

### **C. Graduate Students**

Recognizing the higher cost and duration of certain graduate programs, such as medicine, witnesses advocated an *increase in the weekly lifetime limit* for student loans, in the absence of which students might seek financing from the private sector, which may be relatively more costly for a variety of reasons. A number of witnesses noted that Canada Graduate Scholarship funding has lagged graduate school enrolment, and argued that this issue should be addressed. They supported making Canada Graduate Scholarships *permanent* and *increasing the funding*. Finally, a rebalancing of the number of graduate scholarships for students in the *humanities and social sciences* was urged.

### **D. Aboriginal Education**

According to witnesses, post-secondary education for Aboriginal Canadians needs more support in order to reduce socioeconomic disparities between *non-Aboriginal and Aboriginal Canadians*. In arguing that funding for Indian and Northern Affairs Canada's *Post-Secondary Student Support Program (PSSSP)* should reflect the increasing demand from eligible students and the increased cost of post-secondary education, witnesses advocated *removal of the cap* on funding increases to the PSSSP as well as *increased funding* of the program. Witnesses also requested that *Métis and non-Status First Nations* be eligible for this program.

A number of witnesses requested additional *financial support* for Aboriginal students, post-secondary programs and services that support Aboriginal students, as well as a pilot project that would fund partnerships between post-secondary institutions and Aboriginal communities to help raise public school graduation rates.

### **E. Other Issues**

A variety of other student-related proposals were presented to the Committee, including: continuation of the *Canada Summer Jobs* program; creation of a *national work study program* to help post-secondary students find work and obtain career-related experience; funding to promote Canada's post-secondary institutions to *foreign students*; creation of a *tax credit* for the purchase of learning materials; and a *renewed mandate* for, and *funding* of, the Canadian Council of Learning and the Canada Millennium Scholarship Foundation.

## **COMMITTEE RECOMMENDATIONS**

In order to position them and the country for future prosperity, the Committee feels that students—whether children, youth, teenagers or adult learners—need to be supported in their studies and in their transition to employment. While federal support currently exists in the form of transfers to the provinces and territories, as well as a variety of tax and program spending measures, we believe that additional assistance would be desirable, particularly for graduates to locate in areas of the country that may have difficulties in recruiting and retaining employees. Thus, the Committee recommends that:

**The federal government create a refundable tax credit for new graduates. The proposed tax credit should be available to those who move to designated regions and engage in employment in their field of study.**

### **III. WORKERS IN AND OUT OF THE LABOUR MARKET**

Like the businesses for which they work, employees are critical to the nation's prosperity, and their efforts will be instrumental in helping the Canadian economy continue its recovery. In order to be fully productive and efficient workers, employees need to be trained and compensated adequately. They also need to have some assurance that they will be able to support themselves and their family in the event that they lose their job. As well, work incentives are affected by the design of a nation's tax system.

Moreover, the labour market contributions of Canada's immigrants are enhanced by settlement and integration programs, as well as by recognition of their foreign credentials, while the contributions of those with a disability or a chronic disease occur best where required supports are given and accommodations are made. Finally, those who are not in the labour market make contributions to the nation through community, charitable and other involvements.

#### **WITNESS VIEWS**

Witnesses spoke to the Committee about a number of issues affecting employees at this time, including employment insurance, job training, job creation, the personal taxation system, accommodations for those with a disability or chronic disease, and recognition of foreign credentials, among others. They also discussed supports for those who are not involved in paid employment.

##### **A. Employment Insurance**

A number of the Committee's witnesses spoke about the Employment Insurance (EI) program. Some proposals were general in nature, such as the need for reform and simplification of the program, while others were quite specific. In highlighting what they considered to be some of the inadequacies of the current program, and with a view to enhancing the program for those who are unemployed and to making it available to more individuals, witnesses recommended changes to several of the design features of the EI program.

In respect of EI *eligibility and benefit amounts*, witnesses recommended that the federal government: reduce the entrance requirement, with some proposing a uniform number of hours of work regardless of area of residence and others suggesting a somewhat higher number than that proposed wherever the unemployment rate is 10% or less; ensure that benefits are available in all regions for a longer period of time; calculate weekly benefits on the basis of fewer of the best weeks of insurable earnings prior to a layoff; implement a higher replacement rate; eliminate variable benefit rates for part-time employees; give extended benefits on an emergency basis or provide an additional year of

**The federal government, in respect of both health and education, protect transfers to the provinces and territories.**

**Moreover, while recognizing the jurisdiction of the provinces and territories, the government should help to ensure that all elements of preventative programs designed to improve the health outcomes of Canadians are adequately funded. In particular, the government should continue to promote health prevention, physical fitness and amateur sports through renewed and increased support for initiatives such as Own the Podium and ParticipACTION.**

**Finally, consistent with the jurisdiction of the provinces and territories, the government should invest in health human resources, in particular to ensure access to doctors and nurses in Canadian communities and hospitals where they are most needed.**

## **VI. EDUCATION**

Education is a priority for Canada's federal, provincial and territorial governments and for Canada's citizens. According to the Organization for Economic Co-operation and Development (OECD), in 2006, Canada placed among the top five OECD countries with respect to post-secondary education expenditures. Additionally, in 2007, Canada was tied with Korea as the top-ranked OECD country with respect to the proportion of the population aged 25 to 34 years with a post-secondary education.

### **WITNESS VIEWS**

Witnesses discussed a variety of issues related to post-secondary education. In general, their comments were focused on affordability, accountability, the nature and amount of funding to the provinces and territories for post-secondary education, infrastructure for post-secondary education institutions, equity among post-secondary institutions and graduate students.

#### **A. A Post-Secondary Education Act**

In noting that the level of federal funds for post-secondary education through the Canada Social Transfer (CST) is currently below the 1992 level after adjusting for population growth and inflation, a number of the Committee's witnesses recommended that *funds allocated to the CST* be increased. They also suggested that the CST should be formally *divided into two portions*, one for social services and the other for post-secondary education. According to them, a *post-secondary education act*, modelled on the *Canada Health Act*, should be implemented in order to guarantee federal funding to the provinces and territories, establish a national strategy for post-secondary education and assure a minimum level of post-secondary education service delivery by the provinces and territories. Furthermore, the Committee was told that, under this proposal, increased funding to the CST dedicated to post-secondary education could be used to lower tuition costs for students and improve the infrastructure at post-secondary institutions. It was also

argued that CST funds for post-secondary education should be directed exclusively to *public not-for-profit educational institutions*.

## **B. Infrastructure at Post-Secondary Institutions**

In supporting the *Knowledge Infrastructure Program (KIP)*, a number of the Committee's witnesses recommended that the program continue to be funded at its current level until 2014-2015. Some also proposed annual contributions over time, and stated that the government needs to make a substantial and long-run *investment* in post-secondary infrastructure.

## **C. Distribution of Post-Secondary Institution Funding**

Witnesses informed the Committee that Canada faces a skilled worker shortage that could be addressed through more *funding for colleges*. In their view, there is a funding disparity between colleges and universities, and government financial support—especially research funding—is directed disproportionately to universities at the expense of colleges.

Additionally, the Committee was told that current *post-secondary funding arrangements*—such as granting councils, research chairs, scholarships, loans and infrastructure programs—disproportionately help well-endowed post-secondary institutions and regions at the expense of others. An *increase* in the CST dedicated to post-secondary education or a more *equitable distribution* of targeted funds to specific regions and institutions were seen as options for addressing these issues. Similarly, witnesses also asked for *KIP funds* to be shared equitably among colleges and universities.

A number of witnesses requested more funding for *specific institutions* and for *artistic programs*, programs *targeted* to Aboriginal Canadians, infrastructure, operations, information and communication technologies, research and development, and faculty. They also informed the Committee that *particular disciplines*, such as those in the humanities and social sciences, are underfunded in relation to student demand.

## **D. Graduates and Government Programs**

With a focus on informing post-secondary education graduates and young entrepreneurs about government programs available to small and start-up businesses, the Committee was told that the government should encourage the Canada Small Business Financing Program, the Business Development Bank of Canada, the Small Business Finance Centre and the Canadian Youth Business Foundation to provide *seminars* to these graduates and young entrepreneurs. In addition, or alternatively, Industry Canada could provide a *model curricula* for students and entrepreneurial graduates.

## **E. Information on Education**

In respect of information on education, witnesses encouraged the government to construct a comprehensive national *dataset* on research, productivity, the labour market and post-secondary education to improve accountability and to facilitate comparisons

among the provinces and territories, as well as against other countries and jurisdictions. The Committee was told that a *learning information platform* should be created for the sharing of local and national information with users. Furthermore, it was recommended that the government fund *surveys* related to post-secondary education.

## **F. Other Issues**

Witnesses also made a variety of other suggestions related to education, and urged the government to: address the education and training challenges faced by *Atlantic Canadians*; establish a nationally *integrated system of post-secondary learning* among tiers and across provinces and territories; utilize *technology* to the greatest extent possible for distance learning; reduce the *cost of distance learning* for students and institutions by subsidizing the purchase of computers and the price paid for high-speed internet access; and increase the *proportion of economic output spent on education*, with a certain proportion of that funding directed to adult education and literacy.

## **COMMITTEE RECOMMENDATIONS**

Earlier, the Committee expressed the view that healthy Canadians are better positioned to contribute to prosperity and sustainability. From a similar perspective, we believe that Canadians who are well- and adequately educated are in a better position to make the contributions needed to assure prosperity and sustainability for themselves and their family, their employers and community, and the nation. We also feel that our education system is stronger, educational outcomes are better, and everyone benefits, if foreign students are welcomed into our education system and Canadian educational institutions have a foreign presence. For this reason, the Committee recommends that:

**The federal government, in partnership with the provinces and territories, explore the development of a national strategy to promote greater emphasis on Canadian education services exports.**

## COMMITTEE RECOMMENDATIONS

In the Committee's opinion, financing is critical for organizational success: businesses must be able to access adequate capital when they need it, and the financing must be available at a cost that is affordable. We are aware that, during the global financial and economic crisis, a number of Canadian businesses had trouble accessing an adequate supply of reasonably priced financing; while this situation was new for some businesses, it was the continuation of a problem for others. In our view, the federal government has a role to play in ensuring that businesses can access the tools that they need, including financing, in order that they are positioned for future prosperity. Consequently, the Committee recommends that:

**The federal government work with the venture capital industry to identify new sources of financing and examine the effectiveness of existing tax incentives related to financing. Moreover, the government should review the feasibility of increases to the Labour-sponsored funds tax credit to 20% of eligible investments, to a maximum eligible investment of \$20,000.**

## II. RESEARCH, DEVELOPMENT AND COMMERCIALIZATION

The "knowledge industry" plays an important role in the discovery of solutions to current and future problems, and research and development efforts can lead to new goods and services, thereby providing consumers with more choices and business with greater prosperity. That being said, commercialization must occur in order to bring these new products to the domestic and international marketplaces.

### WITNESS VIEWS

Providing the goods and services that consumers want is critical if businesses are to maintain their competitiveness in the marketplace. Consequently, witnesses focused their comments and suggestions on existing and proposed federal programs that aid businesses wishing to develop and commercialize new goods and services. They also noted that the government could fund various scientific endeavours, and help protect new and existing creations through intellectual property laws.

#### A. Federal Research Programs and Tax Credits

Witnesses generally indicated that there is a need for government programs and incentives that foster entrepreneurship and investment at early stages of business development and growth in order to ensure global competitiveness and the identification of Canada as a desirable place to do business. In discussing the *Industrial Research Assistance Program* (IRAP), they suggested that funding for the program should be increased; depending on the witness, amounts from \$100 million to \$350 million annually were suggested. As well, it was proposed that the IRAP receive additional funding for third-party technical support and the hiring of recent graduates to develop export strategies, and that an IRAP commercialization fund, perhaps called the technology

acceleration program, be created. Moreover, the establishment of a three-year federal commercialization voucher program, administered through the IRAP, was suggested as a method by which small and medium-sized businesses could obtain inexpensive research, product testing, prototyping and other development services from a college, university or other research facility.

Witnesses also commented on the *Scientific Research and Experimental Development* (SR&ED) investment tax credit, and generally held the view that the reporting requirements for the credit should be streamlined in order to decrease administration costs for eligible small businesses and increase the use of the credit. In respect of the filing deadline related to mining investments, it was suggested that the proposed changes should not be implemented; instead, the Minister of National Revenue should have the discretion to extend the deadline. Witnesses were concerned about unclear eligibility requirements, which result in disputes with the Canada Revenue Agency (CRA) and delay the processing of claims. In their view, the CRA should share personnel with Industry Canada, the National Research Council Canada and the private sector in order to increase the technical knowledge within the CRA as well as to standardize eligibility throughout Canada for government grants and tax incentives. Witnesses also suggested that the program should be expanded to include expenses for social science research, research and development in a non-laboratory location, and resource conservation.

The Committee was told that the SR&ED investment tax credit is worth less to companies that do not earn sufficient income to utilize its full value, which may decrease the incentive to initiate research and development. Consequently, witnesses suggested that the SR&ED investment tax credit should be fully refundable in order to help businesses facing liquidity problems as well as to provide an increased incentive for private research in general and for collaboration with entities that have low taxable income, such as the not-for-profit research sector. In order to provide liquidity, it was also proposed that the government buy back investment tax credits from recipients. According to witnesses, the monetary restrictions on the refundable portion of the credit, the annual R&D expenditure limit and the taxable capital threshold should be increased; as well, eligible expenses should include equipment primarily used for research, fees associated with obtaining intellectual property protection and amounts paid to third parties to obtain the tax credit.

Witnesses also proposed the creation of a temporary “super-deduction” or a deduction that is greater than 100% of the value of eligible SR&ED expenses in order to provide increased liquidity for businesses by decreasing their tax payable. Moreover, they suggested that projects related to the storage of greenhouse gas emissions should be eligible for an investment tax credit that is similar in operation to the SR&ED investment tax credit, since they are not yet economically feasible.

Finally, witnesses noted that investments in *geo-science research*, such as geological data and maps, promote new exploration activity, and proposed that the government maintain a long-term commitment to the *Geo-mapping for Energy and*

*Minerals program*. As well, it was recommended that the federal government complete a *geo-mapping* of the country's energy and mineral resources.

## **B. Federal Granting Councils**

Witnesses spoke to the Committee about the three federal granting councils, and generally believed that the government should increase *funding* to the Canadian Institutes of Health Research (CIHR), the Natural Sciences and Engineering Research Council of Canada (NSERC) and the Social Sciences and Humanities Research Council of Canada, and ensure that all grants include funding for operating costs. The suggested amount of the increase ranged from 5% of current funding for all granting councils to increased funding for all basic and applied research to 3% of GDP; increased funding for grants in respect of applied research was also advocated.

Regarding the *operating costs* of grant recipients, it was recommended that the government increase support to the Indirect Costs Program, with a goal of eventually providing 40% of the value of indirect research costs. As well, in the view of witnesses, *grant applications* for the granting councils should require goals and milestones for eventual commercialization of the research. Furthermore, it was argued that the granting councils should issue grants for *general industrial design research*.

Finally, witnesses shared the view that granting council support for *post-doctoral researchers* is important for the creation of innovative business strategies and for new technologies. They suggested that the government should fund additional Canadian and foreign-born post-doctoral researchers.

## **C. Collaborative Research and Commercialization**

Witnesses supported increased funding for collaborative research financed by the granting councils and conducted jointly by educational institutions and businesses. Suggestions included increased support for the *NSERC College and Community Innovation Program*, for such *collaborative programs* as Genome Canada and the *CIHR Rx&D Collaborative Research Program*, and for the creation of a *framework to facilitate multijurisdictional collaborations*, such as the Canada-California Strategic Innovation Partnership.

Some witnesses believed that Canada does not support commercialization sufficiently, and proposed such solutions as: the creation of tax credits; an investment to develop *industry engagement opportunities* for Canada's universities; funding for *Sustainable Development Technology Canada* to provide additional investment support to businesses at the early stage of development and commercialization; federal matching funds for such *provincial commercialization initiatives* as the Ontario Emerging Technologies Fund; specific support for colleges to upgrade their facilities to include industry-standard equipment; additional support for *Western Economic Diversification Canada* to finance or co-finance large-scale research and commercialization with industry partners; *coordinated provincial, territorial and federal funding initiatives*; *integration of the IRAP with the NSERC Centres of Excellence* program; and the creation of a pan-



Canadian network of *centres for commercialization and technology transfer* that would provide technical assistance services, product testing, and training for company personnel and students.

Finally, to promote *entrepreneurship at the post-secondary level*, the Committee was told that the government should invest in Canadian universities so that they can develop and promote training programs that inspire the spirit of entrepreneurship in students, faculty and staff.

#### **D. Scientific Infrastructure**

A number of witnesses mentioned specific scientific infrastructure projects that should receive funding from the government to help defray *construction costs*, such as the Canadian Neutron Centre, a telescope funded jointly by Canada and the US, the McMaster Innovation Park and Canada's National Laboratory for Particle and Nuclear Physics (TRIUMF). As well, witnesses recommended that the government and the private sector work together to develop, adopt and implement a *long-term space plan* and a *defence industrial strategy*.

Witnesses also highlighted specific *government programs or government-supported entities* that should receive additional funding, and identified the need for new programs in certain disciplines, including the Canadian Foundation for Climate and Atmospheric Sciences, the Public Infrastructure Engineering Vulnerability Committee, the Canadian Foundation for Innovation, the NSERC Major Resources Support Program and the NSERC Discovery Grant program for basic research.

#### **E. Intellectual Property**

The Committee was informed that tax measures related to income from intellectual property should be created in order to increase research and development conducted in Canada. Suggestions included a *tax exemption for royalty income* earned on patented products developed in Canada and a *"super-deduction" for eligible research and development expenses*, with the federal government receiving a royalty for a period of time on marketable products and services developed after utilizing the deduction.

In light of concern over the relatively weak protection granted to name-brand pharmaceuticals and increased litigation by the generic pharmaceutical industry, it was argued that *regulatory changes* are needed in order to restore balance.

The Committee was also told that intellectual property protection should be *aligned with other jurisdictions*, and it was suggested that the new approval regime for drugs produced in animals should be consistent with other countries.

Finally, witnesses stated that intellectual property rights can promote innovation, and proposed that the government play a role in establishing a legal framework that vigorously protects *copyrights and trademarks*, and that strongly enforces *intellectual property laws* by preventing counterfeiting and piracy of intellectual property.

## COMMITTEE RECOMMENDATIONS

The Committee believes that an important element of a prosperous future is investment in the research and development as well as commercialization activities that will make Canada, its employees and its businesses world leaders. In the same way that students and workers are provided with incentives to acquire the leading-edge skills needed by businesses, educational institutions and corporations are provided with tax and spending measures designed to support research and development, both generally and in particular fields. However, in our view, the outcomes of research and development efforts must be commercialized, and the federal government has an enhanced role to play in this regard as well. Recognizing that research, development and commercialization must occur if the nation is to be positioned for prosperity and sustainability, the Committee recommends that:

**The federal government simplify the administration of the Scientific Research and Experimental Development investment tax credit, and expand the range of expenditures eligible for the credit to include, for example, the costs of patenting and training employees to work on innovative projects.**

**Moreover, consistent with the jurisdiction of the provinces and territories, the government should increase its support to research through federal granting councils and research agencies as well as for the indirect costs of research. As well, the government should encourage universities and colleges to partner in complementary areas of research and as well as commercialization of research.**

**Finally, the government should, recognizing the jurisdiction of the provinces and territories, create a specialized fund for medical research for children's health.**

## III. INCOME TAX AND FISCAL MEASURES

The *Income Tax Act* contains rules that govern the calculation of income and the amount of tax payable in a given taxation year. It also contains specific tax credits that can be used to reduce the tax payable for the taxation year, which may increase the working capital of businesses claiming the credit. Overall, through eligibility rules, tax credits may be targeted in order to provide an incentive for businesses to engage in certain types of activities or to provide tax relief for certain sectors or industries.

### WITNESS VIEWS

Witnesses generally believed that specific tax incentives related to the depreciation of income-generating property—known more generally as capital cost allowances—and to mining operations should be modernized in order to reflect new markets and technology in Canada and abroad. They also focused on overall business taxation and on eligible expenses.

**The federal government ensure that programs for Aboriginal Canadians are designed and delivered in a manner that addresses their health, education, housing, infrastructure, early childhood development and care, and other needs. These programs should respect their rights and governance concerns, be delivered consistent with the Canadian Constitution, be sufficiently flexible to meet their diverse needs, and permit funding allocations that reflect the relatively small population base as well as the size and geographically large and remote nature of their communities.**

**Moreover, the government should revise applicable programs and procedures within Health Canada's Non-Insured Health Benefits Program for First Nations and Inuit to allow independent dental hygienists to receive payment for the services provided to beneficiaries of these health benefits.**

**Finally, the government should reaffirm its commitment to the British Columbia treaty process, to timely implementation of the West Coast Fisheries Review, and to updated mandates for Canadian negotiators on specific issues hindering treaty completion.**

## **V. CHARITIES, VOLUNTEERISM AND FOREIGN AID**

Charities and volunteers make an invaluable contribution to our country, providing assistance to those in need as an alternative or supplement to government services. According to a recent report by Statistics Canada, in the 12-month period covered by a 2007 survey, 84% of the Canadian population aged 15 and over—about 23 million people—made a monetary donation to a charitable or other not-for-profit organization. Canadians donated \$10 billion in 2007, with religious organizations being the largest beneficiaries, followed by health organizations and social services organizations. Moreover, about 12.5 million Canadians—46% of the population aged 15 and over—volunteered during that same 12-month period, with almost 2.1 billion volunteer hours in 2007, often in order to organize or supervise events, raise funds, sit on committees or boards, and teach, educate or mentor. Finally, in 2008, Canada contributed US\$4.73 billion in Official Development Assistance.

### **WITNESS VIEWS**

The Committee's witnesses commented on a variety of issues related to charities, volunteerism and foreign aid, including the important role that charities play and measures that are needed for them to continue their work, initiatives that could lead to more charitable giving and to more volunteerism, and to the role that Canada plays in providing foreign aid to needy nations.

## A. The Role of Charities and Not-for-Profit Organizations

In speaking about the role that charities and not-for-profit organizations play in society and about their potential as engines of economic growth, particularly during times such as these, a number of the Committee's witnesses advocated *federal policies and programs* that provide not-for-profit organizations, social enterprises and co-operatives with a greater role in economic development. Suggestions involved the development of mechanisms to include social enterprises and social economy organizations in all industrial development strategies, and recognition that communities may be best positioned to identify needs at the local level.

Witnesses also argued for the adoption of a federal *procurement strategy* that would give an advantage to community-based businesses, including a legislative initiative to facilitate purchasing from social enterprises and a *communications strategy* to increase awareness of the benefits of such procurement.

## B. Tax Incentives for Giving

A number of witnesses spoke about *donations of publicly listed securities* to charities, in respect of which comments were made about a possible enhanced charitable tax credit that would include a 42% rate on the adjusted cost base of the security and the existing 29% rate on the capital gain.

In the view of some witnesses, charitable giving would be enhanced if the current tax treatment for donations of publicly listed securities were to be extended to *donations of real estate and land* as well as to *donations of private company shares*. Regarding real estate donations, the Committee was told that real estate could include vacation, industrial, commercial and residential investment properties; principal residences, which are already tax-exempt, would not be covered. Two measures for charities to receive donated land were presented: the qualified donee would receive all or part of the cash proceeds from the sale of the property and the donor would be exempt from capital gains tax on that portion of the real estate sale which he or she donated to the charity, or the donor could make an in-kind real estate donation that would enable the qualified donee to retain the property for use within its mission.

In an effort to attract new donors and to increase the level of donations by existing donors, a number of the Committee's witnesses supported the creation of a "*stretch tax credit*." The proposed credit would have a higher rate than that currently legislated, would be applied to incremental donations from year to year, and would have \$200 and \$10,000 of giving as relevant thresholds; charitable giving in 2008 would be used as a baseline. Witnesses believed that the government should proactively publicize the proposed credit in collaboration with charities, and undertake a five-year review to ensure that the proposed measure's stated goals were being met. A *more general* request for an increase in the tax credit in respect of charitable donations was also made, as was a specific request for an increase for donations of cash over the current \$200 threshold.

Finally, the Committee was told that the effectiveness of tax incentives for individual charitable giving would be enhanced if *complemented by other initiatives* to increase access to investment capital.

### **C. Access to Financing and Funding**

Witnesses indicated that access to capital is a particular problem for charities, social enterprises and similar organizations, since they are unable to access investment capital through traditional stock offerings and need fiscal or other measures—such as *capital development funds* with federal seed money—to access “patient,” or long-term, capital and financing. Also advocated was federal/provincial/territorial/municipal/donor cooperation in establishing *community investment capital funds* for patient capital, as well as the creation of a *registered retirement savings plan-eligible tax credit* for Canadians who wish to invest in community economic development investment funds operated by local not-for-profit organizations.

The Committee was informed that while debt capital is available from commercial financial institutions, smaller organizations with multiple and unpredictable revenue sources cannot access it easily, which results in a need for unsecured debt in smaller amounts for operating and growth. It was suggested that the government should develop a *regulatory framework* that would encourage the growth of investment vehicles for social investors and should review the regulatory framework for charities. The provision of *grants* to support charities was also identified as a means of support.

Charitable *foundations* were also mentioned by witnesses, who urged the government to review the current regulatory framework with a view to developing options that would enable foundations to use their assets in the service of donors, charitable organizations and communities. In their view, consideration should be given to the manner in which income tax and regulatory frameworks can be made more accessible and flexible for foundations without compromising the trust relationship between donors and community foundations.

Witnesses also highlighted the need to extend the *Business Development Bank of Canada's* loan guarantee program to co-operatives and not-for-profit organizations, as well as to review existing programs for small and medium-sized businesses to ensure that they are accessible to co-operatives and not-for-profit social enterprises.

A number of the Committee's witnesses urged full and expedited implementation of the recommendations made by the *Blue Ribbon Panel on Grants and Contributions*, particularly those related to multi-year funding, full-cost recovery, and reduced administrative burden when applying for, and accounting for, grants and contributions. Moreover, the government was encouraged to *enhance support* for grants and contributions programs that are best-positioned to help Canadians during the economic recovery.

Witnesses highlighted the need for government departments to develop *coordinated approaches* in order to ensure access to sustained government funding and to

initiate proactive measures that would significantly increase *capital investment* in the not-for-profit sector. As well, they proposed the expansion of investments in *place-based poverty reduction initiatives* operated by not-for-profit organizations.

Finally, the government was urged to create an *economic recovery fund* to provide short-term support for public and private not-for-profit agencies and organizations, to be cost-shared with the other levels of government. According to this proposal, funding for a *recession relief fund* would prevent spending cuts to agencies serving vulnerable people, and increase assistance for settlement programs and the Homelessness Partnership Initiative.

#### **D. The Disbursement Rule**

In arguing that the disbursement rule for charities is confusing, requires an “inordinate” amount of time to understand and implement, is unduly complex, makes arbitrary and excessive capital disbursement demands that ignore the realities of the investment market, and imposes a costly administrative burden on charities, particularly those that are small or rural, some witnesses urged *elimination* of the rule. In their view, following elimination, consultations with charities would then occur with a view to developing a new regulatory approach that would strike a better balance between public accountability for tax expenditures and flexibility for donors and charities to advance their charitable work effectively. Witnesses also supported a review of the regime in order to *simplify* it and make it more *flexible*. Moreover, the Committee was told that the rule should be eliminated for charitable organizations but retained for foundations. The problematic nature of the disbursement rule was mentioned by witnesses, both generally and in the context of the ability of *land trusts* to build land stewardship accounts.

#### **E. Other Charitable Issues**

Particular comments were made to the Committee about: the need for government assistance to facilitate the development of a strong, *national network/partnership of disability organizations* that can set collective national goals; difficulties associated with a requirement for the not-for-profit or voluntary sector to provide *matching funds* in order to access federal funds; the need to amend the *Income Tax Act* in order to clarify the situation of donations to *Charitable Remainder Trusts*; the barrier faced by *US residents when donating ecologically sensitive lands or conservation agreements*; the benefits of extending the carry-forward provision for *ecological gifts* in Canada to ten years; and the need for *bridge financing*, as well as *employment and training programs* funded through departments, to recognize the contributions of not-for-profit and charitable entities as well as their employees.

#### **F. Volunteerism**

Witnesses provided the Committee with a range of ideas to increase volunteerism. Suggestions included providing post-secondary education *tuition relief* in return for volunteerism, increasing opportunities in the education system to demonstrate the *value of*

*volunteering* and encouraging *innovative leadership* for new forms of volunteering. Furthermore, it was suggested that individual tax credits should be created for *coaches and officials* in order to offset a portion of the costs incurred for their training and certification.

Also, the need for *knowledge transfer and capacity building* to recruit and retain volunteers was acknowledged, with a suggestion that the government invest in a Canadian *volunteer support system* for training, knowledge sharing, innovation and basic volunteer management resources for those at the grassroots level. Finally, a *national goal* of increasing the rate of volunteerism by a specified percentage over time was supported.

## **G. Foreign Aid**

Witnesses brought a number of foreign aid-related issues to the attention of the Committee. Some identified the requirement for federal spending in order that Canada can meet the *goal of 0.7% of gross national income allocated to Official Development Assistance* by 2015; an interim goal of 0.5% by 2010 was suggested. To reduce global poverty, witnesses recommended that Canada take the lead in promoting the creation of a tax on international financial transactions. Mention was made of the *Official Development Assistance Accountability Act* and its requirement that development assistance be *transparent, rights-based and poverty-focused*. As well, witnesses noted the need for *debt cancellation* and “more just” *trade rules*, and urged Canadian leadership in the Organization for Economic Co-operation and Development (OECD) Development Assistance Committee in promoting a greater role for *civil society* in delivering development assistance.

Other witnesses urged the government to use its role as president of the G8 in 2010 in order to take concerted and coordinated actions in respect of *reproductive, maternal, newborn and child health*. Specific mention was made of the need for increased funding for, and an expanded scope of, the *Initiative to Save a Million Lives*. Witnesses also proposed that increased and sustained government funding occur for the *Global Fund to Fight AIDS, Tuberculosis and Malaria*.

Finally, elimination of *maternal mortality and morbidity* worldwide was also identified as a goal, as was the creation of a Canadian *international centre of excellence for women’s leadership* in order to develop the skills needed for women to assume leadership positions in poverty-eradication initiatives in developing countries.

## **COMMITTEE RECOMMENDATIONS**

The Committee believes that the country’s not-for-profit organizations and volunteers are valuable, both for individuals who need assistance and for people who are seeking to support their communities. We know that the need for charitable assistance is particularly high during times of crisis, and believe that the federal government has a role to play in encouraging charitable giving and in supporting charitable organizations. In our view, this support is needed in order to position charities and volunteers for the future role

that they can play in society and the contribution that they can make. Thus, the Committee recommends that:

**The federal government examine incentives that would have the effect of increasing the level of charitable giving by businesses and individuals. In particular, the government should consider:**

- **an increase in the charitable tax credit rate to 39% for incremental annual increases in giving, provided that annual giving is more than \$200 and less than \$10,000;**
- **the creation of a corporate structure for not-for-profit organizations that would allow the issuance of share capital and other securities; and**
- **the elimination of the capital gains tax on donations of real estate and land to public charities.**

Additionally, the Committee is cognizant that, from the perspective of many in other parts of the world, Canada is considered to be a wealthy nation. For moral reasons, if no others, we believe that we have an obligation to help those in other parts of the world who are in need. Recognizing the suggestions made by such organizations as Results Canada, the Committee recommends that:

**The federal government make a commitment to providing increased and sustained funding for the Global Fund to Fight AIDS, Tuberculosis and Malaria. The government should also provide significant assistance to developing countries, with a view to achieving the Millennium Development Goal of 0.7% of gross national income devoted to Official Development Assistance.**

## **VI. ARTS AND CULTURE**

Vibrant artistic and cultural sectors contribute to communities, improving the quality of life of residents and making it easier for businesses to recruit and retain employees. In addition to the domestic contribution that is made, artists are also ambassadors, and play a role in promoting Canadian arts and culture abroad, which can have tourism benefits.

### **WITNESS VIEWS**

Witnesses provided the Committee with their views about a range of artistic and cultural issues, and spoke about both existing and proposed program spending and tax-related measures. Their observations addressed a range of artistic and cultural forms as well as tourism and international marketing efforts.



## **LIST OF RECOMMENDATIONS**

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### **Recommendation (p. 8)**

**The federal government continue with full implementation of current stimulus measures, pay close attention to debt management, engage in meaningful expenditure review and prepare long-term debt reduction plans to be implemented once the global economic recovery is fully entrenched.**

**Moreover, the government should ensure that the Library of Parliament's Parliamentary Budget Officer has timely and accurate information related to federal tax revenues, program spending and departmental program objectives, provide the Parliamentary Budget Officer with the necessary resources to carry out the mandate of the office effectively, and—as part of the legislation to implement the next federal budget—propose the legislative amendments needed to establish the Parliamentary Budget Officer as an independent officer of Parliament.**

### **Recommendation (p. 11)**

**The federal government, recognizing the jurisdiction of the provinces and territories as well as the need to compensate those provinces and territories that decide not to participate in a country-wide measure, implement a national child care plan providing high-quality, affordable and inclusive child care services. This goal should be achieved through federal transfer payments to participating provinces and territories, and the plan should include measurable targets and timelines.**

**Moreover, the government should increase and streamline existing funding for federal “at risk youth” programs, with a view to creating a centralized initiative that would better engage such youth in their communities. The government should also increase funding for Aboriginal friendship centres for the benefit of Aboriginal youth in cities.**

### **Recommendation (p. 14)**

**The federal government create a refundable tax credit for new graduates. The proposed tax credit should be available to those who move to designated regions and engage in employment in their field of study.**

## **Recommendation (p. 22)**

**The federal government, in respect of the Employment Insurance program, amend the *Employment Insurance Act* in order to:**

- **ensure that the program is administered in a manner consistent with the presumption of good faith on the part of applicants;**
- **implement uniform application of the program's regulations across the country;**
- **increase the benefit replacement rate provided by the program to 60% of maximum insurable earnings;**
- **eliminate the two-week waiting period for program benefits;**
- **establish a uniform eligibility threshold for program benefits of 360 hours of work;**
- **increase the level of annual maximum insurable earnings on which benefits are paid to an amount that exceeds that determined in accordance with the indexation formula specified in section 4 of the Act;**
- **calculate program benefits on the basis of the best 12 weeks of insurable earnings;**
- **establish an income support program for older workers;**
- **expand the right of program beneficiaries to receive benefits while undertaking training; and**
- **expand and adapt the program's work-sharing option.**

**Moreover, the government should identify the skilled labour needs of Canada's small and medium-sized businesses and ensure that Employment Insurance training measures facilitate the acquisition of those skills.**

**Finally, the government should fund job training initiatives that provide individuals with the skills needed to participate in the green economy.**

**Recommendation (p. 23)**

The federal government amend the *Income Tax Act* in order to ensure that the disability tax credit is a refundable credit, and examine options to improve labour market supports for those who are disabled or have a chronic disease.

Moreover, the government should work with the provincial and territorial governments in the development of a plan to ensure that appropriate, properly funded and equitable immigrant settlement and integration services are available throughout Canada. As well, a plan should be developed to recognize and reconcile the educational and professional qualifications obtained by immigrants in foreign countries.

Finally, the government should continue to reduce the landing fee applicable to all new immigrants to Canada.

**Recommendation (p. 27)**

The federal government provide increased funding for Guaranteed Income Supplement benefits.

Moreover, the government, with provincial and territorial governments, should continue its comprehensive review of the Canadian retirement income system. The focus of the review should include incentives for saving and the extent to which these incentives ensure that the financial and other needs of current and future pensioners, as well as of labour force participants and those who engage in unpaid work, are being—and will continue to be—met.

**Recommendation (p. 33)**

The federal government, in respect of both health and education, protect transfers to the provinces and territories.

Moreover, while recognizing the jurisdiction of the provinces and territories, the government should help to ensure that all elements of preventative programs designed to improve the health outcomes of Canadians are adequately funded. In particular, the government should continue to promote health prevention, physical fitness and amateur sports through renewed and increased support for initiatives such as Own the Podium and ParticipACTION.

**Finally, consistent with the jurisdiction of the provinces and territories, the government should invest in health human resources, in particular to ensure access to doctors and nurses in Canadian communities and hospitals where they are most needed.**

**Recommendation (p. 35)**

**The federal government, in partnership with the provinces and territories, explore the development of a national strategy to promote greater emphasis on Canadian education services exports.**

**Recommendation (p. 40)**

**The federal government work with the venture capital industry to identify new sources of financing and examine the effectiveness of existing tax incentives related to financing. Moreover, the government should review the feasibility of increases to the Labour-sponsored funds tax credit to 20% of eligible investments, to a maximum eligible investment of \$20,000.**

**Recommendation (p. 44)**

**The federal government simplify the administration of the Scientific Research and Experimental Development investment tax credit, and expand the range of expenditures eligible for the credit to include, for example, the costs of patenting and training employees to work on innovative projects.**

**Moreover, consistent with the jurisdiction of the provinces and territories, the government should increase its support to research through federal granting councils and research agencies as well as for the indirect costs of research. As well, the government should encourage universities and colleges to partner in complementary areas of research and as well as commercialization of research.**

**Finally, the government should, recognizing the jurisdiction of the provinces and territories, create a specialized fund for medical research for children's health.**

**Recommendation (p. 47)**

**The federal government undertake a comprehensive review of capital cost allowance rates in Canada. Moreover, the accelerated capital cost allowance for manufacturing and processing machinery and equipment should be extended.**

As well, the government should continue to implement all planned corporate tax rate reductions as scheduled to 2012, ensure that all relevant thresholds related to corporate taxation are changed annually in accordance with increases in the Consumer Price Index, ensure that federal regulations are as simple and modern as possible, and review the federal fiscal implications of allowing consolidated tax reporting.

Finally, the government should improve tax fairness and combat tax evasion by strengthening the Canada Revenue Agency's underground economy initiatives, and should adopt international tax agreements consistent with the Organization for Economic Co-operation and Development's tax haven initiatives.

**Recommendation (p. 47)**

The federal government review the *Excise Tax Act* in order to ensure that domestically produced beverage alcohol is taxed appropriately, extend the Mineral Exploration Tax Credit, and create tax incentives to stimulate investment and growth in the manufacturing industry.

**Recommendation (p. 51)**

The federal government encourage the provinces and territories to remove internal barriers to trade. In doing so, priority should be given to reaching agreement concerning a national securities regulator.

Moreover, the government should continue to support supply management and all other agricultural exporters during the Doha Round of World Trade Organization negotiations.

Furthermore, the government should implement the notion of duty-free purchases for individuals arriving in Canada.

Finally, the government should develop and implement proactive policies to expand key sectors of the economy and to support targeted high-value activities.

**Recommendation (p. 56)**

The federal government investigate the feasibility of repayable loans, through the Canada Mortgage and Housing Corporation's Direct Lending Program, for affordable housing repair and new affordable housing development.

### **Recommendation (p. 60)**

**The federal government examine the possibility of expanding current traditional and alternative energy programs to include production from forest waste.**

**Moreover, consistent with the jurisdiction of the provinces and territories, the government should implement initiatives designed to encourage the use of electric cars. Initiatives that could be considered include:**

- implementation of an investment program for research on electric mobility, intelligent transportation and new, lighter materials;**
- direct investments in basic and pre-market research, especially the development of batteries;**
- installation of charging stations in federal buildings;**
- the creation of a tax credit for installing charging stations on business premises and plug-in stations on private residential premises;**
- the establishment of a trust for the provinces and territories to encourage municipalities to install charging stations;**
- reintroduction of incentives for purchasing energy-efficient vehicles in addition to a special incentive for the purchase of electric vehicles and rechargeable hybrids; and**
- support for taxi owners, courier services and those who operate car-sharing businesses.**

### **Recommendation (p. 65)**

**The federal government work with provincial, territorial and municipal governments in order to develop a strategic approach to resolving the nation's long-term infrastructure needs.**

**Moreover, the government should augment the existing program for the sharing of a portion of the federal gasoline excise tax revenues with municipalities.**

#### **Recommendation (p. 72)**

**The federal government continue to ensure increased broadband availability in rural and remote regions of Canada.**

**Moreover, the government should examine measures that could be taken in order to encourage young Canadians to enter the agricultural sector, enhance the Growing Forward Framework, and increase income support for agricultural producers.**

**As well, the government should implement a co-operative investment plan that would include the creation of a tax credit for members or employees of agricultural and employee-owned co-operative businesses that invest in their co-operatives. The government should also establish a \$70-million repayable co-operative loan fund.**

**Furthermore, the government should introduce an economic diversification program, similar to the measure eliminated in 2006, in order to support regional economies that have been adversely affected by the forestry crisis. As well, in order to assist companies in modernizing and in surviving the current crisis, the government should implement a loan guarantee program for the forestry sector modelled on the efforts of Investissement Québec.**

**Additionally, the government should introduce a support plan for the fishing industry that would include assistance to the lobster and shrimp industry, assistance for repairs to small-craft harbours and a long-term plan for the fisheries sector.**

**Finally, consistent with the jurisdiction of the provinces and territories, the government should increase the funding available to fire departments through the Joint Emergency Preparedness Program and should ensure that 50% of the funding is used by volunteer fire departments for the purposes of training and the purchase of equipment.**

#### **Recommendation (p. 73)**

**The federal government ensure that programs for Aboriginal Canadians are designed and delivered in a manner that addresses their health, education, housing, infrastructure, early childhood development and care, and other needs. These programs should respect their rights and governance concerns, be delivered consistent with the Canadian Constitution, be sufficiently flexible to meet their diverse needs, and permit funding allocations that reflect the relatively**

**small population base as well as the size and geographically large and remote nature of their communities.**

**Moreover, the government should revise applicable programs and procedures within Health Canada's Non-Insured Health Benefits Program for First Nations and Inuit to allow independent dental hygienists to receive payment for the services provided to beneficiaries of these health benefits.**

**Finally, the government should reaffirm its commitment to the British Columbia treaty process, to timely implementation of the West Coast Fisheries Review, and to updated mandates for Canadian negotiators on specific issues hindering treaty completion.**

**Recommendation (p. 78)**

**The federal government examine incentives that would have the effect of increasing the level of charitable giving by businesses and individuals. In particular, the government should consider:**

- an increase in the charitable tax credit rate to 39% for incremental annual increases in giving, provided that annual giving is more than \$200 and less than \$10,000;**
- the creation of a corporate structure for not-for-profit organizations that would allow the issuance of share capital and other securities; and**
- the elimination of the capital gains tax on donations of real estate and land to public charities.**

**Recommendation (p. 78)**

**The federal government make a commitment to providing increased and sustained funding for the Global Fund to Fight AIDS, Tuberculosis and Malaria. The government should also provide significant assistance to developing countries, with a view to achieving the Millennium Development Goal of 0.7% of gross national income devoted to Official Development Assistance.**

**Recommendation (p. 83)**

**The federal government make a significant investment in culture, for example by enhancing the Canada Feature Film Fund and the feature-length documentary fund, eliminating the Goods and Services Tax on**



**books, providing a tax exemption for copyright royalties and increasing the budget of the Canada Council for the Arts.**

**Moreover, the government should work with non-national museums with a view to developing a funding strategy for their long-term sustainability.**

## **SUPPLEMENTARY OPINION OF THE CONSERVATIVE PARTY OF CANADA**

First and foremost, we thank the many individuals and public interest or industry groups from across the country that made their views heard before the Committee. Their participation was instrumental in ensuring the Committee engages with Canadians in a meaningful way.

While the Conservative Party is generally in agreement with the overall report, we believe the other parties supported several recommendations that were fiscally irresponsible, economically harmful, and showed no concern for the threat of structural deficits. As a result, we qualify our support for this report through this supplemental opinion.

2009 will be remembered as a year when the world combated a synchronized global economic recession that was unprecedented in recent history. While this economic storm did not originate in Canada and we weathered it better than most, it had a marked negative impact on our economy.

We applaud the Government for their quick and decisive response. Canada's \$62-billion, two-year Economic Action Plan went above and beyond our G-20 commitment. Working with all of the provinces and territories, the Plan provided extraordinary fiscal stimulus to protect the economy. We note the injection of stimulus was the largest in the G-7, and among the largest in the G-20.

"The situation would be much worse if governments around the world had not taken unprecedented action to stimulate the economy ... There would not be growth in the economy now if governments had not taken this action. I commend you and government officials for recognizing the severity of this crisis and taking strong action. As a result, we are starting to see signs of growth in the economy and GDP."

*Toby Sanger (Canadian Union of Public Employees), September 16, 2009*

The Economic Action Plan served as a timely and powerful jolt to Canada's economy through permanent tax reductions, help for the unemployed, massive infrastructure spending, support for research and technology, improved access to financing for Canadian households and businesses, assistance for struggling industries (such as the auto and forestry sectors) and communities most affected by the global downturn, and much more.

"(Infrastructure spending) seems to be working fairly well across the country ... I know that here in Prince Edward Island, overall it has worked very well ... It's the same in Newfoundland. It's going very well there ... Things have gone really well here in Summerside ... I think we had applied for ten, and I think they were all approved. As I say, things have worked out well. And they've worked out well in other parts of the country as well ... We have no complaints with the way things are going."

*Basil Stewart (Federation of Canadian Municipalities), October 5, 2009*

"The Government of Canada has made important investments in knowledge creation and innovation, even in these current times of economic uncertainty. And I would like to register our appreciation for the sustained investment in research, science, and technology made by the Government of Canada over the past few years."

*Judith Wolfson (University of Toronto), October 22, 2009*

"I would categorically say (the Home Renovation Tax Credit) has increased the stimulus for our members. I can tell you that back in the spring of this year, our members were reporting negative sales growth ... but I can tell you that based on my conversations with many of our members in the past several weeks, they're starting to report double-digit sales growth ... So I would have to say yes, it is a definite stimulus for our economy, this HRTC."

*David Campbell (Canadian Retail Building Supply Council), October 22, 2009*

With 97% already committed, the Plan is clearly having an impact. Canada is seeing early tentative signs of an economic recovery: our housing market is growing, domestic demand is increasing, our financial system is the soundest in the world, and – most importantly – Canada's job market is stabilizing. Over the last four months, Canada has seen an average of over 20,000 jobs created. For the first time in a generation, the Canadian unemployment rate is nearly 2% points lower than the US.

"We support the federal government's response to the crisis. We feel that it acted quickly, it acted judiciously, and it came forward with what we felt was the right mix of fiscal policy to address the crisis. I think the way the Canadian economy has withstood the crisis is testament to that."

*Ian Russell (Investment Industry Association of Canada), October 22, 2009*

We also applaud the Government for ensuring we entered the recession from a position of strength by paying nearly \$40 billion off the national debt during its first three years, putting Canada in an enviable position. We had the lowest debt in the industrialized world going into the global recession and we will maintain that advantage as we exit it. Indeed, the International Monetary Fund projects Canada's net debt will be only 1% of GDP higher by 2014. While, on average, net debt in other G7 countries will increase by 25% of GDP. Canada's fiscal advantage has allowed the Government to embark on temporary stimulus deficit spending without mortgaging the future.

"Canada has a number of advantages that will hasten its economic recovery, including a sound fiscal base and an ongoing strategy to achieve international tax competitiveness. This fiscal policy direction has served Canadians well by providing fiscal stimulus in the short term while helping to put the economy on a strong foundation for sustainable growth."

*Terry Campbell (Canadian Bankers Association), October 26, 2009*

While the Economic Action Plan is getting results and we have seen positive economic indicators, we acknowledge that we have yet to see an entrenched global recovery and risks remain. Given the ongoing volatility, the Government's immediate priority must be to stay on course and fully implement Canada's Economic Action Plan to help secure the emerging economic recovery. As this is a two-year plan, we recognize that significant temporary ongoing financial commitments are already in place. The Government's focus in the upcoming federal budget, as a result, should not be on new additional stimulus but getting existing stimulus measures into the economy. Additionally, any spending commitments must be limited and aligned to ensure a timely return to balanced budgets. We further urge the Government to follow through on the exit strategy built into the Economic Action Plan by ensuring temporary measures end as scheduled. Moreover, once the global recovery is secured, the Government's priority should be the return to balanced budgets and continuing to build on the Government's record of debt repayment. Ongoing structural deficits are not acceptable.

"Rising debt and the accompanying interest payments severely constrain flexibility and will reduce the ability to address ongoing national competitiveness issues ... preserving public trust and the sustainability of public finances are essential for recovery."

*Art Sinclair (Greater Kitchener Waterloo Chamber of Commerce), October 22, 2009*

"The federal government must pay attention to debt management, keep a watchful eye over its expenditures, and regularly report to Canadians on progress towards that goal... When Canada entered the global recession, it did so from a position of relative strength on account of years of prudent fiscal management. Like the rest of the world, while we face some degree of uncertainty in the future, we cannot afford to rest on our laurels and undo the incredible progress we've made as a nation."

*Bob Harvey (Certified General Accountants Association of Canada), September 16, 2009*

The Government must accomplish this through responsible financial management – especially restraint in federal program spending; not by increasing the tax burden on Canadians, radically slashing direct transfers to Canadians, or downloading on the provinces.

## **WHAT WE AGREED WITH**

The Conservative Party strongly supports the absolute necessity to fully implement Canada's Economic Action Plan as the single most important recommendation. While we've seen early tentative signs of an economic recovery, we cannot become complacent. Again we underline that now is not the time to undertake major new spending initiatives. Instead, we must stay the course and ensure existing measures continue to protect and create jobs.

"Our advice to the government as far as the Economic Action Plan is concerned is to allow the plan to run its full course."

*Bob Harvey (Certified General Accountants Association of Canada), September 16, 2009*

We also support recommendations that adopted our fundamental belief that lower taxes are good for families, business and Canada's long-term economic growth. Witness after witness endorsed the Government's long-term strategy of lowering personal and business taxes to ensure Canada's continued international competitiveness, and urged it to stay the course in that respect.

"The good news is that on the tax front, Canada is getting more competitive ... The corporate tax cuts that were made and did affect our competitiveness and our ability to attract new investments were a factor in attracting new investments to and new jobs for this country."

*David Podruzny (Canadian Chemical Producers' Association), October 8, 2009*

"Stay the course in moving the federal corporate income tax rate to 15% by 2012. The reduction in corporate tax rates... recognizes the importance of building a competitive tax regime. We commend the federal government for its progress in moving along this path. It's important that the government stay the course in this area."

*Paul Stothart (Mining Association of Canada), October 8, 2009*

"Although Canada is not immune to global recessions, the scheduled reductions in the corporate rate ... mitigated business cutbacks in Canada and tempered the severity of the downturn for Canadians. We urge the government to stay its course or accelerate the schedule of corporate income tax rate reductions."

*Sherrie Ann Pollock (Tax Executives Institute), October 22, 2009*

"We note that Canada has made important progress in reducing corporate taxes, and we applaud the government's goal of establishing the lowest marginal effective tax rate on new business investment in the G-7 by 2010 ... We urge the government to stay the course in reducing the corporate income tax rate to 15% by 2012. Canada simply cannot afford to abandon the progress that has been made in reducing corporate taxes ... If you do not retain a strong competitive position within the world, then you are going to have to suffer the consequences."

*Bruce Flexman (Canadian Institute of Chartered Accountants), October 26, 2009*

The Conservative Party would also like to highlight important recommendations that emphasized the need for the removal of internal barriers to trade within Canada, and its strong endorsement of the proposed Canadian Securities Regulator.

"A national securities regulator is imperative, and we are pleased to see the creation of the Canadian securities transition office to further this important initiative... It's a big competitive world out there, and Canada is a relatively small capital market versus the entire world. So the ease of access for the capital markets is critical ... a single securities act and a single set of regulations, improved enforcement, a lot of the things that are currently being looked at the securities regulator just make sense."

*Michael Conway (Financial Executives International Canada), November 2, 2009*

We were further encouraged by recommendations that recognized the importance of protecting transfers to the provinces and territories and the services such as health care and education they provide. While we strongly believe returning to balance budgets is of vital importance once the recovery is secure, we strongly urge the Government to avoid the example of Liberal government in the 1990s when they slashed provinces and territories transfers.

"The federal government chose to cut investment in education in the mid-1990s to reduce the deficit. Due to these cuts, Canada faced a brain drain."

*Arati Sharma (Canadian Alliance of Student Associations), September 16, 2009*

"As we enter the post-recession period and the federal government begins dealing with the deficit it would be wrong to repeat the mistakes of nineties when federal and provincial governments push deficits of balance sheets into the streets of cities and communities. The damage done to Canada's cities is still evident."

*Basil Stewart (Federation of Canadian Municipalities), October 5, 2009*

#### **WHAT WE DID NOT AGREE WITH**

While broadly supportive of the report, we are disappointed that other parties deliberately ignored existing stimulus commitments already in place and disregarded fiscal prudence to endorse excessively expensive recommendations that only serve to invite structural deficits. Examples of positions we cannot endorse include a costly nationalized daycare plan, an ill-conceived tax subsidy for a select few 'designated'

individuals, massive new costs for an expanded Employment Insurance program, resurrection of failed government programs, and many others.

This regrettable embrace of a 'free-spending' attitude among the other parties suggests a clear inability to recognize the dangers of ongoing deficits, especially as Canada is confronted with the challenges of an aging population. We strongly urge them to reconsider that attitude, and admit the importance of returning to balanced budgets and debt reduction. However, based on the previously mentioned recommendations endorsed by the other parties, the Conservative Party doubts they have the discipline required to do so.

### **CONCLUSION**

Canada's Economic Action Plan is working and making a difference across the country. While we've seen early tentative signs of an economic recovery at home and abroad, the global recovery is not secure. We cannot become complacent, we must stay on course.

The Conservative Party believes that Budget 2010 should not be a typical budget. Its central focus should be the continued implementation of Canada's Economic Action Plan – it will be year two of our two-year Plan.

While we believe the Government should continue to stimulate our economy, help create jobs and provide assistance for those affected by the economic downturn, the Conservative Party does not feel it to be fiscally prudent to undertake major new spending initiatives. Rather, we must stay on course with the stimulus measures already announced to protect and create jobs.

Once the global recovery is secure, the Government will need to begin the return to balanced budgets – not by relying on hiking taxes, slashing benefits to Canadians, or downloading on the provinces – but rather responsible financial management.

**Ted Menzies, MP, Parliamentary Secretary to the Minister of Finance**  
**Kelly Block, MP**  
**Bob Dechert, MP**  
**Daryl Kramp, MP**  
**Mike Wallace, MP**

## **SUPPLEMENTARY OPINION OF THE LIBERAL MEMBERS OF THE STANDING COMMITTEE ON FINANCE**

For the first time in over a decade the Standing Committee on Finance undertook pre-budget consultations while the federal government was running a deficit. After the previous Liberal government balanced nine consecutive budgets and paid down \$81 billion of national debt, this year's nearly \$60 billion Conservative deficit certainly coloured the discussions the committee had with Canadians.

It was unfortunate that it was only after the committee had spent \$500,000 of taxpayers' money hearing from Canadians from coast to coast to coast that the Finance Minister announced that this year's budget would contain no new spending measures. The committee heard from over 400 organizations, businesses and individuals and, as evidenced by the recommendations in the main report, the committee believes that there are very real and pressing needs across the country. Liberal members of the committee hope that the Finance Minister will consider the committee's recommendations despite his earlier commitment to table a spending free budget.

While the Liberal members of the Finance Committee recognize that four years of Conservative mismanagement have created some tight fiscal constraints, we remain convinced that there are important needs among Canadian families and businesses that must be addressed. As a result Liberal members of the committee have drafted this supplemental report outlining some measures which were not included in the main report but should none the less be considered by the government.

To begin, some of the groups appearing before the committee presented ideas that could actually increase government revenues without increasing taxes. For instance the committee heard that approximately \$2 billion in tax revenue is forgone each year due to the prevalence of contraband tobacco products. Recent media reports have indicated that a large portion of teenage smokers chose to smoke these contraband tobacco products as they are cheaper and sometimes easier to purchase. The Liberal members of the Finance Committee recommend that the government take immediate action to stop the illegal tobacco trade and recoup the \$2 billion in taxes lost to the trade annually and that the government should look at long term solutions to this problem to prevent a recurrence.

The committee heard from a company called Bioniche which has been developing a vaccine to help reduce the incidence of E. coli in cattle. Bioniche believes that their vaccine could reduce incidence rates by upwards of 98%. Liberal members of the committee believe that the government should consider supporting this vaccine in order to help protect the health and lives of Canadians.

We also heard from the Rick Hansen Foundation which believes that its work on spinal cord injury research is ready to be taken to the next level by launching the The Rick Hansen International Spinal Cord Institute.

We heard from police associations who asked the Conservative government not to forget that they ran on an election promise to fund 2,500 more front line officers and urged the government to move forward on its promise now.

We heard from many university, college and student organizations concerned with the mounting costs of post-secondary education. We feel that the government should do more to ensure that a post-secondary education remains within reach for all Canadians and that money is not a significant barrier to higher learning.

We heard from organizations such as the Saskatchewan Association of Rural Municipalities which vividly detailed the urgent need to invest in maintaining rural roads and bridges in order to grow rural economies.

Liberal members of the committee were interested in the Centre for Image-Guided Innovation and Therapeutic Intervention's (CITIGI) presentation. The center focuses on treating disabilities and abnormalities in very young children so that they can go on to lead healthier lives. The centre has received some funding through the Canada Foundation for Innovation but requires more support. Liberal members of the committee believe that in addition to improving the lives of newborns, this technology represents an opportunity to reduce healthcare costs down the road as according to (CITIGI) children with birth defects represent 25% to 30% of all hospitalization costs in Canada. The government should consider this request.

As mentioned in the main report the committee heard several groups request to amend the Bankruptcy and Insolvency Act so that underfunded pension plans are given a higher priority status in the event of a bankruptcy. The Liberal members of the committee strongly urge the government to consider their request.

In terms of tax increases, the Liberal members of the Finance Committee remain concerned about the Conservative government's impending Employment Insurance Premium increases. The Conservative government's approach of forcing Canadians to pay more tax in order to work stands in sharp contrast to the previous Liberal government's approach of reducing Employment Insurance premiums each and every year.

Beginning in January of 2011 the Conservative government will be raising EI premium rates at the maximum amount allowed under the law and continue to increase each January until 2014. The plan appears to be to use these premium increases to help reduce the structural deficit created by the Conservative government and which the Parliamentary Budget Officer projects will continue to be \$19 Billion in 2014-15. We fear the brunt of these payroll tax increases will be borne mostly by working families and small businesses.

After a free spending budget in 2009 the Finance Minister has promised a spending free budget with no achievable plan to restore the nation's fiscal framework to financial health in 2010. Last year the Liberal Party argued for targeted, effective, timely, fiscal stimulus. The result was blizzard of announcements by the government, free of any coherent plan of action, which were neither timely, targeted nor effective. As an example, infrastructure projects tended to favour areas with the lowest unemployment rather than where the need was greatest.

At the end of the day even the Parliamentary Budget Officer is unable to provide any thoughtful analysis as to the effectiveness of budget 2009. We trust and know that budget 2010 can do better.

Finally, the Liberal members of the Finance Committee wish to thank the hundreds of organizations, businesses and individuals who appeared before the committee to share their ideas. We would also like to thank the support staff of the Standing Committee on Finance for their excellent work.



**Bloc Québécois Dissenting Opinion:  
A report that ignores Quebec's economic interests**

First of all, the Bloc Québécois wants to thank all the witnesses who took part in the pre-budget consultations.

The Finance Committee's report on the pre-budget consultations has once again proven that Quebec's economic interests and priorities will never be respected within the Canadian federal framework. Steered by the Conservatives, the Finance Committee has adopted a report that is indifferent to Quebec's economic reality.

To meet Quebec's specific needs it is therefore the duty of the Bloc Québécois to make recommendations to the government that should be incorporated into its next budget. The economy of the Quebec nation is a green economy, driven by industries of the future, shaped by the Quebec culture, concerned about the lot of the disadvantaged, and marked by the continuing importance of traditional sectors everywhere on its territory.

- **A green economy**

Quebec is a leader in the fight against climate change in North America, and its economic growth depends on a bold conjunction of the economy with the environment. The Finance Committee, dominated by political parties susceptible to the demands of Big Oil, was unable to come up with a plan for fighting GHG emissions that was consistent with Quebec's interests. The Committee refused to recommend to the government that it bring in an ambitious, daring and visionary climate change plan, as proposed by the Bloc Québécois. Instead, the Committee preferred to recommend a few toothless generalities. Our plan included absolute and binding GHG reduction targets, with 1990 as the reference year; our targets were based on a territorial approach and on a carbon credits trading mechanism operated through a carbon exchange. Unfortunately, Canadian interests once again took precedence over Quebec interests, and the Committee preferred to implicitly support the development of the tar sands, which will deprive businesses in Quebec of the compensation they deserve for the efforts made by Quebec's manufacturing sector to reduce GHG emissions.

The Bloc Québécois is pleased that the Committee adopted a comprehensive strategy for promoting the use of electric vehicles. But will the Conservative government get the message? Will it take advantage of its upcoming budget to go ahead with such a strategy? It seems unlikely.

It is obvious to us that the Committee placed the interests of Ontario steel mills and other industries reliant on coal mined in the Canadian West ahead of organizations and industries that want to make the transition to new ways of doing things. This explains the

absence of a strategy to encourage the use of wood in federal construction projects. In addition to being a green replacement for steel, wood is the economic pillar of many Quebec regions. The federal government has chosen to subsidize the automobile industry to the tune of billions of dollars while doing almost nothing to support Quebec's forest industry; for example, it could offer loans and loan guarantees. The Bloc Québécois put forward recommendations designed to implement a comprehensive support and modernization policy for the forest industry. The ball is now in the federal government's court. The budget will show us whether it heard the appeal of the Committee and of the Bloc Québécois.

- **An innovative economy**

Quebec's economy is characterized by the presence of innovative businesses in leading-edge sectors. Whether in the aeronautics, aerospace, biomedical or computer sector, Quebec is winning a place for itself in the front ranks of innovative industries. However, because of the intense international competition, Quebec industries must be able to count on government support to continue innovating and expanding globally. The Bloc Québécois proposed a comprehensive strategy on innovation that was not adopted by the Committee. Innovation, no matter what the sector, necessarily depends on education. This is why the Bloc Québécois continues to call on the federal government to reinvest in the CST the amounts required to bring the Transfer back up to the indexed level it reached before the cuts of the mid-1990s. If that happened, the Quebec government would have available to it the necessary margin of manoeuvre to invest in training and guarantee a certain level of prosperity. To remain in the front ranks of innovative industries, it is imperative that our enterprises enjoy a head start in technology development. This is why the Bloc Québécois proposed a refundable scientific research and experimental development tax credit, payable quarterly so that enterprises would have the support they need to develop new products through the pre-marketing phase (when they are generating no profits), while encouraging maintenance of research expenditure during economic slowdowns. Once again, the Committee refused to recommend our idea. Lastly, the Bloc Québécois proposed the introduction, improvement and expansion to all innovative sectors of the Technology Partnerships Canada program, which was cancelled by the Conservatives. The Committee did not follow up on this, so it would be surprising if the government, in its next budget, adopted the Bloc Québécois's proposals for supporting innovative sectors.

- **An economy that serves home-grown enterprises**

The increased global competition has hurt Quebec's manufacturing sector badly. Regrettably, the federal government, although it has the tools to temper the effects of foreign competition on home-grown enterprises, has often preferred a laissez-faire approach. What is more, the Conservative government in its last budget amended the *Investment Canada Act* to bring the automatic review threshold to \$1 billion. As a result,

any foreign takeover where the value of the transaction is less than \$1 billion can be put through without the government's having to assess whether it is beneficial for the economies of Quebec or Canada. The Bloc Québécois tried vainly to convince the Committee of the need to recommend to the government that the threshold be lowered, and that transactions be approved only if they would actually be good for the economy and for workers. Nor did the Committee adopt our recommendations on modernizing antidumping legislation so that traditional sectors could, within the limits of our international trade agreements, be protected; or our recommendation that government procurement be used to promote local development, again while respecting our international agreements. The measures proposed by the Bloc Québécois would require very little in the way of new spending, but they would give the Quebec economy a definite boost. It is the government's duty to consider these measures when preparing its next budget.

- **An economic framework that respects Quebec**

The past year has been marked by major setbacks in intergovernmental fiscal relations. Quebec is losing more than \$1 billion annually in equalization following the federal government's unilateral decision to cap the formula. What is more, Ontario is enjoying special treatment in the way the federal government calculates the revenues of its hydroelectric corporations. If the federal government gave Hydro-Québec the same treatment, the Quebec government would receive a supplementary transfer of \$250 million annually. As the defender of Quebec's interests, the Bloc Québécois attempted to convince the Committee to rectify these flagrant injustices. Unfortunately, the Committee did not see fit to propose any such measure to the federal government.

The Committee also persisted in supporting the government's plan for setting up a single securities commission, despite the disastrous consequences for Montreal's financial sector. The Committee's decision flouts the unanimous will of the National Assembly and rides rough-shod over an area of jurisdiction exclusive to Quebec and the provinces. In a similar spirit of predatory federalism, the Committee refused to recommend that the government eliminate once and for all the federal spending power in areas of jurisdiction of Quebec and the provinces. Lastly, the federal government is still denying Quebec fair compensation for the sales tax it harmonized 18 years ago, while Ottawa has just agreed to pay billions of dollars in compensation to Ontario and British Columbia for their PST harmonization. The federal government must respond to the Bloc Québécois's recommendations; anything else would be disrespect for the Quebec nation.

- **An economy at the service of the people**

Economic growth must not benefit only those members of society who are already well off. The government has a duty to guarantee a social fabric that helps people struggling with certain kinds of difficulties. With a view to ensuring such social justice, a

fundamental value of the Quebec nation, the Bloc Québécois proposed an enhancement of the Employment Insurance program. While the Committee retained some recommendations designed to improve the program, the Bloc Québécois considers that an in-depth reform is necessary if the program is to respond adequately to the needs of the unemployed. The government must allow for this in its next budget. In addition, for several years now the Bloc Québécois has been fighting to make sure that our poorest seniors are entitled to a minimum of dignity. Deplorably, the federal government continues to deny older people the right to an income that would enable them at least to reach the poverty line. This is all more unacceptable in that the federal government has short-changed seniors of over \$3 billion by not paying them GIS to which they are entitled. It is incomprehensible that the government would refuse to increase GIS payments so that seniors can be rescued from indigence, just as it is disgraceful that the government would line its pockets with money owed to the poorest members of the community. The Bloc Québécois proposed recommendations for correcting this state of affairs, but unfortunately the Committee rejected them. Let us hope that the federal government will follow up on them in its next budget.

- **An economy open to the world**

Developed-nation status enables the citizens of Quebec and Canada to enjoy great material prosperity. These privileges come with a moral obligation to do our share to encourage development in the poorest countries. When the Liberals were in power, they promised that international development assistance would reach 0.7% of GDP by 2015, consistent with the Millennium Development Goals. The promised funding has never materialized. The arrival in office of the Conservatives has not altered the situation, far from it: fixated on arms rather than development, the government has done nothing about achieving its international development assistance objectives. The Bloc Québécois nevertheless managed to convince the Committee to recommend to the government that it increase foreign aid rapidly toward the goal of 0.7% of GDP, though it would be surprising if the government changed tack in its next budget. Also, it is incredible that the federal government can continue to sanction the use of tax havens by Canadian and Quebec enterprises. Despite talking a good game, the government has never amended the *Income Tax Act* to close all loopholes so that the richest individuals and corporations would have to pay their fair share of income tax. The Committee did not adopt the Bloc Québécois's proposals on this problem, preferring a watered-down approach with no real bite. At a time when it is running deficits, the federal government should take advantage of its next budget to put an end once and for all to the use of tax havens.

- **A nation proud of its produce**

Quebec produce occupies a place in Quebecers' hearts as well as on their plates. Whether we are talking about Lac-Saint-Jean blueberries, Matane shrimp, lobster from the Magdalen Islands, Charlevoix lamb, fine cheese or Quebec pork, Quebec is clearly

home to a long tradition of enjoying local farm produce. Agriculture is important to both our economy and our taste buds, and to safeguard its development the Bloc Québécois presented a comprehensive assistance program for supporting this sector. Unfortunately, the Committee refused to adopt most of the Bloc Québécois proposals. It did, however, at the instigation of the Bloc Québécois, propose incentives to encourage the next generation of farmers, support farm incomes and assist the fisheries sector. The Bloc Québécois will be maintaining pressure on the government to act in Quebec's interests when drawing up its next budget.

- **A culture unique to Quebec**

Quebec's culture is the heartbeat of our nation. It is through its culture that Quebec reaches out to the world. The creative genius of Quebec's artists enables them to contribute actively to Quebec's economic development while allowing us to assert our own identity loud and clear in the middle of the Anglo-Saxon sea that is North America. The cultural cuts made by the Conservative government constitute a direct attack on Quebec culture. To put an end to the absurdity of the federal government's having financial and regulatory powers over Quebec culture, the Bloc Québécois submitted recommendations to the Committee for transferring funding and powers in this area to Quebec so that we can control our own communications and culture. The Committee did not accept these recommendations. It did adopt some Bloc Québécois proposals, particularly with regard to increased investment in the cultural sector, but it rejected income averaging for artists. The Bloc Québécois will continue to defend Quebec culture and pressure the federal government to accede to these demands in its next budget.

**New Democratic Party  
Recommandations  
Report on pre-budget consultations**

- Remove limitations on funding for research and advocacy activities in the revised terms and conditions of the Women's Program at Status of Women Canada
- Invest in habitat protection and enforcement to ensure a healthy and stable fishery for generations to come
- Increase the residence portion of the Northern Residents Tax Deduction that this portion of the tax deduction be indexed in order to keep pace with inflation based upon a Northern inflation measurement
- Fully reimburse Canadian seniors whose pension incomes have been negatively affected as a result of an error in calculating the rate of inflation. While the government has acknowledged the error it made it has so far refused to take any remedial action
- Remove the two percent limit on social program spending in the Department of Indian and Northern affairs so programs can be funded according to need and population growth
- Implement the five recommendations of the veterans' first motion as approved by Parliament, notably by eliminating the unfair reduction of Service Income Security Insurance Plan long term disability benefits from medically released members of the Canadian Forces
- Establish long term permanent bridging, mentorship and settlement programs that assist new immigrants in finding good and meaningful employment
- Subject to the jurisdiction of provinces, move toward a full, universal, cost-effective, regulated, not-for-profit child care program available to all parents across the country
- Improve the employment insurance system by reducing the required number of hours for qualifying to 360, by eliminating the two week waiting period and by basing the insurable payment on the twelve (12) best weeks worked
- Fund the Correctional Service of Canada to provide sufficient mental health diagnosis and treatment

- Maintain the existing prison farm program, expand it to other institutions, and add additional similar vocational programs
- Provide financing to ensure that all First Nations and municipalities meet the Canadian Water Quality Guidelines on drinking water. Equal fed/municipal/provincial cost sharing
- Reattribute one extra cent of the existing gas tax to fund public transit in Canada
- Provide extra resources to visa offices overseas and the Refugees Board to reduce wait times inflicted by a huge back log of family class and refugees' applicants
- See to the retroactive payment of \$2.6 billion to Quebec as compensation for their tax harmonization of 1980
- Create a comprehensive strategy to treat and prevent HIV, tuberculosis, and diabetes in First Nations, Inuit and Metis populations in urban, rural and remote settings