously indicated, in our dialogue with the finance department we indicated that we were absolutely open to having other thresholds so that we can recognize the invaluable contribution to those in smaller towns, villages, and so forth.

The commitment that the Canadian Association of Fire Chiefs makes to government is that we will work with the finance department to find that optimum solution. So whether it's at 200 hours or a variable of that, we will be mindful of that in our dialogue with the finance department. At this juncture it's about getting unanimity of mindset that this is the right thing to do for the Canadian fire service and for the safety and security of Canadians. That's where we're focused today.

[Translation]

Mr. Bernard Généreux: As in any area of personal commitment where people are giving their time, some give more than others. Would there not be variations? You are not suggesting that, to get the same \$3,000 amount, there should necessarily be a difference between people who contribute 800, 1,000 or 2,000 hours per year and those who contribute 200.

[English]

Mr. Robert Simonds: Certainly, that is a valid consideration. We recognize that in any organization, with the bell curve, you have those who are contributing much more than those who perhaps are not contributing as much. In our discussions with the senior officials from the finance department, we have spoken about a variety of considerations to recognize those graduated service provisions.

At this juncture, because we've been before government since 2003 with this, our sense of urgency is to get that recognition for the volunteer firefighters. And we have great flexibility in terms of how we can achieve that.

The Chair: Thank you.

I just have one clarification, and then we do have to change the panels. I was just asked to clarify, Mr. Lajeunesse, when you mentioned a \$12 billion figure. Is this a goal, is this assigned, and this was stated to you by whom? Who stated the \$12 billion figure?

Mr. Claude Lajeunesse: Minister MacKay and the employees within the Department of National Defence have all advanced that figure as a target that was absolutely reasonable and reachable.

The Chair: So it's a target. There is nothing written down and there is no—

Mr. Claude Lajeunesse: No. This is not a traditional IRB program. There is no guarantee of that. The only guarantee is the past, as I mentioned. The past is the guarantee of the future, and our company has exported 80% of its wares. It will continue to do that and it will be successful. It is the most innovative in the world.

The Chair: Okay. I thank you for that clarification.

I want to thank all of you for your presentations and your responses to our questions.

We do have to do a very quick turnover with the panels, so, colleagues, we will suspend for a couple of minutes and bring the next panel forward.

Thank you.

•

_____ (Pause) _____

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•(1700)

The Chair: I'll call the meeting to order again. I will ask colleagues and witnesses to please take their seats.

Just for members' information, and also for the information of our guests, unfortunately, we do have votes, at least three of them, at six o'clock. The bells will ring at 5:30 p.m. I'm hoping, if we get unanimous consent, that we can have the committee sit as close to 6 p.m. as possible, but we will be interrupted by votes at that time. I just want to make sure members are aware of that.

We have with us five organizations: the Canadian Manufacturers and Exporters, Option consommateurs, McGill University, 100th Anniversary Grey Cup Festival—some of you may have noticed the Grey Cup in the room—and we have the Centre for Feminist Research.

Thank you all for being with us here today.

We will start with Mr. Myers from the Canadian Manufacturers and Exporters. You each have five minutes maximum for an opening statement.

Dr. Jayson Myers (President and Chief Executive Officer, National Office, Canadian Manufacturers and Exporters): Thanks very much, Mr. Chairman.

You have a copy of our pre-budget submission. It recommends four major tax measures that we think would help to encourage investment in productive assets in research and development, new machinery and equipment, new technology, and workplace training, as well as a tax credit that we think would facilitate compliance with regulatory initiatives.

These are extremely important tax measures, we think, particularly for manufacturers and exporters, the leading sector in terms of productivity growth, the leading edge of competitiveness, the group that does 75% of our R and D and that brings 90% of our new products to market. Also, these are important tax measures for encouraging investment, innovation, productivity growth, and economic growth for the Canadian economy as a whole to sustain standards of living and to pay for all of the other social services and public services that Canadians expect and receive.

What I wanted to share with you today very quickly is the analysis upon which our recommendations are based in a series of graphs, one showing the track of business investment in R and D and business investment in new machinery and equipment, but the most important thing here are these graphs on page 2 of the handout.

This really shows the importance of cashflow for business. It's cashflow that drives R and D spending, and it's cashflow that drives investment in new technology. For me, as an economist, if you can see a relationship on a graph...you'd know that it's a very close relationship here, but it's also a very consistent relationship in that businesses and manufacturers in Canada spend a fairly consistent share of their cash in terms of new technology and R and D.

For public policy, if we are going to strengthen that performance, what we have to do is take measures to leave more money in the hands of the companies that are making these investments by boosting cashflow through tax measures that also increase the rate of return and make these investments more attractive. This is the analysis that stands behind our recommendations.

Both myself and Jean-Michel Laurin, who's accompanying me—Jean-Michel is our vice-president of global business issues—would be happy to answer any questions.

● (1705)

The Chair: Thank you very much for your presentation.

Now we have Option consommateurs.

[Translation]

Mr. Michel Arnold (Executive Director, Option consommateurs): Mr. Chair, ladies and gentlemen, I am the Executive Director of Option consommateurs. Today, I have with me Ms. Anu Bose, who looks after our Ottawa office.

I would like to thank you for giving us the opportunity to provide our observations and recommendations for the 2011 budget.

Option consommateurs is a not-for-profit association based in Montreal whose mission is to promote and defend the basic rights of consumers and ensure that they are respected. Each year, we meet hundreds of consumers for whom the direction of and the decisions made in the budget have very concrete implications. We have shared our recommendations with you in a brief we submitted last August. Today, we would like to present some of them to you.

[English]

Mrs. Anu Bose (Head, Ottawa Office, Option consommateurs): Our submission in August was based on more optimistic forecasts of recovery.

In his speech to the Windsor–Essex Chamber of Commerce, Bank of Canada Governor Mark Carney indicated that even though our recovery was far stronger than that of our G-7 peers, it was due largely to short-term recovery in housing and consumer spending and to the federal government's two-year stimulus program.

Consumer spending and government spending are not expected to provide the same degree of stimulus to the economy as before. The Conference Board of Canada recently reported that the consumer confidence index fell for the fourth straight month. Currently it is at 18.5 points below where it stood in January, when the recovery was stronger.

[Translation]

Mr. Michel Arnold: Canadian households are carrying an increasing amount of personal debt. Debt as a proportion of disposable income of Canadian households has reached a high of

146% in the first quarter of this year. This means that for every dollar earned, a Canadian household owes \$1.46. Meanwhile, the rate of personal bankruptcies has increased significantly. According to the latest report from the Certified General Accountants Association of Canada (CGA), it rose from 20.5 per 10,000 inhabitants in 1990 to 56.6 in 2010. Today, many families are afraid of being unable to repay their mortgages or to meet their other obligations. Obviously, this has an impact on their behaviour as consumers. Consumer spending accounts for more than 60% of Canada's GDP.

The same report by the CGA noted that households are increasingly using credit to buy the same quantity of durable goods and more likely to use credit to finance their current consumption. The situation of vulnerable consumers is more troubling. By this we mean the unemployed, working poor, single parent families, seniors and students.

In Canada, the recovery in employment is modest. According to Mr. Carney, if the country has regained all of the 400,000 jobs lost during the recession, this statistic should be interpreted with caution as often many of the jobs generated are part-time. Furthermore, well-paid jobs in manufacturing are now a thing of the past.

According to the demographics, an aging population will result in increased spending for health care, retirement benefits and other benefits for these citizens. Retirement incomes have been adversely affected by the economic downturn, even in the middle class seniors with savings. In addition, older workers have difficulty finding employment. The harmful effects of long-term unemployment on family dynamics are well known. According to Citizens for Public Justice, approximately 500,000 Canadians have exhausted their EI benefits without finding new work. The same source reports that food and shelter prices have increased faster than the overall consumer price index.

● (1710)

[English]

The Chair: You have one minute.

[Translation]

Mr. Michel Arnold: Option consommateurs is concerned about the widening social inequality in the country and, as a result, I would like to make a few recommendations for the budget.

The first recommendation is to eliminate the employment insurance waiting period and extend the benefit period to meet the changing nature of unemployment in Canada.

Then, our second recommendation is to convene a job creation summit with participation of all stakeholders, from provincial premiers to representatives of unemployed workers.

It is also important to rigorously assess all retraining programs for relevance to the job market and for value for money for taxpayers' dollars. Literacy, numeracy and financial literacy should be part of all retraining programs.

We propose increasing the maximum benefit payable under the GIS (guaranteed income supplement) program, to increase the GST credits and, finally, to use the powers given to the Minister of Finance to reduce the imbalance between large institutions and individuals by ensuring that issuers of credit cards increase minimum payments balances.

Of course, you'll find more recommendations in our submission, particularly on safeguarding and improving the health and safety of consumers, the terms and conditions for student loans, eliminating the problem of chronic underemployment among highly skilled immigrants.

I am now ready to answer your questions.

[English]

The Chair: *Merci beaucoup.*

We will go next to McGill University, please.

Mr. Vaughan Dowie (Executive Head of Public Affairs, McGill University): Mr. Chairman, members of the committee, my name is Vaughan Dowie. I'm the executive head of public affairs at McGill. I'm with Sandra Crocker, who's the assistant vice-principal for research at McGill.

You have our brief. I won't repeat everything that's in it. I just want to highlight a couple of themes.

[Translation]

We would like to acknowledge the government's positive action to support the excellence of Canada's universities, especially through programs such as the Vanier Canada Graduate Scholarships, the Canada Excellence Research Chairs and the Banting Postdoctoral Fellowships.

From 1998 to 2008, the number of full-time professors in Canada increased by 25% from 33,700 to 42,000. Since the proportion of full-time students has also increased by 40%, the student-professor ratio continues to grow.

We recognize the role played by the higher education sector in research in Canada. The Association of Universities and Colleges of Canada estimates the value of research at \$10 billion with 55 to 60% of research being funded through external sources, especially through McGill's contribution. According to a recent study by SECOR Group, McGill generates economic spinoffs of \$5.2 billion per year in the province. McGill has established a fruitful academic relationship with the industry, with companies like Bombardier, Saputo, AstraZeneca, and so on.

[English]

We have organized our brief around three themes, and I want to touch on those themes very briefly, because I know your time is limited.

The first is a theme that will probably be familiar to members of the committee who have been here year after year: the question of

the indirect cost of research. We both support the direct costs of research through the various granting bodies, as well as organizations like the CFI and Genome Canada, and also the need to finance university research by having an equitable formula for the indirect costs of research. Our brief deals with that, and we're more than willing to answer questions about it.

The second is the question of the support for people. There have been a number of very, very interesting and exciting programs that the Government of Canada has announced recently, such as the Vanier scholarships, the Banting post-doctoral fellowships program, and the Canadian graduate scholarship program. Many of these have very short windows with a sunset clause, and we'd like to ask the finance committee to examine the extension of these programs.

In the end, as you know and have no doubt been told many times, graduate students will form the backbone of the workforce of tomorrow in Canada, especially in the knowledge economy. So the gestures that have been posed up to now, or that have been taken up to now, are well appreciated by Canadian universities, but we need to make sure those programs don't end, that they continue into the future.

I want to talk a little bit about supporting international and sectoral research collaborations. Innovation leadership of Canada and the ability to recruit and retain talent depend on successful collaborations in strategic areas with leading researchers and scholars in international research networks. Areas such as energy, green technology, digital media, e-health, nano technology are all critical areas for investment.

Innovation regions bring together leaders from different sectors—government, university, industry, and not-for-profits—leveraging the financial and human resources and the know-how from people of each sector. While universities have talents and facilities to play a leading role in establishing international research collaborations, federal government support is critical to developing, sustaining, and maintaining these collaborations.

Building these partnerships requires early stage investment and partnership development, an investment that is crucial to continuing selectivity partnered with the best institutions in the world. We need to be able to support these initiatives and investments.

Overall we applaud the investments to date and we encourage instruments to be put in place that will remain in place. We need flexible instruments around international collaboration that are able to react quickly to opportunities that arise both inter-institutionally and internationally. We urge the committee to look at these.

We're more than willing to answer any questions you may have.

● (1715)

The Chair: Thank you very much for your presentation.

We'll now hear from the Canadian Football League, 100th Anniversary Grey Cup Festival.

I notice we have something in the room here that's quite prominent.

Mr. Mark Cohon (Commissioner, Canadian Football League, 100th Anniversary Grey Cup Festival): You cannot take a drink out of it.

Mr. Chris Rudge (Chairman and Chief Executive Officer, 100th Anniversary Grey Cup Festival): It will be available for photo-ops later.

Thank you, Mr. Chairman, committee members, ladies and gentlemen.

[Translation]

We are here today to represent the Canadian Football League and the 100th Grey Cup Festival Committee.

[English]

My name is Chris Rudge and I chair that committee. I've just finished seven years as the chief executive officer of the Canadian Olympic Committee and chairman of the Own the Podium program.

We'll conclude our short presentation today with a few words from Mark Cohon, the commissioner of the CFL.

[Translation]

But first, you will hear from Pierre Vercheval, often seen as the face of football in Quebec and former all-star offensive lineman for the Montreal Alouettes, who is now a commentator on the RDS channel, and

[English]

Michael "Pinball" Clemons, a former all-star running back and head coach of the Toronto Argonauts and a prominent businessman and community leader.

Michael Clemons.

Mr. Michael Clemons (Representative, 100th Anniversary Grey Cup Festival): Thank you. *Merci beaucoup.*

As Mr. Rudge said, I am a proud Canadian by choice. Like so many of us, I wasn't born here, but I belong here. I belong in Canada because this is where I was greeted with love and given an opportunity. I belong to Canada because this is where my family and I feel the desire and obligation to serve our community and in that way humbly do our part to build this great nation.

The sense of belonging is what comes from the Grey Cup. It is about all Canadians. Nothing brings Canadians together year after year, decade after decade, quite like the Grey Cup. Prime Minister Diefenbaker suggested that it was Canada's greatest unifying force. It is more than a football game, though; it is a cultural phenomenon, one that is distinctly and intensely and proudly ours.

Thousands make a pilgrimage each year to the host city from every region of our country, and millions join them in spirit via television. They watch a championship football game, of course, but what they are really championing is Canada, the idea that we have our own game and our own league, but more important, our own

traditions, history, and culture, our own story, our own sense of belonging to something big and special and unique, and that's Canada.

The 100th Grey Cup in 2012 is a truly historic opportunity to celebrate this sense of belonging and in doing that help build a stronger, prouder, and more united Canada. Our mission is to make the 100th Grey Cup a truly national celebration, with events spanning the entire year in every region of our country and culminating in the biggest and best festival ever.

The Vancouver Olympics reinforced for us a lesson taught annually by the Grey Cup: that when you combine sport and culture and passion, well, you have a recipe for national pride and unity. The Own the Podium concept transcended sport and became an audacious expression of belief in ourselves.

Celebrating the Grey Cup has the potential to convey the same sort of strength, the kind of strength that enables a country to overcome challenges and seize opportunities, that empowers a country to take on the world—

• (1720)

The Chair: You have one minute.

Mr. Michael Clemons: —and win.

We need your help and support to make the 100th Grey Cup a national cultural celebration that includes and inspires Canadians from the Atlantic to the Pacific.

The Chair: I hate to cut off a lineman, but you have 30 seconds. It's given to each organization, so I have to be fair to each organization. So however you want to finish your 30 seconds....

Mr. Mark Cohon: Maybe I'll try to summarize.

I will never follow Pinball Clemons again.

Just to summarize really what this is all about, and to thank members of the committee, as the commissioner of the Canadian Football League, I have the opportunity to talk to thousands of Canadians across this country, and when you talk about the Grey Cup, they are very passionate about what that means to Canadians.

It was interesting that two years ago, when Ipsos-Reid, the Dominion Institute, and the *Globe and Mail* asked Canadians, "Since the birth of our nation, what are the defining events?", Canadians said Confederation, they said World War I, World War II, the Battle of Vimy Ridge—and the Grey Cup was number seven. That just brings home to all of us what this means and how important it is to our country. That's why we want to celebrate it in the way that the 100th Grey Cup really deserves.

The Chair: Okay, thank you.

We'll hear next from our final presenter, the Centre for Feminist Research. You have your five-minute opening statement.

Mrs. Barbara Cameron (Associate Professor, York University, Centre for Feminist Research): Thank you. We're sharing five minutes, so I'll be quick.

We are asking the committee to think about the budget in terms of the values that are behind it. We are putting forward, I think, a different set of values than perhaps you've heard from many of the other presenters.

We want to remind the committee that Canada has commitments to human rights, and these human rights commitments are in our Constitution: a commitment of the government and the Parliament of Canada to equal opportunity. We have a set of values that we've committed ourselves to in international human rights agreements.

What we tried to do in our presentation is bring the attention of the committee to what is an initiative internationally to link budgets to the commitments that we have made under international law to human rights. We highlight, in particular, a commitment to an adequate standard of living and the principle that there should be the maximum utilization of resources that a society has to meet those obligations.

This human rights value should inform decisions whether or not we're talking about stimulus spending or cuts because that's where the value decisions come in: what you cut, how resources are allocated. We invite the committee to engage with us on this.

I want to hand over the microphone to Professor Kathleen Lahey.
• (1725)

The Chair: You have three minutes.

Professor Kathleen Lahey (Faculty of Law, Queens University, Centre for Feminist Research): Thank you.

Just to remind members of the committee, Canada has been in the forefront for several decades in the implementation of a tool, a technique of budget and policy analysis, known as gender-based analysis or gender budgeting. As a result of a number of important developments taking place at the level of the federal government over the last several years, Canada is now in a position where the Privy Council Office, Treasury Board, and the Department of Finance have all agreed to implement their own action plans to carry on gender-based analysis of all matters relevant to the federal government. On October 6, 2009, the government released its action plan.

We have some very specific requests to make of this committee in anticipation of its role in implementing this very important program.

First, we would like to request that the committee itself make plans to undergo its own gender-based analysis training with Status of Women Canada or with whatever resources seem appropriate for that; second, to include an explicit gender-based analysis in all of your recommendations coming out of your pre-budget consultations; and third, to bring the Feminist Centre for Research back when you review the 2011 budget so that we can share our own impressions. In order to give you a sense of the kind of methodology that's involved in this, we have provided some additional materials relating to Budget 2010 that illustrate how a gender-based perspective on federal government spending would be carried out, both on the macro level and at the program level. I think it is a very revealing document.

I invite questions, if anyone has any, during the discussion afterwards. Thank you.

The Chair: Thank you very much for your presentation.

Colleagues, the bells will start ringing in about two minutes, and I'm just going to ask now for unanimous consent to at least do one round for each party prior to the vote. Six-minute rounds? Five-minute rounds? Okay?

Mr. Pacetti, please.

Mr. Massimo Pacetti: Thank you, *monsieur le président*.

Merci aux témoins for being here today.

I don't want to underplay the witnesses who are here. I know they've worked hard to be here.

I sympathize with Ms. Lahey and Ms. Cameron. When it comes to gender, I think the Liberal Party has stated that it believes there should be gender analysis based on any program the federal government comes out with. At McGill, I've spoken to your group on many occasions, and I think we're also in favour of increasing the indirect costs.... We've had a group here this week in terms of trying to get more international students, so I think we're all in favour of that.

Mr. Myers, I think we've spoken to you.

[*Translation*]

Mrs. Bose and Mr. Arnold, you have already appeared before the committee on a number of occasions to address various issues.

This will only happen once in my lifetime,

[*English*]

so I have to ask my question to the Grey Cup people. It's an honour, but I guess the question is actually quite easy: why do we have to give you guys some money?

I don't think you put it on the record, but I think you have a recommendation requesting some help for your 100th anniversary. I don't know if you want to put on the record what your request is, but I can just read it quickly. I'll do it for you—how's that?—because I have it right here. You're recommending the support of “a recommendation of \$12 million in the 2011 Budget to support the pan-Canadian celebration of the 100th Grey Cup culminating in the game and festival in Toronto in November 2012”.

There are certain programs available. My colleague, Mr. Brison, was telling me that there was some money available in the marquee fund. We have some money available for festivals. Have you approached anybody in the Government of Canada for money?

Again, could you also answer my question: why should we give you money when we have other groups around the table that also need money?

•(1730)

Mr. Mark Cohon: Sure. I'll give you some history in terms of our support from the federal government. We recently did our first regular season game in Moncton in the history of the CFL; ACOA was a part of that and supported it on the federal side. Minister Ashfield was a part of that, as was Minister MacKay when he was the minister for ACOA. We've also had multi-years of commitment from the government through the marquee tourism program. Last year, for the Grey Cup in Calgary, we were supported through the tourism program, and in addition we will be for the Grey Cup this year in Edmonton.

What we're really trying to create here is something different. The 100th Grey Cup only comes one time—

Mr. Massimo Pacetti: In your lifetime. I hope twice in my lifetime.

Voices: Oh, oh!

Mr. Mark Cohon: In my lifetime, yes.

It was amazing. I was in Montreal for the Grey Cup in 2008. A fan came up to me and said, "Commissioner, I've been coming to the Grey Cup for 20 years to see the landscape of this country." I said, "Well, what do you love? Which city do you love? Do you love the Rockies or the Pacific?" He said, "No, the human landscape."

If you have ever been to a Grey Cup, it is the one thing that defines us and unites us. I think we had a really powerful opportunity—and Chris was a part of this—at the Olympics when you saw that torch run go across this country, galvanize this country, and make us feel proud to be Canadians. The Grey Cup does that every year, but we have an opportunity to celebrate that even more with the 100th, and that's what we want to do.

Mr. Massimo Pacetti: So it's a nation-building type of event.

Mr. Mark Cohon: Absolutely, and when you think about what this league is, this league is about nation building. We're celebrating the 100th Grey Cup in 2012, but the first Grey Cup was in 1909. We didn't play the Grey Cup during the First World War out of respect to our troops. In the Second World War, the Grey Cup was won by military teams. It really is integrally linked to the culture of this country.

Mr. Massimo Pacetti: Go ahead, Mr. Rudge.

Mr. Chris Rudge: Mr. Member, certainly in my experience with the Olympic movement over the last seven years, the transformation of this country was astounding. The events in Vancouver, the impact the torch had, and the Own the Podium program have become part of the lexicon of discussion in this country for wanting to be the very best we can be. I think if we don't capture the opportunities that accrue to us from the experiences we had in Vancouver with this unique opportunity and what is annually the largest cultural festival we have in this country—

Mr. Massimo Pacetti: I agree that the Grey Cup has become a national symbol.

Mr. Mark Cohon: I have one further response to your question.

Similar to the Olympics, where you saw public-private partnerships, where RBC and Coca-Cola were involved with the tour of the torch, we will go to our league partners on an initiative like this. We

will go to RONA. We will go to Wendy's. We will go to Tim Hortons. We will go to iconic Canadian brands to support this as well.

Mr. Massimo Pacetti: That's great. Thank you.

[*Translation*]

The Chair: Mr. Paillé, the floor is yours.

Mr. Daniel Paillé: I love the Grey Cup, but I will not talk to you about Alain Côté's goal. Let's talk about something else since there are people here.

I would like to speak to the representatives from the Centre for Feminist Research. In the documents you have submitted and that are, in my opinion, very punchy, you bring up non-regression principles. On pages 3 and 4, you have a list of examples of regressive measures to be eliminated. I think it is one of the better ways to show the members of the Standing Committee on Finance, who sometimes want to add things to recommendations, that they should correct errors from the past. In line with that, I would like you to revisit the Bloc Québécois' budget recommendations from last year. Whole sections were filled with those types of recommendations.

I would like to mention that your paragraph on page 4 seems to me to be very straightforward. You summarize things very well. I will read it, if I may:

We urge the Standing Committee to incorporate into its report expenditure proposals in support of the national anti-poverty strategy, the national housing strategy, and the national child care strategy proposed in these bills.

So these three key elements—child care, housing and poverty—are basically at the heart of your recommendations. I am not sure whether you could add something to that in one minute.

•(1735)

[*English*]

Prof. Barbara Cameron: Your question is what importance do we attach to these...? These are bills that have had the support of the opposition parties in committee. We believe that since there are opposition members on this committee as a majority, that should be part of what goes into the making of the budget, which is to recognize that these flow from international commitments and they flow from the needs in Canada.

They have the support of the majority of members of the House, at least as reflected in the committee and in certain votes in the House. We believe they should be seen as priorities for financing by the standing committee.

[*Translation*]

Mr. Daniel Paillé: Thank you.

I would like to go back to the representatives from Option consommateurs. Your second recommendation reads as follows: "Ensure that future reviews of the viability of the CPP continue to be grounded in rigorous actuarial science". Is there any doubt in your mind? Otherwise, why would you ask a question like that? Is there something in government policies that leads you to believe that it might no longer be rigorous?

Mr. Michel Arnold: We actually recommend ensuring that studies are conducted in this manner because, naturally, since the situation is becoming more and more complex, there could be a tendency to have various interpretations. We believe that the current work is done well and must continue to be so. So our recommendation is in support of the current work.

Mr. Daniel Paillé: I have one minute left.

Mr. Laurin, in the graph your colleague mentioned, we can notice some sort of discrepancy between cash flow and investments. I see there is a lag between the increase in cash flow and the investment, which did not reach the same level. In order to clarify your graph, if we look at the discrepancies in 1995 and 1985, are we to believe that the same thing is happening in 2010 despite everything?

Mr. Jean-Michel Laurin (Vice-President, Global Business Policy, Canadian Manufacturers and Exporters): Could you tell me which graph you are referring to?

Mr. Daniel Paillé: It is the graph your colleague mentioned, the one on cash flow.

Mr. Jean-Michel Laurin: It is the one at the bottom. There is always a lag between when capital is available and when the company makes an investment. So that is one of the reasons why we ask that accelerated capital cost allowances be in place for a five-year period since there is always a delay between when we do the study and make the decision to invest and when the money is actually invested. Depending on the company, this lag period can range from a few months to a few years.

The Chair: Thank you, Mr. Paillé—

Mr. Daniel Paillé: Sir, I will take five seconds to say that, as MP for Hochelaga, I hope that the Grey Cup stays in Montreal.

[*English*]

The Chair: *Merci beaucoup.*

Ensuite, Mr. Wallace, please.

Mr. Mike Wallace: Thank you, Mr. Chair.

I want to thank the folks from the Grey Cup for coming. One of the thrills of my lifetime was flipping the coin at the eastern semi-final. My Ticats lost, but other than that it was a great game. I appreciate your coming.

I'm going to move on to the manufacturing organization. I just want to make sure that I have this right, and that you're on the record, that one of your recommendations is to follow through on the commitments to reduce the federal corporate income tax rate to 15%, to combine to 25% by 2012. That is your organization's position, to follow through on those tax cuts?

Just say yes or no. I don't have a lot of time.

Dr. Jayson Myers: Yes. It's a very important measure.

Mr. Mike Wallace: Thank you very much.

I have a question about refundability of tax credits for investments required for regulatory compliance.

For those who don't know, refundability means that if you paid tax or not, you get your money back.

So that's (a). But (b), you say "investments required for regulatory compliance", meaning legal requirements. For what type of investments are you looking for a refundability aspect?

Dr. Jayson Myers: I think if you look at a particular sector or set of regulations, such as new regulations for food product safety, companies have to make investments in new monitoring systems, inspection systems, IT systems. Many of these don't necessarily have

• (1740)

Mr. Mike Wallace: But aren't they tax deductions as an investment in their companies already?

Dr. Jayson Myers: Not if they're investments in equipment, where it's not necessarily clear that there would be a tax deduction. There would be a—

Mr. Mike Wallace: Expenses go against revenues, do they not, in a normal business transaction?

Dr. Jayson Myers: Not if it's an investment in a new set of equipment or technology where you have to depreciate that over a period of time.

Mr. Mike Wallace: Okay.

I'll share my time with my colleague.

The Chair: Three minutes.

Mrs. Kelly Block: Okay.

My questions are for Mr. Rudge and Mr. Cohon.

The 100th Grey Cup championship will certainly be a great reason for our nation to celebrate. I agree that there's tremendous potential for this to be a truly national celebration. So my question to you is this: knowing that a Grey Cup game with the Saskatchewan Roughriders playing—

Voices: Oh, oh!

Mrs. Kelly Block: —brings you the greatest chance of an exciting game and a successful event, what exactly will you do to ensure that the 100th Grey Cup will indeed be the game's greatest championship for our entire nation?

Mr. Mark Cohon: Well, if I answer that wearing green, I won't be in my role in 2012.

But thank you for your passion. There seems to be a lot of passion around the table for the Grey Cup.

We really want to turn this, as we said, into a national celebration. I think we've learned, through Chris and VANOC, the power of bringing the cup around the country. We're doing a lot of things with the military right now in our stadiums, honouring the military. We plan on bringing the cup over to Afghanistan again, for probably the second or third time. As we build up and we think about all this, we want to....

It's not about a festival, it's really about a celebration. There will be many different stops along the way to do that. It's not going to be just the CFL cities. It's also going to be Trois-Rivières. It's going to be Sherbrooke. It's going to be Saint John. It's going to be Fredericton. It's going to be Moose Jaw. It's going to be a whole bunch of other cities. When the 14 million people tune in to watch the Grey Cup, we want to bring the Grey Cup and make them feel like they're a part of it, because they always are.

Chris might want to add to that.

Mr. Chris Rudge: Certainly any game that has Saskatchewan in it will be a tremendous success.

As we pointed out earlier, we want to make this a truly national celebration, beyond the football game itself. The football game itself is a catalyst to bring all of these other things together in the country.

Mrs. Kelly Block: Thank you.

[*Translation*]

The Chair: Mr. Généreux, it is your turn.

Mr. Bernard Généreux: Thank you, Mr. Chair.

I have a question for the representatives from Option consommateurs. You have 11 recommendations. Have you costed it out all your measures? If so, do you think that we will have to raise taxes to be able to afford all that?

Mr. Michel Arnold: Excuse me, but I don't think we need to increase taxes. In fact, some measures simply urge the government to create committees to study various things.

I also believe that providing people with the appropriate tools to balance their finances will also lead them to invest in the Canadian economy. This will offset the fact that the government has to invest in supporting Canadians who are most in need.

Mr. Bernard Généreux: We have just defeated a bill proposed by the Bloc Québécois.

[*English*]

Is my turn over?

The Chair: Yes, sorry.

Mr. Allen, five minutes, please.

Mr. Malcolm Allen (Welland, NDP): Thank you, Mr. Chair.

I suppose I have to predispose myself to the fact that football means something different to me as a Glaswegian than it does to Mr. Clemons. Nonetheless, I did see the game in Calgary many years ago as a university student. I must admit it was quite the festival, but then I had friends who played in the college bowl and actually won twice in a row for the University of Western Ontario back in the 1970s. So I also saw those through a different prism, shall we say.

Let me talk to the folks from McGill for a moment. I talked to some students today about access to university, the debt they incur trying to stay at university, and the job they have when they go to university. I see them as workers who actually go to university as part of their job, in the sense that that's what they do, but they also have a secondary job, which is trying to keep themselves there, which means going out and actually working, in some cases almost full time to actually stay there.

From your perspective, are you seeing the same things that students are articulating to me? Do you have any sense of what we need to be doing in a budget that really takes care of—and I'm talking about undergraduates specifically here—the needs of undergraduates, so they can actually go to school, without coming out the other side with a debt load that's monstrous, or having to work in such a fashion at another job that it takes away from their abilities to be effective when they're actually attending school?

● (1745)

Mr. Vaughan Dowie: I'll take a stab at this.

Part of this is a federal-provincial issue. By and large, undergraduate education and the education part of the university role is really part of a provincial jurisdiction. We could talk about tuition policy, and we talk about it a lot in Quebec, about the pros and cons of tuition, and how tuition should be looked at, whether or not tuition in the end, at the end of the exercise, is a debt, or whether or not tuition at the end of the exercise is an investment that then gets repaid over time. In Quebec, we're in a kind of special place in the tuition discussion, and the debate is an ongoing one.

What could there be? We look a lot to the federal government in terms of support at the graduate student level. I know that's not the thrust of your question, but there are a number of programs the federal government has rolled out nationally that have had, really, a very important role in terms of supporting graduate students. I mentioned them a little bit in the presentation, and our brief does, too: the Vaniers, the CGS, whatever.

There have been efforts by the Government of Canada in the area of millennium scholarships, for instance, which was one of the areas where undergraduates were touched. That requires a certain amount of federal-provincial coordination. Another way to try to put money in the hands of undergraduates is through a scholarship model like the millennium scholarship model, to the extent that you were able to get the cooperation of the provincial governments. This then becomes, really, a unified exercise and not an exercise that will lead to problems.

Mr. Malcolm Allen: Thank you.

Go ahead.

Mrs. Sandra Crocker (Assistant Vice-Principal, Research and International Affairs, McGill University): Just to pick up on that, in response to that, on a slightly different tack, there are a number of federal programs that are very effective in supporting our undergraduate students, to ensure they have research experience over the summer, so that they're actually working on research, laboratory-based research mostly, or working toward a thesis paper, as well as getting paid for the summer work.

We have programs through some of the federal granting councils and the national centres of excellence that are very effective and are the kinds of things that are very supportive, including work-term placements for undergraduate students.

I think that through our research experience we can continue to support even the undergraduate research experience as well as the graduate.

The Chair: You have one minute.

Mr. Malcolm Allen: Since there's only one minute left, I'll give Madam Bose or perhaps Monsieur Arnold that last minute to make your last pitch, since the time was limited. I apologize for that today.

Mrs. Anu Bose: I think our last pitch would be that it is well within the bounds of the government's duty of care to its citizens to take the advice of Senator Hugh Segal, who has said that the cost of poverty is borne by those who are not poor, and it is a quote that we put into our brief.

Investment in human capital is an investment and not an expenditure. I would ask members of this committee to think on this when they go home at night and to their constituencies.

Thank you.

The Chair: Thank you.

Thank you, Mr. Allen.

Colleagues, I'm going to push it. I know the whips are going to be upset with me, but I'm going to allow three more very brief rounds of two minutes each.

We'll have Mr. Brison and Monsieur Paillé, and then I'll take a two-minute round.

Hon. Scott Brison: Thank you.

My question is for the manufacturers association. When the government announced the 5% increase to EI premiums, Mr. Myers, you said that the increase on EI premiums would have a negative impact on manufacturers' cashflow and competitiveness. The CFIB has estimated a job loss of around 58,000. How many jobs will be lost in Canadian manufacturing as a result of the increase?

Dr. Jayson Myers: I really can't say. We haven't done that calculation, but I think right now for companies—and many of them are really having a hard time surviving—any increase in payroll taxes, any increase in tax costs that would be borne by this sector, is going to have a negative impact on not only employment growth but also jobs.

Hon. Scott Brison: I agree with you regarding the importance of a competitive corporate tax rate, but I think there's a big difference between cutting corporate tax rates when we're in surplus, which is what the Liberal government did, and cutting them on borrowed money in a deficit. I think your members would appreciate that difference as well.

You also said that we need to come up with creative solutions to reduce business costs. One of the best ways we could reduce your members' business costs is to cut their energy costs and energy consumption. What are the types of investment that a government can make to help you and your members cut energy consumption and their carbon footprint and the costs that are taking away from their bottom line?

• (1750)

The Chair: Go ahead, very briefly.

Dr. Jayson Myers: If you look at the progress that manufacturers have made already—and they've achieved a 9% reduction of greenhouse gas emissions since 1990—it's all been based on the investments they've been making in new technology and capital turnover. That's why our recommendations, particularly to extend the

two-year writeoff for a period of at least five years, provide to especially the large capitalized energy-intensive sectors the incentive they need to make these investments to reduce emissions.

The Chair: Thank you.

[*Translation*]

Mr. Paillé, go ahead.

Mr. Daniel Paillé: I will be quick.

My comment is for the representatives from McGill. You must have surely heard about the bill in which the Conservative government wanted to set a \$250,000 limit on the income of those working in charities. If it is more than that, they could not issue tax receipts. Could you tell me your opinion on this somewhat silly bill?

Mr. Vaughan Dowie: I think you are talking about Bill C-470. Canadian universities say unanimously that this bill should not apply to universities. Universities have staff and top researchers who sometimes make more than \$250,000. We are making representations to the four political parties so that everyone is aware of our situation.

Mr. Daniel Paillé: I hope the government will listen.

Thank you, that's all.

[*English*]

The Chair: *Merci.*

I'm just going to take a couple of minutes here. I should point out that the private member's bill was introduced by a member of the opposition, but we will be hearing...and we will expect, obviously, to have people back.

I have two items.

First of all, McGill University, I appreciate your comments about the Vanier scholarships and the Canada research chairs. I appreciate your advice with respect to the granting councils. I did want you to address the indirect costs of research in terms of...my feeling was that it was a percentage, usually about 40%. Is that just on research going forward, or are you recommending it apply retroactively?

I'm going to pose my second question now, in the interests of time.

Mr. Myers, you talked about cashflow drives and investments for companies. What is the best measure for cashflow? Is that the accelerated capital cost allowance that you and I have worked on in the past, or would you identify another measure there?

I'll have McGill answer first and then CME.

Mrs. Sandra Crocker: We recognize the challenges in going backwards in time and looking at any kind of fiscal policies, so the recommendation is for go-forward funds.

The Chair: And it would be 40%?

Mrs. Sandra Crocker: That's the current recommendation.

The Chair: Okay, thank you.

Mr. Myers.

Dr. Jayson Myers: If you're looking at cashflow driving investment in R and D and in machinery and equipment—and there's a very close relationship—the most effective tax measure would actually be a refundable tax credit.

The Chair: For R and D?

Dr. Jayson Myers: For R and D, but also for investment in new technology.

The Chair: And for workers as well.

Dr. Jayson Myers: However, that comes at a cost. The accelerated cost allowance, right now, has been a very fundamental measure in boosting investment in manufacturing above what it

would be. It would be our recommendation to continue that accelerated CCA.

The Chair: Okay.

Again, I want to apologize to all the witnesses. These were unscheduled votes. We are trying to hear from as many witnesses as possible. I do apologize for the votes interrupting the committee. We appreciate your being here—your presentations to us and your responses to our questions. If there's anything further you would like the committee to consider, please submit that to the clerk and we will ensure that all members get it.

Thank you very much.

The meeting is adjourned.

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