

House of Commons Standing Committee on Finance
2006 Pre-Budget Consultations Report and Recommendations to Minister of
Finance
“Canada: Competing to Win”
Excerpts of Report with Specific Reference to Nunavut and the North

Page 25 Re: “Post-Secondary Education” – Witness Input

Nunavut Tunngavik Inc. noted that, despite the high rate of unemployment in Nunavut, employers have difficulty hiring and retaining qualified staff, including Inuit educators. The development of long-term strategies for education and training was encouraged as a means of addressing the shortage of qualified labour.

Page 40 “What We (the Committee) Believe” – re Post-Secondary Education Input

Finally, the Committee believes that greater transparency and accountability must exist with respect to the manner in which post-secondary education funds are spent. We feel that a separate education transfer is needed and that guidelines, principles, responsibilities and accountabilities for the federal and provincial/territorial governments would help to meet the intended goals. From this perspective, and bearing in mind the Minister of Finance’s comments to us on 23 November 2006 about stable and predictable funding for post-secondary education and training, the Committee recommends that:

RECOMMENDATION 8

The federal government, once a long-term strategy for federal support of post-secondary education and training has been concluded among the federal and provincial/territorial governments, divide the Canada Social Transfer into a post-secondary education transfer and a social assistance and services transfer.

Once the Canada Post-Secondary Education Transfer has been created, the government should introduce guidelines, principles, responsibilities and accountabilities with respect to post-secondary education.

Page 45 – “Labour Mobility” Witness Input

In order to provide workers with an incentive to locate in northern areas, which typically have higher costs of living, the Makivik Corporation and Kativik Regional Government recommended that the Northern Residents Deduction be increased to recognize changes in the cost of living since 1990 and be made a refundable tax credit.

Page 53 – “Poverty and Equality” Witness Input

In November 2005, the federal government, the provincial/territorial governments and Aboriginal leaders signed the Kelowna Accord, a 10-year plan to improve the socio-economic conditions of Aboriginal Canadians. Such witnesses as Campaign 2000 and Dalhousie University, School of Social Work encouraged the federal government to honour the 2005 Kelowna Accord. Make Poverty History specifically advocated the implementation of poverty reduction measures contained in the Accord.

Page 56 – “Homelessness and Affordable Housing” Witness Input

Nunavut Tunngavik Inc. requested additional funding for housing in Nunavut, noting that the recent federal investment of \$200 million will provide approximately 700 new units, compared to an estimated demand of 3,000 units, and will not cover ongoing operating and maintenance costs.

Page 60 – “What We (the Committee) Believe” – re “Homelessness & Affordable Housing”

In the Committee’s view, our productivity as a people and our competitiveness as a nation are improved if we have a society that nurtures, supports and cares for one another. This type of society helps Canadians to overcome the challenges they may face in order to ensure their contribution to society. As well, this type of society may be valued by those seeking to invest — thereby providing us with foreign direct investment that can enhance productivity and competitiveness — and by those seeking to emigrate to another country — thereby providing us with future citizens and future employees.

A supportive society includes many of the elements that already exist in Canada: social assistance and social services; an employment insurance system; and measures to alleviate poverty, among others. Such a society also directs assistance to particular groups in society that need help, including persons with disabilities and Aboriginal Canadians.

See next page for continuation of dialogue...

The Committee is aware that there are certain groups in society that continue to experience unacceptable poverty despite the program spending, taxation and other federal measures that are designed to help them; these groups include children, Aboriginal Canadians and seniors. In our view, dialogue is needed among all stakeholders in order to determine the best methods for helping these Canadians. Although moral considerations and economic priorities require us to ensure that no Canadian lives in poverty, we believe that particular priority must be given at this time to ensuring that our children — who are our future — are able to escape poverty. From this perspective, and recognizing that there are a variety of relative and absolute measures of poverty that are used by various groups and individuals, the Committee recommends that:

RECOMMENDATION 11

The federal government adopt the target of reducing child poverty in Canada to 9.9% by 2010. The government should meet with the provincial/territorial governments and groups assisting and/or representing disadvantaged Canadians, among other stakeholders, to develop a strategy for achieving that target. The strategy should be developed no later than 30 June 2007.

Page 60 & 61 – What we Believe re Homelessness & Affordable Hsg Cont'd

In the Committee's view, a number of federal programs and non-committed funds that were eliminated by the federal government on 25 September 2006 make a valuable contribution — either directly or indirectly — to the lives of many Canadians. In light of the contribution they make, and because they were eliminated without any consultation with affected stakeholders, the Committee recommends that:

RECOMMENDATION 12

The federal government reinstate the programs and funds that were eliminated by it on 25 September 2006 in the areas of literacy, the social economy, youth, assistance to museums, Status of Women Canada, the Law Commission of Canada, volunteerism and the Court Challenges Program.

Page 60 & 61 – What we Believe re Homelessness & Affordable Hsg Cont'd

The Committee believes that appropriate housing is also an important contributor to the productivity of a nation's residents and to the competitiveness of a country, since residents and employees must be well-rested if they are to be productive in society, and children and students must be appropriately housed if they are to concentrate in school as well as to grow and thrive. Moreover, we find that housing must be affordable.

In the Committee's view, housing insecurity — which we interpret to mean housing that is not appropriate and/or not affordable — can jeopardize the health, education and social development of Canadians. It also limits their productivity in society. We believe that greater efforts are needed with respect to affordable housing, both generally and particularly with respect to the housing deficiencies experienced by Aboriginal Canadians and low-income families. From this perspective, the Committee recommends that:

RECOMMENDATION 13

The federal government, on a priority basis, extend the Supporting Communities Partnership Initiative and the Residential Rehabilitation Assistance Program.

Moreover, the government should — in conjunction with the provincial/territorial governments — develop a national housing strategy and, on a priority basis, take action in order to ensure that the housing needs of Aboriginal Canadians and low-income families are met.

Page 71 – “Public Infrastructure” – Witness Input

Moreover, the Federation of Canadian Municipalities urged the federal government to develop, in co-operation with the provincial/territorial and municipal governments, a long-term national plan to eliminate the municipal infrastructure deficit within 20 years. In particular, a national plan with a clear intergovernmental accountability framework and flexibility to meet the specific needs and capabilities of small, rural and remote communities was advocated.

Page 77 – “Northern Infrastructure” – Witness Input (Excerpts)

4. Northern Infrastructure

The Committee learned about the unique infrastructure challenges facing the communities of Nunavut. There are 25 communities in Nunavut, and they are isolated from each another; consequently, it is virtually impossible for communities to share critical infrastructure such as health centres, policing, civic offices, schools, etc. Nunavut Tunngavik Inc. told us that the public provision of a basic level of infrastructure consistent with national standards in every Nunavut community far exceeds the financial capacity of the government of Nunavut. Moreover, we were informed that, in addition to the requirement for new infrastructure, there is a growing need to replace and maintain existing infrastructure.

The Nunavut Association of Municipalities (NAM) informed the Committee about the immense natural resources and mining potential of Nunavut, and noted that while Nunavut is resource-rich, its residents and its communities do not receive significant benefits from their resource wealth under the current federal fiscal regime, since most of the public resource revenues from the resources in the Northwest Territories and Nunavut go directly to the federal government. The NAM advocated better federal resource revenue-sharing with Nunavut through the territorial and local governments, as well as federal financial assistance for the ongoing implementation of community development plans.

As well, the Prospectors and Developers Association of Canada suggested that infrastructure development in Northern Canada is crucial to the mineral industry's competitiveness and provides opportunities for northern communities to improve their quality of life. The federal government was urged to implement a 20% deep drilling tax credit to encourage exploration below 300 metres in order to discover deeper mineral deposits and to replenish reserves, thereby extending the economic life of existing mines.

Witnesses also highlighted the importance of geological mapping in attracting mineral exploration and discoveries. The Committee was told that more than 70% of Nunavut's territory remains unmapped, and that some regions of Labrador have not been adequately surveyed. The Newfoundland and Labrador Chamber of Mineral Resources, the Mining Association of Canada and the Prospectors and Developers Association of Canada recommended that the federal government urgently and adequately fund the Co-operative Geological Mapping Strategies across Canada. The Newfoundland Ocean Industries Association (NOIA) requested targeted federal funding for the Geological Survey of Canada in order to develop a marketing program based on geological data reflecting the region off the coast of Newfoundland and Labrador.

Page 81 – “What we (Committee) Believe” re: “Infrastructure”

The Committee believes that our nation's infrastructure — including transportation, utilities, telecommunications, hospitals, schools, libraries and museums — is critically important to the productivity of businesses and individuals, our economy and the competitiveness of Canada. Businesses must be able to move their goods to domestic and international markets, and employees and others must be able to travel to work and to participate in sports, cultural and other activities.

Without sound, reliable infrastructure, the productivity growth and competitiveness that we seek will not be possible. The Committee supports continued and enhanced financing of the range of Infrastructure Funds that currently exists, but we feel that additional actions are also needed.

The Committee believes that there is a need to ensure ongoing sharing of federal gas tax revenues with municipalities through the establishment of a permanent program. Proper planning by municipalities requires the certainty that would be associated with a more permanent program. Moreover, we feel that since infrastructure needs vary among communities and regions of Canada, it is important that funding allocation mechanisms not be based solely on per-capita calculations. From this perspective, and bearing in mind the comments made by the Minister of Finance about public-private partnerships, gateways, border crossings, and long-term, predictable funding and transparent funding allocation mechanisms for infrastructure during his 23 November 2006 appearance before us, the Committee recommends that:

RECOMMENDATION 15

The federal government, in conjunction with the provincial/territorial governments, help to fund existing infrastructure initiatives at a level designed to reduce the public infrastructure deficit.

As well, the government should make permanent a program for the sharing of gas tax revenues with municipalities.

Finally, the government should develop an allocation mechanism for federal infrastructure support that considers not only population, but also the unique strategic and economic development needs of communities.

Page 93: “What we (Committee) Believe” re “An Energy Strategy”

The Committee believes that climate change and environmental issues are continuing — and will continue — to have both significant and long-lasting effects. We also feel that these effects will have an impact on the quality of life enjoyed by Canadians as well as on our nation’s productivity and competitiveness. Ongoing vigilance will be required to ensure continued progress toward meeting our environmental objectives and commitments while facilitating the productivity growth needed for our future. In our view, clean air and water should be a right enjoyed by all Canadians in all regions of the country. Moreover, economic sustainability will, we believe, be tied to environmental sustainability.

The Committee also feels that the federal government should continue to lead by example: by purchasing fuel-efficient vehicles for government use, by ensuring energy efficiency in government buildings, and by encouraging public servants to use public transit. As well, the government should continue its efforts to redevelop federal brownfield sites.

While there are a number of environmental issues that require action, the Committee believes that renewable energy measures as well as incentives for energy efficiency and conservation are particularly important at this time. For this reason, and bearing in mind the comments made to us by the Minister of Finance on 23 November 2006 regarding clean air, environmental technologies, renewable energy and energy efficiency, the Committee recommends that:

RECOMMENDATION 17

The federal government, in conjunction with the provincial/territorial governments, conclude a Canadian energy strategy and an associated plan for implementation no later than 1 January 2008.

This strategy should be developed in the context of Canada’s Kyoto objectives and the need to reduce greenhouse gas emissions. It should also recognize the importance of a diverse energy supply and the need for enhanced incentives regarding renewable energy sources, including biomass, biofuels and wind. These incentives should include the Renewable Power Production Incentive and the Wind Power Production Incentive or equivalent tax-based measures.

The government should also explore incentives for enhanced energy efficiency and conservation by consumers and businesses, including measures to promote home and building energy efficiency and the purchase of fuel-efficient vehicles. The incentives should include renewal of energy efficiency assistance programs for Canadians.

Page 157 & 158 – “What we (Committee) Heard – re Fiscal Imbalance & Transfer Payments

The Committee believes that the Canadian federation is, at least to some extent, unbalanced and requires rebalancing. While measures designed to address both the vertical and horizontal fiscal imbalances exist, it remains the case that the federal government is collecting more in tax revenues than it requires to fulfill its constitutional obligations, the provinces/territories have too few resources to meet their responsibilities, and municipalities have insufficient resources to finance the services that the public expects from them.

The question of the existence and extent of the fiscal imbalance, as well as requests for change to the federation's fiscal arrangements, are not new. The Committee believes that residents want, and deserve, high-quality public services for the taxes that they pay, and that they do not want to pay excessively high taxes in order to receive those public goods. Moreover, we feel that taxpayers often consider the aggregate paid in taxes and the aggregate received in public goods.

Individuals may not draw a clear link between the amount paid by them in taxes to a particular order of government and the quality, quantity or range of public goods provided to them by that order of government.

Nevertheless, the Committee believes that governments should spend in a manner consistent with their constitutional obligations, recognizing the need for joint funding by more than one order of government in certain circumstances. For this reason, and bearing in mind the 23 November 2006 comments to us by the Minister of Finance about limited federal spending power and a strengthened economic union, the Committee recommends that:

RECOMMENDATION 43

The federal government meet with the provincial/territorial governments with a view to assessing their relative fiscal capacity and the extent to which they are able to fulfill their constitutional responsibilities.

Supplementary Opinion Excerpt of the Conservative Party of Canada P219 - 222

Responsible Spending

During the last 5 years under the previous government, total program spending grew by an average of 8.2% annually. In 2004-05, growth in spending reached 14.4%. This growth was neither sustainable nor desirable. That is why we support the New Government's plan to hold spending increases to 5.4% in 2006-07 and 4.1% in 2007-08. The Conservative Party therefore welcomes the Committee's recommendation to introduce a mechanism to review federal tax and program expenditures.

Specifically, we want Budget 2007 to focus on value for money invested in tourism, literacy, aboriginals, the environment, and the child care spaces initiative; on implementing a national museum strategy rather than short-term, inconsistent funding; and ensure that the CBC and Radio-Canada continue to perform their vital role as national public service broadcasters.

In the Conservative Party Opinion, in the section below, the Conservatives speak to the need to restore fiscal balance in Canada, however, they only mention doing it in the provinces ... not the territories! (Lynda's note)

Fiscal Balance

Intricately linked to improving Canada's place in a competitive world is action to restore fiscal balance.

Canada's New Government has long recognized the existence of a fiscal imbalance between the federal government and provincial governments. The report includes several measures that are part of a solution. However we believe that a stronger focus in this area needs to be done to ensure an efficient and competitive economic union and effective collaborative management of the federation including labour mobility.

A strong and prosperous economic union is essential if we are to remain ahead of the productivity and competitiveness curve.

In the Liberal Member's Dissenting Opinion to the Report, the only reference which I saw to the North was to "Transform the Northern Resident's Deduction into a Refundable Tax Credit." (Lynda's note)

In the NDP Member's Dissenting Opinion to the Report, the following statement was made within the Opinion:

The NDP approach to the new economy is an inclusive one that includes all Canadians in moving toward a competitive future together. We reject the divisive policies of the current and past governments wherein some Canadians benefit greatly and the majority depend on benefits eventually trickling down to them. How can we speak in this report of Canada as an internationally competitive nation blithely omitting references to Canada's northern, remote and rural communities and ignoring our appalling record on housing and Third World poverty conditions? In so doing, it supports the myth that trickle-down economics works. Not only does Canada have the resources to remove this blight from our reputation, but we have an obligation to address these conditions both at home and abroad.

Conclusion

There are many and varied criteria for measuring competitiveness. We were urged not to limit our study to corporate criteria alone. But even using the measure designed by the world's business elite, the World Economic Forum's Global Competitiveness Index, Canada is still 16th among industrialized nations and falling. The nations ranked at the top are not the ones with the lowest tax rates – nine of the 15 countries ahead of us have higher tax rates than we do. The leading competitors are the ones investing in their populations through education and training, innovation and technology and social program supports.