

----- Original Message -----

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**Sent:** Wednesday, January 03, 2007 11:50 AM

**Subject:** Deborah Duffy: Meeting with Jack Layton Requested in Toronto

Deborah:

I understand that you are Mr Layton's appointments officer. I would like to schedule a meeting with Mr Layton at the earliest possible opportunity, preferably in early January when he is in Toronto for parliamentary recess. Failing that I would be happy to meet with him in Ottawa. I have also copied Olivia Chow on this e-mail in the hope that her schedule would also permit a meeting in either Toronto or Ottawa.

The Canadian Association of Income Trust Investors represents the interests of the 2.5 million Canadians who, directly or indirectly (through mutual funds) own income trusts. Our larger constituency is the 70% of Canadians who do not belong to defined benefit pension plans, and who in the future will be denied an important investment choice that many Canadians consider is well suited to retirement planning, namely income trusts.

The foundations of the Finance Minister's so called Tax Fairness Plan are false. This is why he has not provided Parliament with any studies or analyses to support his arguments. To quote the Auditor General of Canada: "parliamentarians need objective and fact based information on how well the government raise taxes".

I would like to discuss with Mr Layton the true intent behind Mr Flaherty's tax policy. Mr Flaherty's policy only serves the narrow interests of many of Corporate Canada's elite to the detriment of the average Canadian saving for retirement. Mr. Flaherty's policy creates an unlevel playing field between average Canadians saving for retirement and Canada's largest pension plans, including the Public Service Pension Plan, who operate for the benefit of a narrow segment of working Canadians. Mr. Flaherty's tax policy preserves the ability of Pension Plans to invest in income trusts, an investment choice that is being denied the average Canadian.

How can something that is being denied the average Canadian on the basis of its presumed negative effect on Ottawa's tax base, be allowed to persist for the economic benefit of those Canadians employed in the public service?

This is only a sampling of what is wrong with Mr Flaherty's policy on Income Trusts. Mr Layton would no doubt be interested in learning how Mr Flaherty's policy will actually induce the very outcome that it ostensibly seeks to avoid. Namely tax leakage. This will arise as a result of the inevitable wave of hostile takeouts of Canadian businesses in the income trust market by foreign based private equity funds. These funds will exploit the "perfect storm" of circumstance created for them by Mr Flaherty and employ the dual investment strategy of "event driven" investment opportunities and "income stripping" techniques.

This process has already begun with the \$831 million hostile takeover of Calpine Power announced in December by the aptly named US private equity fund, Harbinger Capital. The hollowing out of an important segment of Canadian businesses and our tax base will quickly ensue. Most foreign private equity players are simply waiting for Parliament to approve this misguided policy, and then they will be free to make use of Canada's incredibly lax takeover rules to exploit the circumstance created for them by Mr Flaherty. It is under these circumstances that Canadians' paper loss of \$35 billion in hard earned savings will be "crystallized". The Bloc's call for a ten year phase in will be of little protection to Canadians from the larger "forces at play".

Despite Mr Flaherty's condemnation of Canada becoming a "nation of coupon clippers", the need on the part of Canadians for retirement income will go on unabated. Canadians will simply turn to the global markets to fulfill their income investment needs. The greatest beneficiary of this "flight of

Canadian investment capital" will be the highly liquid US high yield market. The consequence of this inevitable flow of funds, will be that Canadians will start investing in the growth and prosperity of US companies to the benefit of the US economy.

Are these the consequences that the NDP wish to support? Without the support of the NDP, Mr Flaherty's misguided policy would have little chance of passing. Therefore the importance to me of meeting with Mr. Layton and Ms. Chow at the earliest opportunity.

As a matter of background, I am attaching an opinion editorial that I recently wrote for the London Free Press and an excellent report by Gordon Tait entitled "The Inconvenient Truth About Trusts".

Thank you,

Brent Fullard  
President and CEO  
Canadian Association of Income Trust Investors