

## **Public Hearing Opening Comments:**

Thank you for holding these hearings, and those responsible.

Five minutes is barely sufficient time to make the points I need to make, hence the prepared comments.

Our association represents the interests of the 2.5 million Canadians who are directly negatively affected by this policy and who are the ones who will sustain the \$35 billion hardship which the so called tax fairness plan will inevitably result in. If only this policy had purpose and reason. Purpose and reason supported by fact. Or to quote the Auditor General of Canada: "parliamentarians need objective fact based information on how well the government raises funds (read: taxes)"

We also represent the interests of the 70% of Canadians who, unlike our elected representatives and the 280,000 civil service workers, are not members of defined benefit pension plans.

We are the only association coming before you in these hearings to do so representing the interests of Canadians in a way that is credible and free of commercial influence. Please hold others to this standard, or at least take this into consideration when weighing their testimony.

Providing for retirement income in a protracted low rate interest environment is not an easy task by any means. This is why income trusts have emerged as a popular retirement investment vehicle. The "made in Canada" income trust phenomena is the product of INVESTOR PULL and not ISSUER PUSH. This is why income trusts need to remain as a vibrant and sustainable part of the Canadian capital markets going forward. People's lifestyles and standards of living are fundamentally at stake. Canadian's lives and hard earned savings should not be compromised to assist in the narrow interests of Corporate Canada and many of its most influential persons regardless of their last name, or what their privileged access to decision makers is.

The ability to introduce this tax legislation is made possible by only one thing: the enabling document entitled: The Notice of Ways and Means Motion to Amend the Income Tax Act. Therefore anyone who wishes to weigh in on this debate and these public hearings needs to make their arguments in the context of its five stated provisions. Issues tangential to these five provisions are just that: TANGENTIAL ISSUES. Some tangential issues are perhaps worthy of further study, however, the scope of this committee, in the limited time you have allotted, needs to be focused on these five provisions.

Our Presubmission Document that was submitted 9 days ago and provided to each of you in both official languages does just that. It is also available on our website at [www.caiti.info](http://www.caiti.info) under the tab entitled "Public Hearings". I call upon the Committee Members to challenge me today on any of the points our

association has raised in this document that you do not agree with or that you feel needs clarification or additional documented support. We need to turn these public hearings into a debate not a speaker's corner. Unless I am challenged by you and until I withdraw any of these points, then I will assume that our Presubmission Document stands as the authoritative voice on the Tax Fairness Plan.

This is government in reverse. The government should be presenting Canada with its thought process and supporting evidence which Canadians could then challenge and subject to peer review. The burden of proof should rest with the architects of the Tax Fairness Plan. Their seeming unwillingness and failure to do so, simply makes the Tax Fairness Plan a false moniker being advanced on five hollow constructs. Absence of facts creates a void. A void in logic. A void in purpose. A void in reason. We do not intend to fill this void with \$35 billion of Canadians hard earned savings. Nor do we wish to lose the only investment vehicle that has any hope of providing retired Canadians with the ability to maintain their retirement lifestyle after they no longer receive employment income.

I do not come before you as an advocate of Income Trusts, since only licensed investment advisors are able to advise their clients on what investment products best suit a given investor's investment goals. This is called the "know your client rule" and is the most fundamental rule that underlies the Canadian investment industry. The Tax Fairness Plan is an abrogation of this rule, as it will prevent Canadians from investing in what they have determined best suits their investment needs.

Despite condemnations from our Prime Minister and or Minister of Finance that Canada not become a "nation of coupon clippers", the need for retirement income will go on unabated, Canadians will simply turn to other markets to fulfill these basic needs. TFP will result in a "flight" of Canadian investment capital out of this country and into other markets like the US high yield market, and Canadians will therefore be financing the growth and prosperity of other economies, principally the US.

Meanwhile the Tax Fairness Plan has created the "perfect storm" for foreign private equity investors and Canada's largest pension plans to exploit. The 20% decline in market value and the inevitable forced sale of income trusts as a result of the double taxation of RRSPs under this plan, will allow these LARGE INVESTORS to exploit SMALL CANADIAN INVESTORS. This inevitable take out by foreign private equity buyers will induce the very outcome that the Tax Fairness Plan professes to avoid, namely tax leakage, as all the pretax cash flow that used to be fully taxed in the hands of Canadian taxpaying investors will now flow free of taxes to foreign investors in foreign tax jurisdictions.

You will be hearing testimony from Dennis Bruce of HLB Decision Economics who will provide you with definitive knowledge about the source of tax

leakage. He will reveal the true source of tax leakage. Tax leakage comes from the Department of Finance's methodology, not from income trusts. This is because Finance ignores totally the retirement taxes that Canadians pay on their retirement income. It's that simple and it's that wrong.

You needn't take my word for it or even the word of Dennis Bruce. Perhaps you would be willing to take Dr Jack Mintz's word for it, who in private e-mail correspondence with me in November 2006 stated:

"I do want to point out that there is a serious flaw in many of the analyses especially on the taxation of pension and RRSP accounts. Finance was not right to treat the impact as zero"

I'll repeat that:

"Finance was not right to treat the impact as zero"

To make matters worse, Finance then uses this flawed analytical approach to devise policies that are regressive to these very people, namely Canadians saving for retirement. This is circular logic and results in what I call circular injustice.

So there you have it, the Tax Fairness Plan is unjust as well as being wholly unfounded.

Unfortunately it only gets worse, since it is also inequitable.

Grossly inequitable, since this year's brand of tax fairness unlike last year's, creates a special "carve out" that will permit pension plans to own private trusts without taxation at the trust level. This is the very thing that individuals are being denied from holding in their personal RRSPs

How so? The only distinction is that one is a "private trust" and the other is a "public trust". This raises a troubling question, and perhaps this is where the "debate" on income trusts should begin:

"How is something that is being denied the average Canadian on the basis of its presumed and yet unproven assertion of tax leakage be allowed to persist for the exclusive benefit of those in the public civil service and others so advantaged?"

Thank you.

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