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Chair

Mr. James Rajotte

Standing Committee on Finance

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● (1540)

[*English*]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): I call this meeting to order. This is the 82nd meeting of the Standing Committee on Finance.

I apologize to our guests. There was a delay in the House that meant we couldn't start the meeting exactly on time.

Pursuant to Standing Order 83.1, we are continuing our pre-budget consultations for 2012. We have with us in this panel five organizations: the Canadian Alliance of Student Associations; the Canadian Association of Oilwell Drilling Contractors; the Investment Industry Association of Canada; the Portfolio Management Association of Canada; and the Rideau Institute.

You each have five minutes for your opening statement. We will start with Mr. Dayler and we'll work our way down the row. Then we'll have questions from members.

Mr. Zachary Dayler (National Director, Canadian Alliance of Student Associations): Thank you, Mr. Chair.

On behalf of our 25 student associations across the country, representing over 300,000 students, I want to thank you all for the opportunity to appear before you today and to bring forward our recommendations.

Canada needs more educated people with less debt. Canada recently fell from 8th to 12th place in the rankings of the Global Innovation Index and from 19th to 25th place for investment in human capital and research. This shows that compared with other nations, Canada is not investing enough in higher education and research and development to keep pace. While our outputs are good, other countries are catching up.

CASA believes the government should invest in programs that are working and further invest in those that will complement future success.

By 2017, university and college education will be required for 75% of new jobs. The problem, however, is that the costs of attaining an education are increasing at a dizzying pace, a fact that I know everyone in this room is aware of. Since 1991, the costs of education have more than tripled. In the decade between 2000 and 2010, costs of education increased more than 211%.

Given the increased costs, more and more students are turning to loans, both public and private, to fund their education, ultimately driving up their debt loads upon graduation. In 2010, Statistics Canada reported we are graduating students 10 years financially behind. The government can help address this by increasing grant funding through the Canada student grants program.

Since 2010, the CSGP has reduced the average student loan by $461. For a reasonable investment, the government can do even more by increasing available funding by 25% per qualified student. Such an investment will reduce the overall debt for low- and middle-income students, helping some of those with the most need.

Canada's universities and colleges are also magnets for global talent, and as a country, we want to not only cultivate the best and the brightest, but we should also want to attract them. Last year it was announced that 1,000 doctoral students would be accepted for permanent residency under the federal skilled worker program. The value of attracting and retaining international students is found both within the classroom and their contributions to the overall economy. The government should consider extending a similar fast track to the permanent residency program for international master's, undergraduates, and college students in disciplines that would address Canada's labour shortages.

We also need to have a focus on creating opportunity for Canadians. Demographic projections illustrate that one of the most important investments the government can make is in the aboriginal population of Canada, which is forecast to grow to 1.4 million by 2017. However, the program currently structured to support first nations and Inuit students is under a 2% funding cap placed on Aboriginal Affairs and Northern Development Canada. The PSSSP is an example of a program that could ensure future success if better funded. Those who've received funding are accessing and completing their education, and this is a positive.

We're recommending the government remove the 2% funding cap on the post-secondary student support program, fund the backlog of students who've been denied funding, and ensure that the program is adequately funded into the future.

This week is also Open Access Week. Canada needs to ensure that tomorrow's labour force has every means at its disposal to create, manufacture, innovate, and discover. This cannot be ensured through training alone. At present, most of the new findings and information generated through this research are paid for through public dollars, but it is not publicly available. The government should motivate innovation and entrepreneurial spirit by enacting legislation requiring the three federal agencies, SSHRC, NSERC, and CIHR, to ensure that all findings produced with publicly funded research are made available in an open access format.

In closing, I'd like to draw your attention to the importance of creating incentives for youth employment. Finding a job is one of the greatest challenges facing youth and students today. Canada's economy has added jobs, but youth have been left behind. To cover the costs of living, tuition, and academic materials, many students supplement available financial assistance by working during their studies. It has been reported that during the last year of an undergraduate program, 62% of students work, on average, 18 hours per week. Our members were pleased to see the government take action on the income work assessment. Now we ask the committee to take the next step and remove this earnings penalty altogether. No Canadian should be punished for earning a living.

The budget is a reflection of priorities. CASA believes every investment in education is an investment in our future prosperity and is a symbol of what makes Canada great.

Thank you.

● (1545)

The Chair: Thank you very much for your presentation.

We will now hear from Mr. Scholz, please.

Mr. Mark Scholz (President, Canadian Association of Oilwell Drilling Contractors): Good afternoon. My name is Mark Scholz. I'm the president of the Canadian Association of Oilwell Drilling Contractors.

Joining me today in the gallery are Mr. Doug Strong, president of completion and production services at Precision Drilling Corp., and Mr. Kevin Krausert, business development manager at Beaver Drilling Ltd.

Precision Well Servicing is the largest publicly traded service rig contractor in Canada, while Beaver Drilling is one of the oldest private, family-owned drilling contractors. We represent both of those contractors.

On behalf of the entire membership, thank you for inviting me to speak and participate in these important discussions.

CAODC represents 45 drilling rig contractors and 76 service rig contractors. We represent 100% of the drilling rig fleet in Canada—that's approximately 820 rigs—and 98% of the service rigs fleet, or approximately 1,100 service rigs.

Our membership is committed to promoting a culture of safety excellence in the industry, acting in the best interests of our member companies, their employees, and the industry as a whole, and continuing a strong tradition of leadership and cooperation.

The Canadian drilling and service rig industry is a critical sector within Canada's upstream oil and gas community. We provide a necessary service for our clients—oil and gas producers—to develop Canada's petroleum resources.

The drilling and service rig industry is part of a larger petroleum services sector. It employs thousands of Canadians from coast to coast and significantly contributes to Canada's overall GDP. Moreover, the drilling and service rig community is recognized internationally for its innovation, technology, and training standards.

My presentation will address four major themes: the promotion of a competitive investment destination; labour challenges; market diversification; and the natural gas strategy.

The government needs to continue to promote a competitive regulatory and fiscal regime in order to attract oil and gas investment. Our business relies on oil and gas producers to invest capital into new projects—oil and gas wells—in order to be profitable.

The oil and gas industry is a competitive business. Consequently, the industry is competing globally for this capital. Investors have a range of opinions or options to consider. For Canada to take full advantage of these opportunities, it needs to provide a stable and competitive regulatory and fiscal regime.

When an investment is made to develop Canada's petroleum resources, it is the drilling and service rig industry—along with a multitude of other service providers—that directly benefits from this investment. The investment provides Canadians with well-paid jobs and the raw materials to heat their homes and power their cars. Every rig that is working generates 135 direct and indirect jobs.

On the labour supply, Canada needs to address the critical labour challenges. Canada's oil and gas industry is one of the most expensive jurisdictions in the world to do business in. Although geography is certainly a major contributor to these costs, the lack of labour is a growing concern. If the labour supply is not addressed, it could have significant cost implications through unsustainable wages and inflation.

The existing domestic labour force needs to be utilized effectively. There are regions in the country with an oversupply of jobs, while in other areas there has been an oversupply of people without work.

The government should incentivize Canadians to relocate to where some of these jobs are. This could be accomplished through programs such as employment insurance or other forms of government financial support. Another option would be to provide tax credits for businesses that provide assistance to relocate workers or for travel for seasonal work.

Canadian businesses are experiencing the challenges of a growing retirement population. This will have an impact on future economic growth, as experience and industry knowledge leave the workforce and the industry moves to transition that knowledge to new workers.

The government should consider incentivizing individuals to stay in the workforce longer. This could be done through existing government pension plans, whereby an individual continues to contribute past 65 and receives higher benefits at a later retirement date.

The government needs to address market access for our crude and natural gas products. In western Canada, petroleum products are sold at a discount to WTI and Brent. The result is a significant loss of revenue for the industry and the Canadian government.

The industry requires broader market access, particularly to the emerging Asian markets. Moreover, it requires expanded capacity to the United States and eastern Canadian markets. Canada is not taking full advantage of its resource economy because of the lack of market diversification.

● (1550)

Finally, on the natural gas strategy, over the next several decades, fossil fuels will still be the dominant player in our energy mix. Most major energy analysts are supportive of this fact.

The Chair: Okay, let's just wrap it up very quickly, please.

Mr. Mark Scholz: In conclusion, Canada is in an enviable economic position. Much of the developed world is in economic crisis. With strong leadership Canada can certainly position itself to prosper.

Thank you very much.

I appreciate the discussion and look forward to your questions, particularly on the natural gas strategy, which I was timed out on.

The Chair: Thank you for your presentation.

We'll hear from Ms. Amsden, please.

Ms. Barbara Amsden (Director, Investment Industry Association of Canada): I'm Barb Amsden, director of the Investment Industry Association of Canada, or the IIAC.

[*Translation*]

I am pleased to share with you some comments from our association, the IIAC.

[*English*]

Our 170 members, with 40,000 employees across the country, range from small regional institutional and retail boutiques to national full-service companies. The interests of our members and the country's economy are closely aligned, with our members raising nearly $130 billion in equity and debt to fund businesses, not-for-profits, and all levels of government last year.

We continue to face a sluggish domestic economy and global recovery, a high Canadian dollar, and turbulent capital markets. Investors are skittish about the markets, and corporations are holding cash in reserve, now 30% of GDP, three times the historical average. The effect is that capital spending on productive investment has declined. In Q3, there were only seven IPOs valued at $270 million, compared with $540 million in 20 IPOs last year. At the same time, household debt is increasing, with base demographic shifts that will demand new ways of thinking to provide for health care and support systems for an aging population.

To cope with these challenges, government must rely on revenue from sustained economic growth and continued efficient program spending. We commend the federal government's continued prudent financial management and recommend that this continue. We urge government to keep the current competitive corporate tax rate level. Lower rates have not led to a decline in corporate tax revenues; in fact, quite the contrary. On the household debt side, we support the government's tough love decision to tighten mortgage lending rules.

While good fiscal management, competitive taxes, and balanced borrowing are key parts in the investment cycle, we need increased individual and corporate investment. Just as a circulatory system is vital to the healthy functioning of every human being, the circulation of our savings is critical for our economic health.

At the top of a handout, you'll all have something with squiggles all over it, with a generally blue colour. You'll see a stylized view of the economic circulatory system showing money saved by millions of Canadians becoming productive investments, generating jobs, leading to taxes, and contributing to a better standard of living for Canadians who save and so on. That's the kind of round diagram you see before you.

The second diagram below it shows, within the investment capital formation part of the cycle, the role of seed money, angel investors, venture capitalists, and regulated investment dealers, who are our members. Our members channel savings of Canadians into private and public investment instruments, such as stocks and bonds. Blockages at any point in the system can have serious consequences, and we think there are some blockages at various stages. A number are due to our genetics, our economy's composition. Sixty per cent of the TSX index are energy and financial institutions. Some blocks are environmental, the uncertainty in the U.S. and the eurozone. Others have risen when prescriptions taken to address one problem have caused harm elsewhere.

Neither our large national nor our small regional members can do what they do best without a steady flow of smaller companies growing to the size when the services our members offer come into play, and our members can't do as well as they might at that stage due to increasing costs.

As with our personal health, we need preventive and restorative measures, and we propose antidotes that we think you can recommend, and also rely on your power to draw attention to ones you cannot. The symptom of our weak economy is not enough capital at key stages in the financing cycle, particularly capital-intensive—

The Chair: Sorry, Ms. Amsden, I'm being told the interpreters are finding you a little too fast. Can we just slow you down a touch, please.

Ms. Barbara Amsden: I will. Thank you.

The symptom of our weak economy is not enough capital at key stages in the financing cycle, particularly capital-intensive innovative businesses with large research or technology risks that venture capitals don't address, companies with traditional market and other risks that venture funds can financial successfully.

Our diagnosis? While some problems are outside our control, some arise from aspects of financing programs, or their lack, and others from imbalances in the regulatory and tax systems. People must have confidence in the markets and taxpayers must have confidence that taxes will be paid. Not surprisingly, governments have determined that for investors and taxpayers to feel protected, regulation is the answer, but sometimes it's been to the detriment of other parts of the markets. Canada's securities commissions protect investors, but they must also promote fair and efficient capital markets. We have examples where we think the balance isn't right. CRA has a duty to ensure that taxes are paid, but the combined rules and administration that are our tax system also affect the savings to investment processes.

Still too fast?

● (1555)

The Chair: You have one minute.

Ms. Barbara Amsden: Okay.

The remedies we prescribe are in the circle on the back part that I've shown you. First is building up angel networks, setting a net return to Canada requirement. Second is expanding the risk capital for growth businesses. There are a couple of things we can talk about there, but most important is the flow-through share concept, which has been used in the oil and gas industry. Third is fostering the move beyond the growth stage through public-private partnerships, educating owner-operators on financing options. Fourth, at the IPO stage, is the change in capital gains treatment, but only for the higher-risk investments. Fifth is ensuring a better regulatory cost efficiency, better balance of securities and tax rules, improved entrepreneurial financial literacy, and annual checkups.

I'd be pleased to answer your questions later.

The Chair: Thank you very much for your presentation.

We'll now hear from Ms. Walmsley, please.

[*Translation*]

Mrs. Katie Walmsley (President, Portfolio Management Association of Canada): Thank you, Mr. Chair.

We are pleased to have the opportunity to make a presentation to the committee today.

My name is Katie Walmsley and I am the president of the Portfolio Management Association of Canada, formerly known by the acronym ICAC. I am accompanied today by Scott Mahaffy, who is the vice-president (legal) of MFS McLean Budden and who serves as chair of our industry regulation and tax committee.

[*English*]

If you have any questions after the presentation, Scott or I will be happy to comment.

PMAC is composed of over 170 investment firms from across Canada that manage investment portfolios for pension plans, foundations, endowments, and individual Canadians who are saving for retirement. Our total assets under management are over $800 billion and close to $1 trillion, if including mutual fund assets.

Given that much of these assets are in the form of pension or retirement savings, our recommendations today will centre on measures to help Canadians protect, preserve, and grow their capital to ensure they have adequate savings for a comfortable retirement.

I'd like to start by applauding the government for two initiatives that, when implemented, will go a long way to help Canadians grow and protect their savings: first, the introduction of the pooled register pension plans; and second, the pursuit of one common securities regulator.

First, let's start with the common regulator. Why do Canadians need one? What's wrong with the current, fragmented, costly system? According to the recently released 2012 CSA Investor Index, 27% of Canadians believe they have been approached with a fraudulent investment opportunity at some point in their lives, yet among this number, only 29% have reported this to the authorities.

The establishment of one common securities regulator will help improve investor protection against fraud and will ultimately increase investor confidence in the capital markets. We believe the December 2011 Supreme Court ruling suggested that the next step forward is for the government to develop constitutionally sound legislation that supports streamlined securities legislation in Canada. We truly believe that a common securities regulator is in the best interests of Canadians. We therefore recommend that the federal government extend the budget of the Canadian Securities Transition Office for at least another fiscal year to allow them to continue their work, and to work with the provinces cooperatively to make this objective a reality.

Second, we applaud the government for the recent introduction of the pooled registered pension plans. This is a very positive step forward, filling a gap for many Canadians who do not have traditional pension plans. We encourage the government to continue to work with their provincial counterparts to expand the use of PRPPs across Canada. However, given the likelihood that many provinces will not make PRPPs mandatory, we recommend that the federal government introduce specific tax incentives for employers to set up PRPPs or other retirement savings vehicles. Details of these incentives are outlined in our formal submission, but we believe these incentives will help kickstart PRPPs and make them a success.

What other initiatives would help Canadians save for their retirement? For starters, let's look at the tax they're paying for the professional management of retirement savings. There's a value-added tax principle that tax should be paid at the time of consumption. It's very logical. What doesn't make sense to us is why individual Canadians and pension plans must pay GST and then harmonize provinces' HST for the professional management of their retirement savings. They are, in effect, paying tax twice. When HST came into effect in Ontario and Nova Scotia, as examples, the pension plans in those provinces had to pay an additional tax—8% in Ontario and 10% in Nova Scotia—on the management fees. As you are all well aware, pension plans are already struggling with unfunded liabilities. The government has struck a committee that is looking at the taxation of financial services, and in light of the issue and the priority that government has given to retirement savings, we urge them to look holistically at a solution that would simplify the tax for retirement savings and ease the burden for Canadians.

We have one final suggestion. Canadians are encouraged to take the opportunity to invest globally. The government is also making international trade a priority. Many of the emerging markets, however, are not open to ordinary Canadians. On the list of designated stock exchanges, 40% are within North America, 40% are in Europe, and only three are in emerging markets.

● (1600)

The current list does not provide adequate risk diversification and optimum asset allocation and is completely out of date. We urge the government to both update the list and to streamline the process of keeping the exchanges current.

Thank you. *Merci.*

The Chair: Thank you very much for your presentation.

We'll now hear from Mr. Staples, please.

Mr. Steven Staples (President, Rideau Institute): Good afternoon, honourable members of the committee and guests. Thank you for inviting me back to present our pre-budget consultation recommendations. My name is Steve Staples. I am the president of the Rideau Institute.

The Rideau Institute is a non-profit, non-partisan research, advocacy, and consulting group founded in 2006 with an expertise in Canadian defence and foreign policy, and we do not receive funding from the government or from firms. We are funded from donations from individuals and from consulting services we provide to non-profits and trade unions. I, myself, have been working in the field of defence spending and disarmament for about 20 years.

Our pre-budget submission has three main points for the government: first, to further reduce defence expenditures with a goal of returning to pre-9/11/2001 levels over time; second, to improve parliamentary and therefore public oversight of the military procurement processes; and third, to invest in Canadian industry by providing targeted support to areas of the economy where Canada is a world leader.

Defence spending today in Canada, even with the modest reductions made recently, remains at historically high levels. The dramatic buildup of defence budgets in the last decade, sometimes exceeding 10% a year, has left defence spending roughly 40% higher than before the 9/11 terrorist attacks. I've provided a chart from 2011 that documents in adjusted dollars where the budget is in real spending. We are sixth highest in NATO right now. In adjusted dollars, our defence spending is higher than at any point since the Cold War with the Soviet Union. I've also included that chart in the packages. However, the security situation has changed. We have a budget deficit and economic challenges at home. Our Afghanistan combat mission is over, and Osama bin Laden is dead.

Despite this, the government continues to commit to expensive procurement programs such as the F-35 and the shipbuilding program. It's evident from the analysis provided by the Parliamentary Budget Officer and the Auditor General that the costs of these programs have not been properly assessed by the Department of National Defence, and are not likely affordable, even with the increased spending commitments within the Canada First defence strategy. The National Defence budget must be brought into line.

As well, improved parliamentary oversight over major crown projects would increase transparency in defence procurement and accountability of the government and military contractors. A dedicated parliamentary committee for major crown projects would provide Canadians with additional confidence that public dollars are being used wisely, fairly, and efficiently.

For instance, on the F-35 stealth fighters, the public has been greatly confused by statements made by the government on costs that are frankly unpredictable, contracts that don't exist, and job opportunities that are little more than a hope and a prayer.

Establishing a parliamentary committee or a subcommittee responsible for major crown projects would help avoid the mistakes and complications that have arisen in many of the department's projects and help cut through some of the spin from the defence contractors and ministers.

Finally, defence procurement strategies have not reflected the government's goal of economic recovery and growth in key areas of the economy. The lack of a competitive process in sole-sourcing contracts has not guaranteed the industrial regional benefits that are essential for Canadian employment in these projects. For instance, there are no requirements for investment and job creation in the F-35 program, and I ask, what about the equally large shipbuilding program now? Where are the guarantees for jobs and investment there? Investments should be made where they stand the greatest chance of long-term benefit.

Media reports have suggested that the government is interested in a defence industrial strategy. This just doesn't make sense. With defence budgets declining globally, respected financial analysts such as PwC point to the commercial market as the best bet. Canada's future is in Bombardier's passenger jets, not Lockheed Martin's fighter jets.

Thank you, and I look forward to any questions you may have.

● (1605)

The Chair: Thank you for your presentation.

We'll go to members' questions.

[*Translation*]

Let us start with Mr. Caron.

Mr. Guy Caron (Rimouski-Neigette—Témiscouata—Les Basques, NDP): Thank you very much.

My first question is for Mr. Scholz and Ms. Amsden.

Thank you both for being here and for your presentations.

In those presentations, you made almost the same comment. It was about how to reduce debt to 28.5% in one case and 25% in another. Reducing debt is not in itself a bad thing. Mr. Scholz suggested reducing corporate tax in order to get business to a competitive level. But, since 2000, the tax on businesses in general has been reduced. The tax rate at that time was 28% or 29%. It has been reduced; it think it will be 15% soon. That meant quite a substantial decrease in revenue for the federal government, partially made up for by increases elsewhere.

Basically, it was a substantial drop. Some things have been mentioned. Some people have said that it resulted in idle money piling up. Others have said that investments were going to increase. The reality is that, if you compare the present situation with the situation in 2000, 2001 and 2002, real investment has been stagnant for a long time. The logic used by a lot of economists is to think that reducing taxes will increase investments and everything will be fine. In reality, we have not seen that direct correlation at all.

I would like your comments on that. You can start, Mr. Scholz. You can answer afterwards, Ms. Amsden.

[*English*]

Mr. Mark Scholz: Yes, sure, and thank you for the question.

I would like to maybe go back to the experience that we had in 2008, particularly in Alberta, where we had the provincial government make some changes in the royalty structures for oil and gas producers. This directly affected the amount of activity that we saw and were used to in previous years.

The message I'd like to give is that what investors are looking for...and we benefit from that investment. When investments are made, we go to work and we put people to work. What we have seen is that when the government can put in place a stable and predictable regulatory regime, on the taxation side as well as making sure that there's a clear process for regulatory review, it benefits our operations. We've seen that when governments make—

● (1610)

Mr. Guy Caron: I'd ask you to be short, because I don't have much time.

Mr. Mark Scholz: At the end of the day, we support stable and competitive taxation rates.

Mr. Guy Caron: Do you consider the current rate to be competitive?

Mr. Mark Scholz: At the end of the day, we have to ensure that we are competitive vis-à-vis other jurisdictions.

Mr. Guy Caron: My question is, are we currently competitive?

Mr. Mark Scholz: I think we're moving in the right direction, which is making sure that we're competitive vis-à-vis other jurisdictions.

Mr. Guy Caron: Thank you.

Ms. Amsden.

Ms. Barbara Amsden: We recognize that we're talking about the deficit, and we do think that it needs to be brought down. We think we can reallocate from other areas, rather than necessarily spending new. We think that the general tax rate for corporations is competitive and that it will help us.

As to where we could see some “tax spending”, it could be reallocated to what are known as flow-though shares, which could remain with oil and gas, but be extended to biotech and green and high tech. That would create some new jobs, and hopefully sustainable ones.

[*Translation*]

Mr. Guy Caron: Thank you.

Mr. Staples, you were talking about scrapping the F-35 fighter program. Our friends will tell us that we absolutely have to replace the F-18s. What do you say to them?

[*English*]

The Chair: Please be brief.

Mr. Steven Staples: Our position is that the CF-18s do need to be replaced. I think there's a question of timing as to how much is left in them. We've spoken to National Defence experts. Retired colonels, who were responsible for the programs, said there's actually quite a bit of life left in them, depending on how they're used. So we have time to look at other options and do a proper, competitive, open process.

The Chair: Thank you.

We'll go to Mr. Hoback, please.

Mr. Randy Hoback (Prince Albert, CPC): Thank you, Mr. Chair.

I'd like to welcome all the witnesses here this afternoon. It's great to see you. Your testimony is very important. Unfortunately, we only get five minutes to talk, so I don't get to talk to everybody. I know I'd like to talk to Mr. Scholz and Ms. Amsden, but I won't get time to get there, so I'll talk afterwards. Your labour issues and some of the comments you made are definitely issues in Saskatchewan.

Ms. Walmsley, I want to focus on you and some of the suggestions you made in your recommendations. One of the recommendations that stuck out a bit was the list of stock exchanges. Can you give us some background information on how that list is created? How should that list be modified? Is there a process we need to be going through to see that list being updated all the time, so that it's always fluid, instead of being static and getting looked at every number of years?

Ms. Katie Walmsley: That's an excellent question.

We've been exploring this issue with the Department of Finance, both the background and options to keep the list up to date. I'm not clear on the history of the list. What I am aware of is that the process today to add exchanges to the list is very complicated. Foreign exchanges have to go through an application process and in effect prove their regulatory controls are in place and prove their worthiness to Canada. The challenge with that, as the committee I'm sure is well aware, is that Canadian tax law is not well known around the world. A lot of the exchanges that are not listed are in the emerging markets, and it's probably not a priority in their mind to get on the Canadian list. In the last five years, to my knowledge, there have only been two exchanges added to the list: Bermuda and the Canadian National Exchange.

Our recommendation to the government is to look at an alternative process, because we don't think the current process is working and we don't think it is going to maintain the list; and look at other third-party options to validate the process, look at whether they're IOSCO members and OECD members, and look at whether Canada has a signed tax treaty with the country. We think there are a lot of options to make the list more relevant.

My final point would be that, because we have a list, it almost looks as though we are endorsing certain exchanges. The exchange list is predominantly, as I said, Canada, the U.S., and Europe. Our recommendation is to make sure the list is kept modern and up to date, and to allow Canadians to diversify their retirement savings and to have options beyond the more traditional western markets.

Mr. Randy Hoback: This government has been very active and aggressive in trade abroad with different types of trade agreements with different countries.

Is this something that should be part of our trade deals, something we should be looking at when we do a trade deal, for example, with Panama, Colombia, TPP, or CETA? Is that something we should be looking at?

● (1615)

Ms. Katie Walmsley: That's certainly an option.

Right now, if we are negotiating trade with a country where their exchange is not on our list, Canadians cannot invest their RRSPs in an equity that's on a foreign exchange in that country.

Mr. Randy Hoback: Why should we even have a list? Why wouldn't we just allow anybody to go there?

Ms. Katie Walmsley: That's a good question.

We've explored other countries to see whether a similar list exists. To our knowledge, we're not aware whether, in the U.S., for example, there is a similar list of specific exchanges. I believe it would be an option to eliminate the list, because there is a risk the government is in effect endorsing certain exchanges. The reality is that there is a due diligence process that any investor or investment manager goes through. Just because a company is on a certain exchange does not necessarily make it an appropriate investment.

Mr. Randy Hoback: Ms. Amsden, is there anything you wanted to add to Ms. Walmsley's comments?

Ms. Barbara Amsden: We have written on the same issue. There are some things that could be done fairly quickly by accepting any exchange that is in an OECD country, because you have certain standards that are in application. I had never thought of it the way you did; potentially that could be something we could give in a trade mission, as long as we're getting some satisfactory answers in terms of the quality of the accounting and systems behind it.

Mr. Randy Hoback: You talked about tax and professional management fees, the GST in that portion. Why do you think you should be exempt? I have a hard time understanding that one.

Ms. Katie Walmsley: We're not necessarily recommending full exemption; we're suggesting potentially turning the clock back to at least July 1, 2010, and looking at GST only. That would eliminate the additional tax in all the harmonized provinces.

The issue really comes down to this: the government has prioritized retirement savings and has addressed the fact that we need to do something to help Canadians save more. There is pension reform going on to help underfunded pension plans. This is one form of helping Canadians have more capital, pay less tax at the time of saving, and have more retirement savings in the future.

The Chair: Thank you, Mr. Hoback.

Mr. McGuinty, please.

[*Translation*]

Mr. David McGuinty (Ottawa South, Lib.): Thank you, Mr. Chair.

I would like to turn to Mr. Scholz for a moment. He did not get the chance to finish his presentation by talking to us about a national natural gas strategy.

[*English*]

Mr. Scholz, I'd like to come back to your testimony. You were clipped off just when you were alluding to, I think, a natural gas strategy.

Could you take maybe less than a minute just to walk us through what your thinking is in this regard?

Mr. Mark Scholz: Thank you very much, Mr. McGuinty, for allowing me to talk a little bit about this.

I think we have a huge opportunity here within Canada. Right now we have an abundance of natural gas, which is one of the cleanest-burning fossil fuels. The price point for this fossil fuel is tremendous. I think we should be encouraging the adoption of natural gas into electrical power generation. I think we should be looking at incentives to look at converting commercial trucking fleets to natural gas, where we can....

Frankly, from our perspective, in terms of what we're drilling, 80% of our wells are oil. When we have fluctuations in the cost of oil, and we don't really have much as an alternative to drill for, if we can provide some incentives on the supply side and the demand side of natural gas, I see a tremendous benefit for our industry, just as I do on the side of our attempts as a country to reduce our greenhouse gas emissions. That's certainly an incredibly important piece for Canada to pursue—our carbon emissions.

Mr. David McGuinty: That's exactly where I wanted to take you next, Mr. Scholz.

The American chamber of commerce's 21st century research institute on energy is now advising both political parties on Capitol Hill that the United States is going full steam ahead into natural gas, including shale gas and shale oil.

The Chinese have found massive deposits of natural gas in the southwest. They are building pipelines to their cities on the eastern side of the country.

I wanted to ask you about the need to address natural gas, and about how we can do that if we don't actually have an adult discussion in Canada right now about a national energy strategy.

For example, we don't know how fossil fuels will connect to renewables, which will connect to hydro, and connect to nuclear, and connect to biofuels going forward. We don't know, with regard to the existing fiscal measures that are in place, what the net effects will be on our energy future. We don't know what the programmatic expenditures are having on our energy future. We certainly don't know how any of this is connected to Mr. Harper's promise to reduce greenhouse gases by 17% in absolute terms in the next 13 years.

Now, we're way behind every other OECD country that we've looked at. How do we do a natural gas strategy in the absence of a more fulsome national examination of what our energy future is all about?

● (1620)

Mr. Mark Scholz: That's a tremendous point, Mr. McGuinty.

In fact, our association is extremely supportive of a national energy strategy. I think we need to look at what our energy mix looks like 10, 20 years down the road.

Natural gas, from our perspective, is a tremendous alternative to be pursuing, particularly with electrical generation. Right now, just to give you an example, on our rigs we are in fact being extremely innovative, powering some of our equipment with natural gas and bi-fuel technology, whereby we can actually take some of the natural gas right from the wellhead to power our rigs. That's in fact directly reducing our carbon footprint.

We have to think critically on this. I agree that we need to sit down and have an adult conversation about how we can best utilize the abundance of natural resources on the natural gas side, and wind, nuclear, and hydro.

You're right. The conversation needs to happen.

The Chair: You have 45 seconds, Mr. McGuinty.

Mr. David McGuinty: Ms. Amsden, just very quickly with regard to the markets, you mentioned that 60% of the TSX was effectively energy and financial services.

What's going on in the markets right now when people make choices around investing in companies? To what extent are they examining, for example, energy efficiency performance or overall sustainability performance? And do they have the metrics to do it?

Ms. Barbara Amsden: I don't know if they have the metrics to do it. That's the short answer. I think people care, but as to how easy it is to have an actual measure that people will be able to check quickly and easily, I don't know that it's there.

I'm interested enough in it myself that I will follow up with you on what I can find out once I get back to my office.

Mr. David McGuinty: Thank you.

The Chair: Thank you, Mr. McGuinty.

Mr. Van Kesteren, please.

Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC): Thank you, Chair.

I was expecting to take the next round, but I'll gladly take this round.

Thank you all for coming. It's good to see you all.

Mr. Scholz, I want to remind you about the national energy program the Liberals introduced back in the seventies and what a great resounding success that was. I would like to say as well that when we talk about a national energy program, we have gone far beyond that, I think, as a government. We've proven it. I think you'd probably agree, too, that when we talk about gas, we need markets. And especially for the gas you refer to, in northern B.C., transportation is going to be the biggest issue.

The route we are closest to, of course, and we are closer than anyone, is to the east: Japan, Korea, and China.

Although Mr. McGuinty is correct in saying that the Chinese have huge reserves—I think they're the second largest in the world—they still have to manufacture all those pipelines. We have this window of opportunity, don't we, that we can...?

Again I say that rather than talking about an energy program, we're already moving in that direction. One of the things we have acted on is one project, one review.

I wonder if you could just comment on that and tell us how important that is.

Mr. Mark Scholz: Certainly we're extremely supportive of the government's plans to streamline some of these major projects. I think everyone, including our industry and our association, is cognizant of the fact that we have to ensure that we're building these projects bearing in mind the environmental sensitivities and that we're doing them as safely as possible.

At the end of the day, I think there's a way to do that with some of the processes and streamlining initiatives your government is proposing. We're very much supportive of that.

Mr. Dave Van Kesteren: Liquefied natural gas is the means of transportation to the far east. Is there any other port in North America presently other than the one in Louisiana? How much closer are we to Louisiana from Kitimat, say?

Mr. Mark Scholz: Unfortunately, I'm going to decline to comment on that. I'm not the expert.

Mr. Dave Van Kesteren: It's about 7,000 miles.

Voices: Oh, oh!

Mr. Mark Scholz: I'm not an expert on that particular question, so I'll leave that up to another witness.

Mr. Dave Van Kesteren: Thank you. We certainly are very encouraged by what's happening in the natural gas field.

Mr. Dayler, I want to speak to you. It's good to see you again.

You've mentioned that we've missed an opportunity. You've acknowledge this too, but I just want to mention that our government, since 2006, has invested more than $10 billion annually in students and education, including $3 billion in transfers to the provinces. Of course, the provinces administer education.

We've heard repeatedly in testimony from a number of different organizations and different fields, especially in the extraction industries, be it mining or oil or gas, about the shortages they are experiencing right now and about the shortages looming in the future.

What have we done wrong? Are we missing the boat? Are we not producing the people we need for these areas? And where is the shortfall? Is there something we can do federally, maybe, to coordinate a better plan in our post-secondary education?

● (1625)

Mr. Zachary Dayler: Thank you for the question.

I think what's important is investing in education, generally, to get people educated.

We're looking, in a lot of cases, at fewer jobs for people who are not going to school. During the recession there were 433,000 fewer jobs created for those without an education. When we're talking about labour gaps, from our perspective and from our members' perspective, whether it be pursuing university, college, or a specific trade, it's getting people in the door and ensuring that they're not leaving heavily indebted, so that they can pursue work opportunities.

Mr. Dave Van Kesteren: I was more interested in whether we are advertising enough the fact that we need expertise in engineering and those fields. Is that something you're seeing at the higher levels of education?

Mr. Zachary Dayler: We can always do more to advertise getting an education and the needs of our markets for the labour that is out there. There is a lot of misinformation out there for students. Any steps that can be taken to clean that up are positive.

Mr. Dave Van Kesteren: Thank you very much. It was good to see you again.

The Chair: Thank you.

M. Mai, s'il vous plaît.

Mr. Hoang Mai (Brossard—La Prairie, NDP): Thank you, Mr. Chair.

I'll continue with Mr. Dayler.

You say finding a job is one of the greatest challenges facing youth and students today. Yesterday we had the Canadian Federation of Students come before this committee. When we asked them whether things have been better or worse for students in the last six years, they said they have gotten worse.

When we look at the rate of unemployment, which is double for youth, and when we look at student loans, which are going up, what is your take on how things are going for youth and students?

Mr. Zachary Dayler: I think it's important to note that in 2012 Canada's employment rate for students aged 20 to 24 years was 63.2%. This was down from 67.4% in June 2011, and it is the same value recorded in June 2009, which is the worst point of the most recent recession. So definitely, for those young people in that 20- to 24-year age group who are still trying to pay for whatever the cost may be for university and college, it has become quite difficult.

The other point to note that I think is key to this is summer earnings. If you look at the years between 1977 and 2008, summer student employment averaged about 70%. In 2012, as I mentioned, the employment rate dipped again to 47.9% for that summer employment.

When students have the opportunity to work and not be in class, the jobs just aren't there. Then when they're studying, they're working more than ever before. I'm sure I'm not the only one who thinks that's a little bit backwards.

Mr. Hoang Mai: Thank you very much. I wish I had more time, because we understand that a lot of the issues and a lot of the things the government is doing right now are increasing the gap between the rich and the poor, and that also affects students. Unfortunately, I won't have time to go into that.

For the Rideau Institute, you've been very critical of how the government has been handling what we call the F-35 “fiasco”. You also mentioned the lack of transparency, lack of accountability.

Maybe 30 seconds on that front: what can the government do now to make things better?

Mr. Steven Staples: I think there are a lot of questions about where the government is on the seven steps they announced earlier this year. There has been some moving around of those priorities. They had a terrible time trying to find a firm that was going to provide some kind of independent analysis of this.

We were very much looking forward to greater scrutiny of it at the public works committee, which I think was going to do it at the sitting after the summer break. That was squelched, and there has been very little discussion over the last few months about what's happening in the secretariat. We think there needs to be much more oversight on this, and the government needs to be clearer.

For instance, we've had ministers talk about a contract. There is no contract for the F-35.

The price estimates have swayed dramatically, and they've had to change some of those estimates.

The public just doesn't know what's happening. There was a media report recently that quoted a Lockheed Martin registered lobbyist commenting on F-18s, yet the media report didn't identify that he was a registered lobbyist for Lockheed Martin. He was just presented as an expert, and the public is confused by that. That story ran across the country. We tried to catch up and change it.

But I think greater parliamentary oversight, which would inform MPs like you, and journalists, is really required on this file.

● (1630)

Mr. Hoang Mai: In your answers to the question regarding structural change, you said that Canada has become more and more dependent on the export of unprocessed resources, and also that Canadian companies need to add value to our exports. That's something we've been pushing from our side too.

Can you maybe expand more on what more we can do on that front and how it would benefit Canada?

Mr. Steven Staples: Broadly, certainly an industrial strategy is required. I think the government has a role in assisting industry and making investments in key areas where we can do that. I think there are lots of areas where that can happen.

My particular area is in the high-tech field of defence procurement, which involves a lot of aerospace aspects. In particular, as I mentioned, the government is talking about doing a defence industrial strategy. That's not really the way to go at this point. As I mentioned, PWGSC is projecting that defence expenditures across the globe are going down. Those countries that are still involved in major defence procurement, like the U.S., are looking for jobs at home. They don't want to see F-35 jobs coming to Canada or Italy or other places.

Let's look at the commercial side. Where we do defence procurement, let's make sure we have industrial regional benefits, and make sure Canadian companies can compete, but let's focus on the commercial side. Bombardier's jets, I think, hold a lot more promise than fighters.

The Chair: Thank you very much.

We'll go to Mr. Adler, please.

Mr. Mark Adler (York Centre, CPC): Thank you, Chair.

I would appreciate, once again, if you could let me know when I have one minute left in my questioning.

The Chair: Absolutely.

Mr. Mark Adler: I have questions for pretty much all of you, but I do have to narrow my focus, in the spirit of time.

Mr. Staples, I have a quick question for you. Are you a registered lobbyist?

Mr. Steven Staples: Yes.

Mr. Mark Adler: And who do you lobby on behalf of?

Mr. Steven Staples: The Rideau Institute is an NGO unto itself, so we are not a charity, and we do advocacy work for ourselves. So I am an in-house lobbyist for the Rideau Institute. I'm also a consultant lobbyist for other organizations. We recently registered for the Communications, Energy and Paperworkers Union and the Nobel women's organization, which represents Nobel Peace Prize winners. It's mostly non-profit organizations and trade unions.

Mr. Mark Adler: Okay, thank you.

Mr. Scholz, it's important to have a competitive tax system, and Canada is recognized around the world as having a very competitive tax system. That's why we're ranking number one out of G-8 countries in terms of economic performance. Our corporate tax rate is 15%. I'm really hoping you can help the people across the way here understand that an increase in taxes would lead to less investment and fewer jobs in our country. Could you please explain, as a spokesperson for your industry, what higher taxes would mean for investment and job growth and economic prosperity for Canada?

Mr. Mark Scholz: Sure. Thanks, Mr. Adler, for the question.

Certainly, what I will say is that we have to look at this as an overall competitive equation here. Corporate taxes are important, along with personal taxes, royalties, and fuel taxes. All of these issues add up to an overall investment decision for capital. When the formula makes sense for an investor to put money towards developing an oil and gas well, we go to work. When the formula doesn't work out and they say, look, compared to other jurisdictions, maybe it's better to invest in Texas or Alaska.... There's a multitude of other jurisdictions where the capital is moving. Certainly, we want to be the jurisdiction that attracts that needed capital where we can put people to work.

● (1635)

Mr. Mark Adler: Lower taxes are a key factor in that, correct?

Mr. Mark Scholz: I would say, from a competitiveness standpoint, it's a huge benefit for our industry, for representing tens of thousands of workers, that we go to work when investors see a competitive tax climate in the country.

Mr. Mark Adler: Thank you.

Would you consider the oil sands to be a disease, as the NDP says it is?

Mr. Mark Scholz: I do not consider the oil sands to be a disease. I see it as an opportunity for all Canadians. If we can do it in an environmentally and sustainable way, I think all Canadians, from coast to coast, can benefit from that tremendous resource.

In our industry alone, we do a lot of SAGD operations in the oil sands. In fact, we employ Canadians right across this country.

We were at a reception the other day where I was showing a picture of a rig crew. The derrickhand was from St. John's, Newfoundland, our motorhand was from Quebec, and our driller was from Alberta. I think it is just a statement that says the oil and gas industry is a tremendous opportunity for all Canadians and we all benefit from that.

Mr. Mark Adler: Thank you. That's well said, and I hope my friends across the way have learned something today.

The Chair: You have one minute.

Mr. Mark Adler: Thank you very much, Chair.

I have a question for you, Mr. Scholz. I'm going to ask a couple of the others the same question.

Knowing that you were going to be here today, do you remember if any one of your members...? How many members do you have?

Mr. Mark Scholz: We have 45 drilling rig contractors and 76 services we're contracting out.

Mr. Mark Adler: Did any one of those say to you, “Please, Mr. Scholz, when you appear before the finance committee of the House of Commons today, we want you to tell them that we are in favour of a $21 billion carbon tax that the NDP is proposing?” Did any one of those ask you to do that here today?

Mr. Mark Scholz: No.

Mr. Mark Adler: Thank you.

Ms. Amsden, how many members do you have?

Ms. Barbara Amsden: We have 170.

Mr. Mark Adler: Did any one of those ask you to advocate for a $21 billion carbon tax today, as contained within the NDP platform?

Ms. Barbara Amsden: There were no comments on that subject.

Mr. Mark Adler: Thank you very much.

Mr. Robert Chisholm (Dartmouth—Cole Harbour, NDP): Why would they? It's not true.

Mr. Mark Adler: Check page 4 of your platform, sir.

Am I out of time?

The Chair: You have five seconds.

Mr. Mark Adler: Okay, that's fine.

The Chair: Thank you, Mr. Adler.

We'll go to Mr. Marston, please.

Mr. Wayne Marston (Hamilton East—Stoney Creek, NDP): Thank you, Mr. Chair.

I want to apologize to our guests here today. You come to this place expecting a level of debate that's commensurate with the work that you've put into it and you have to listen to the politicking from the other side. It's beyond belief.

Mr. Staples, as a lobbyist—because this point was raised, and it's a fair point to raise—quite often you're actually seeking better legislation and not necessarily seeking money. The implication was that lobbyists are all out there to gain money. Is that a fair view?

Mr. Steven Staples: I'm here representing the Rideau Institute. I'm here on behalf of thousands of supporters out there who make regular monthly contributions to our organization.

Mr. Wayne Marston: My point is that as a lobbyist, though, you work with NGOs, and you're looking for legislative changes as often as you may be looking for money.

Mr. Steven Staples: Oh, yes, we're almost always looking for policy or legislative changes.

Mr. Wayne Marston: I just wanted to make the point, because the implication was that we're talking about money here.

I also respect you for raising concerns about a military budget. In the times we've lived in for the last 15 or 20 years, people who do that are kind of questioned. But when you look at the graphs that we have here, you've shown us that during the last 15 years it has more than doubled. We've had terrible times, there's no doubt of that.

Do your graphs take into account the projected costs of the F-35?

Mr. Steven Staples: No, they are just up until the current point. I think that one in particular goes to 2011.

Mr. Wayne Marston: Yes, it does.

You've commented a little bit on the F-35. When you put it in the context of this change that has just happened, where they now have a procurement committee for oversight, which is great—it's important that we have that, as long as what they do is made public. What's your reaction to that?

Mr. Steven Staples: I think it was a recognition that things weren't going correctly. Remember, this program was announced two years ago, in 2010, with great fanfare, even though the plane itself was not proven. Imagine, they made that announcement two years ago, but this year the plane flew for the first time at night. That's how new that plane was. We now know it works in the dark. Also, this year it dropped its first bomb. So this is very much a model airplane that the government has committed to.

Now it has created this committee, which I think is a recognition that the track it was on was incorrect. However, as you know, there's been very little evidence that this committee is looking at other alternatives, and it is my understanding that that is what it was mandated to do.

● (1640)

Mr. Wayne Marston: Thank you.

Mr. Scholz, in your presentation you said your industry has 820 rigs. How many workers would that entail?

Mr. Mark Scholz: You have to look at the service. Are you talking about just in our industry on the drilling side?

Mr. Wayne Marston: I mean directly in the industry.

Mr. Mark Scholz: On a crew, it would be about six individuals from our side that would be working on a single drilling rig. But then you also have to keep in mind that you're going to have pumpers, wireline operators, etc.

Mr. Wayne Marston: There are the support industries.

Mr. Mark Scholz: The rule of thumb, we always say, is that for every rig that's working, it amounts to about 135 direct and indirect jobs.

Mr. Wayne Marston: So it's a major, major industry.

I heard Mr. Dayler speaking about the need for educating first nations. We've heard from several witnesses that this is one of the stopgap measures we can use for the jobs in Mr. Jean's area that so desperately need filling.

Does your industry use temporary foreign workers to any degree?

Mr. Mark Scholz: It's very rare. We have some companies that have tried it. We look at this as a long-term career opportunity for people, and we would much rather train and nurture a Canadian, bring them up in the industry and work them up on the rigs, than we would ever see the need for temporary foreign workers.

Mr. Wayne Marston: I appreciate that because we have an awful lot of Canadians looking for work.

Would you support the government's giving assistance to unemployed Canadians to move to where the jobs are? We've heard that in the other presentations.

Mr. Mark Scholz: In fact, it was something I was asking for in my presentation. We would be extremely supportive of that. We have regions of our country where folks are unemployed, and we'd love to bring them out, train them up, and put them to work.

Mr. Wayne Marston: That would be a major investment for sure.

Thank you.

The Chair: Thank you, Mr. Marston.

Ms. McLeod.

Mrs. Cathy McLeod (Kamloops—Thompson—Cariboo, CPC): Thank you, Chair, and my thanks to all the witnesses for their presentations today.

Mr. Dayler, I think most people recognize the critical importance of education, particularly for the aboriginal community. It's interesting that you're asking for the lifting of the 2% cap. I had a meeting yesterday with some other folks in my office. I thought it was a very interesting concept, and I'd be very interested to know what you heard about it. There's some significant research out of the University of Victoria—and of course they are very well known for the work they do—that says it is more important right now to look at support versus funding. If you're looking at how you can help create success, there are some measures that would help increase the retention rate.

If you had only limited resources, which would be the better avenue? Are you aware of this particular study and what the implications of it are?

Mr. Zachary Dayler: I cannot comment directly on that study right now. In terms of support versus financing, you can't throw funding at an issue and not put the support there, whether it be on-the-ground support, actually on reserve, through a friendship centre, or wherever it may be, to help these young people get access to the appropriate information.

I mentioned earlier that we did a study, “The Illiteracy of the Literate”, that showed there's a good portion of misinformation out there about where to get even simple information about accessing. Once you have that, then the funds come into it.

This is 100% an issue in terms of first nations/Inuit populations for the PSSSP, to work with that community and with that group to identify what supports are needed, as well as what funding is there.

When we look at it in terms of what we can do to increase our overall productivity in our tax base, this is absolutely a population that needs both support and funding. So I'm not sure I can separate the two.

● (1645)

Mrs. Cathy McLeod: Thank you.

They were talking...and it was a very, very poor retention rate, so I think to support success is a critical issue to be thinking of.

My next question is, how many students graduate without debt?

Mr. Zachary Dayler: The number varies. I've heard a number of things in terms of that.

It's hard to say how many without debt, because private debt is not counted—loans from parents and grandparents are not counted—when we're looking at that. In 30% to 40% of students graduating without debt, I would be surprised if they didn't have any debt, whether that be credit card or private debt.

Mrs. Cathy McLeod: Okay. If I look through—and I was doing that—we know that a number of students graduate without debt.

What percentage of the actual cost of education do students pay?

Mr. Zachary Dayler: What percentage do they actually pay in terms of their education?

Mrs. Cathy McLeod: How much is actually funded...? The institutional costs. We'll say that a degree is *x* dollars. They're paying only $7,000 in tuition and really the cost is $15,000. Is it 50%? What percentage do they pay?

Mr. Zachary Dayler: From the loans perspective, that's arrived at 60-40, but as to what a student pays—

Mrs. Cathy McLeod: What a student pays of the actual cost of the education.

Mr. Zachary Dayler: That can vary from institution to institution, once you add in the fees. Across this country you're looking at an average year for a student—when you calculate fees, living, and books—costing $18,000 to $27,000.

Mrs. Cathy McLeod: So you don't have that number, the tuition compared with the education cost?

Mr. Zachary Dayler: I can find that for you.

Mrs. Cathy McLeod: That would be great.

Certainly, I have every sympathy. I have three children who went through university. But I do see significant changes to the grant program, both for low- and middle-income support for people with permanent disabilities, student grants for equipment for disabilities, support for dependants. I look at the RESP and the Canada student grant that goes along with it.

Has anyone added all those costs together in terms of what the actual support is?

Mr. Zachary Dayler: I couldn't give you the total number for support right now.

There are absolutely a number of programs that are there to support students. As we mentioned, the Canada student grants program is a fantastic way to put dollars that don't have to be repaid by students. When you look at changes to the copyright legislation, modernizing that and including fair dealing, those are savings and investments in students. Everything helps.

If you look at polling, education is among the top four issues. Really, more investment is required to make it a number one priority for this country.

The Chair: Thank you.

Mr. Chisholm, please.

Mr. Robert Chisholm: Thanks very much.

Thank you very much to all the presenters. It has been very interesting listening to your thoughts and ideas about things that need to be done.

It's interesting to note that whether it's as a result of the favourable corporate tax rates or an unwillingness to invest, the Governor of the Bank of Canada has also recognized that there is upwards of half a trillion dollars sitting in cash in bank accounts that corporations are sitting on. The government, to date, appears unable to get that money out, to get it invested, as it was intended, for capital, for hiring, or for whatever.

I'm wondering if you have some suggestions on what can be done. What incentives could government use to try to get some of that money out and working in the economy?

I think you all have a perspective on this issue, different points of view. Why don't we start with Steven and then head down the list.

Mr. Steven Staples: I don't pretend to be an expert in this area, but one would think, with the Canadian dollar high as it is, that, as has always been explained to me, this is an advantageous time to recommit to capital expenditures, to procure new equipment, and to upgrade facilities in manufacturing. Perhaps the government has some way, in terms of leveraging new technology, of getting this money going so that we have the investments—in auto or other manufacturing, aerospace, or other areas—through which this dead money can become lively.

● (1650)

Mr. Robert Chisholm: Thank you.

Ms. Walmsley.

Ms. Katie Walmsley: That's a tricky question, because I think the answer would vary by industry. If there were specific industries in which the government saw that there were more cash reserves and that investment wasn't happening, there might be some industry-specific opportunities to look at.

A lot of the holding on to cash that's happening at the corporate and individual levels is beyond our borders. The post-U.S. election period, a little more stability in Europe, and a little more confidence globally in the economy are going to help.

Locally, Mr. Carney's or the Bank of Canada's policy on maintaining interest rates has certainly helped in keeping the rate low to stimulate investment. There is a limited amount we can do within Canada until the global economy situation is in a better position.

Mr. Robert Chisholm: Ms. Amsden.

Ms. Barbara Amsden: I have a small order and a big one. I'll start with the small one.

There was a tax change made in 2008 that inadvertently hurt small western investment dealers. It was a tax change that made a great deal of sense, which was to tax traditional warrants as income, even though it hadn't actually materialized.

There is something called “broker warrants” out west, which are usually used instead of cash for some of our smaller western members to invest in new opportunities. Instead of paying 100% cash for underwriting fees, you would take broker warrants and join in or participate in the potential growth.

We don't think this costs a lot. It was inadvertent—we know that from having talked with Finance—but it takes a lot of time to reverse something.

The other one, which I mentioned before, was flow-through shares. We think that directing them at new types of industries, biotech and so on, is a great area, both for driving jobs but also for potentially getting our industries out of energy and financial institutions only and into new areas that could help growth more generally.

There are a number of other areas—

The Chair: There are about 45 seconds left.

Ms. Barbara Amsden: I'll give you the hard copy version later.

Mr. Robert Chisholm: That would be good.

You'll agree—I'll go to Mr. Scholz next—that this is a problem. The governor said that this is just not good enough.

The Chair: You have about 30 seconds left.

Mr. Mark Scholz: I'm not an expert on that question. I'll pass on answering.

Mr. Robert Chisholm: It's one thing to say that we have a competitive tax rate, but if our tax rate is not having the kind of effect it's supposed to have, which is to get corporations to use those savings to invest in capital and labour, then it's not working, is it?

Mr. Mark Scholz: You'd be best to talk to Barbara on that question.

The Chair: Thank you.

Mr. Robert Chisholm: I'm sorry, Mr. Dayler, that we weren't able to get to you.

The Chair: Do you want to make a very brief comment on that?

Mr. Zachary Dayler: All I would say is that we need more educated people with less debt. Before you can have capital and labour markets, you need an education.

The Chair: Thank you.

Mr. Jean, please.

Mr. Brian Jean (Fort McMurray—Athabasca, CPC): Thank you, Mr. Chair.

Thank you, witnesses.

Ms. Amsden, corporate tax revenues have gone up, haven't they? In fact, the plan is working.

Ms. Barbara Amsden: Certainly in terms of the actual reduction in the general corporate tax rate, it is, yes.

Mr. Brian Jean: And the tax revenues have gone up; we've seen an increase this year over last year, even though the tax rate was different.

Ms. Barbara Amsden: That's right.

Mr. Brian Jean: I have a question for Mr. Dayler as well.

I noticed in reading your brief that you talked about addressing Canada's work shortage. I'm not familiar with whether you're aware of the Alberta system, but I wonder whether In general terms, because I don't have much time, you agree with what I'm about to tell you. They do aggressive marketing to students in high schools and implement programs with industry under which high school students work part-time for industry and part-time in school.

Do you agree with that program?

Mr. Zachary Dayler: There are a lot of good examples of places where that works. There's the Southern Alberta Institute of Technology—one of our member schools as well—finding out where those needs are.

Mr. Brian Jean: So you would agree with that?

Mr. Zachary Dayler: We absolutely need to make better connections.

Mr. Brian Jean: And do you think we should do more of that across Canada, that they should adopt that particular system, as far as integrating school and industry with jobs is concerned?

Mr. Zachary Dayler: Wider consultation would probably need to be had on the way to implement it, but I agree with building a better connection, for sure.

Mr. Brian Jean: I notice that your organization applauded our investments in the knowledge infrastructure program across the country—the federal investment, never done before in provincial jurisdiction schools to that degree. Would you...?

● (1655)

Mr. Zachary Dayler: I think that any investment made in the infrastructure is positive, because it creates a better learning environment. But at the same time, you can't forget the student side of it, and many—

Mr. Brian Jean: More is always better. We hear that a lot.

Mr. Scholz, I'd like to talk to you. Mr. Marston is not here now, but I noticed in your brief that you talked about some things Mr. Marston has always been interested in, such as encouraging workers to move using the EI system—considering travel tax credits, relocating workers, and encouraging them through the EI system.

Your industry in particular would like that kind of thing to be moved forward more aggressively. Is that true?

Mr. Mark Scholz: Well, we have a systemic labour problem in western Canada, and there are just not enough people to run our operations.

Mr. Brian Jean: So that's a yes.

Mr. Mark Scholz: The answer is yes.

Mr. Brian Jean: Do you agree with the proposals of the Natural Gas Vehicle Alliance as well as of the liquefied natural gas organization? One suggested, for LNG facilities, a tax reclassification from section 47 to section 43, which would give them the encouragement to build a facility in Canada. Does your organization applaud that?

Mr. Mark Scholz: Anything we can do to encourage drilling for natural gas is good for our association and our members.

Mr. Brian Jean: And encourage refining the final product.

Mr. Mark Scholz: Absolutely.

Mr. Brian Jean: The Natural Gas Vehicle Alliance talks generally about a form of natural gas highway in Canada to compare with that in the United States. Would you agree with that as well?

Mr. Mark Scholz: Absolutely.

Mr. Brian Jean: I want to talk about something you mentioned, and that is market diversification. Right now we export 99.9% of our oil to the United States. We import 770,000 barrels per day; we export 21.3 million barrels per day.

For the 770,000 barrels per day, do we pay full market price?

Mr. Mark Scholz: That would be in eastern Canada?

Mr. Brian Jean: Yes.

Mr. Mark Scholz: We do absolutely; in some cases we're paying the Brent price.

Mr. Brian Jean: Exactly. In fact, we sell our 21.3 million barrels a day at a discount to the United States—actually at a discount between 30% and 40%.

Mr. Mark Scholz: It's a huge revenue loss for industry and government.

Mr. Brian Jean: In fact the revenue loss is about $41 million per day. Would that be about right?

Mr. Mark Scholz: Well, I'll agree with your calculation in the premise of the statistic that you're showing, but—

Mr. Brian Jean: In fact, yes, it's pretty amazing that we buy oil in eastern Canada for full price and we sell oil to the United States for a 20% to 40% discount.

Do you know why that is?

Mr. Mark Scholz: I think it's because we have an obvious lack of infrastructure that could supply the various markets in Canada.

Mr. Brian Jean: And the Northern Gateway pipeline would solve a big part of that problem, wouldn't it?

Mr. Mark Scholz: Well, the Northern Gateway pipeline would allow us to get international pricing for our commodities, and that certainly is going to be beneficial to all Canadians.

Mr. Brian Jean: So all of a sudden we have $41 million a day more income across this country. That's per day.

You're nodding your head in agreement.

Mr. Mark Scholz: That's income that we can put into different social programs and other things that run our country.

Mr. Brian Jean: And build a lot of schools and hospitals.

Mr. Mark Scholz: Absolutely.

Mr. Brian Jean: In fact, our oil production is going to double over the next 15 years, so we're not just talking about $41 million a day; we're talking about $100 million a day, if we don't do something, because right now they're discounting it 20% to 40%, but when we're doing double the amount of production, they're going to discount it even more, aren't they, because they're in control of the price?

Mr. Mark Scholz: In particular, if the United States becomes energy sufficient and secure, it certainly is going to be a huge problem for Canadian crude producers.

Mr. Brian Jean: If we build this pipeline, we're going to see some real revenue increase, and $18 billion was paid to governments last year in taxes alone by the oil industry.

Mr. Mark Scholz: At the end of the day, I think diversifying and getting multiple customers for your product just makes sense.

The Chair: Thank you, Mr. Jean.

I'm going to take the next round as the chair.

I have a quick question, following up on Ms. McLeod's, for Mr. Dayler.

Do you have a view as an organization or as an individual about what per cent generally the student should pay and what per cent generally the general taxpayer should pay? Do you have advice for us on that?

Mr. Zachary Dayler: I think it's going to vary depending on whom you talk to.

The Chair: But do you have a suggestive optimum, such as between...?

Mr. Zachary Dayler: As much as can be funded should be funded for students, to get them through.

The Chair: That is, funded by the general taxpayer? Okay.

I want to follow up on the money and corporations issue. It's a very lively political discussion around this topic, which Mr. Chisholm was raising.

Ms. Amsden, I'm not going to take up my time here today, but if there's anything further on that by way of analysis from your association—or from Ms. Walmsley as well—we'd certainly appreciate it as a committee.

It's a real pleasure to see Precision Drilling in the room. They have a big facility in Nisku, in my area, and it's nice to see the connection between the oil and gas sector and then all the resulting economic spinoff.

I want to follow up briefly on the gas issue. I was at one of Precision's rigs in northeastern B.C. a couple of years ago. Given the reality of gas prices being so low, what kinds of incentives could you do, mainly on the upstream side, to encourage more drilling until that price rises substantially?

On the downstream side, I take your point, and I think Mr. Jean is absolutely right that you could do incentives for vehicle conversion and so on. But what could we do on the upstream side to incent more drilling?

● (1700)

Mr. Mark Scholz: Those types of questions are the reason why I brought Doug.

Do you want to address that?

Mr. Doug Strong (President, Precision Drilling Corporation, Canadian Association of Oilwell Drilling Contractors): I think within the oil field service sector, the macro situation corrects itself over time. The cycle itself—the great equalizer is depletion. Wells do deplete. It is a self-correcting model and cycle. I think, as Mark mentioned, the big thing for us is around people and employment, and really preparing the workforce to be highly educated and trained, and where it's a viable career option, not a cyclical style of business.

I think the biggest impact we can have on the upstream side would be to focus on the people side of it. It's traditionally a young person's industry and opportunity. I think there are tremendous alliances with a lot of the issues that we discussed today.

The Chair: I appreciate that. I did want to just touch on a couple more issues in my time remaining.

I take both of your associations' comments very seriously on the national regulator. With the change in the position of the provincial government of Alberta on this, I think there could be an opening.

I did want to follow up, Ms. Amsden, on your responses to the questions with respect to conversion, moving the conversion from RRSP to RRIF, from 71 to 73, removal of the minimum annual withdrawal limit from RRIF, and the elimination of the RRSP/RRIF income from the GIS clawback.

Can you just make your arguments here for those recommendations you made to the committee?

Ms. Barbara Amsden: I think the real reason for that is that we have an aging population. We have people who are living longer. Once you get to a certain age, the likelihood that you're going to continue until you get much older is much higher. Therefore, we need to allow people to take the money out more slowly than they have in the past.

It's been since, I think, 1991. There was a change from 67 to 71 a number of years ago, but in terms of how much you must take out once you're in a RRIF situation, it hasn't really changed for quite some time, at least since 1991.

The Chair: Do you have any costing to share with us for any of these proposals, either today or...?

Ms. Barbara Amsden: No. We tried to do some, and we'll go back into it. It's definitely not going to be costless, but it has to be something that's looked into over time. In fact, the government, in 2008, when there was that crash, allowed a 25% redeposit into the RRIFs of some individuals. If you have to start taking it out when it is a bad time in the market, you are doubly hit.

The Chair: Thank you. I appreciate that very much. I'm very strict on others' times, so I'll be strict on my own. We appreciate you being here and responding to our questions. If there's anything further you'd like us to consider, please do submit it to the clerk.

Just before I suspend, colleagues, you've been distributed two motions for two respective budgets, one for our pre-budget consultations and one for our study on Bill C-377. Are there any questions related to these budgets?

Can I ask someone to move, first of all, the pre-budget consultation motion?

It is moved by Mr. Hoback.

(Motion agreed to)

The Chair: Can I ask someone to move the motion on Bill C-377.

It is moved by Mr. Jean.

(Motion agreed to)

The Chair: Thank you. I appreciate that very much.

We will suspend for a couple of minutes. Keep your visiting to about a five-minute break and then we'll bring the next panel forward. Thank you.

● (1700)

(Pause)

● (1705)

The Chair: I'll call this meeting back to order.

I welcome our new panel to the table and the two guests we have from Calgary by video conference.

We have five organizations presenting during this panel session: we have the Canadian Association of Social Workers; the Canadian Renewable Fuels Association; the Greater Kitchener Waterloo Chamber of Commerce; from Calgary, by video conference, we have the Calgary Chamber of Commerce; and we have the Small Explorers and Producers Association of Canada.

Thank you all for joining us here today.

You each have five minutes for your opening statement, and then we'll have questions from members.

We'll start with Mr. Phelps, please.

● (1710)

Mr. Fred Phelps (Executive Director, Canadian Association of Social Workers): Thank you very much. Good evening.

I'd first like to thank the Standing Committee on Finance for the privilege today of presenting the views of the membership of the Canadian Association of Social Workers, which will hopefully serve to inform the direction and decisions of Budget 2013.

The Canadian Association of Social Workers exists to promote the profession of social work in Canada and to advance issues of social justice.

As highlighted in our pre-budget submission to the Standing Committee on Finance, CASW is committed to reducing the growing income inequality gap in Canada, and social workers are seriously concerned that legislation and policies recently adopted by the Government of Canada may run contrary to this objective.

To this end, CASW strongly recommends a reversal of the gradual increase of the eligibility to old age security from 65 to 75 and an investment of an additional $400 million on top of the $300 million per year committed in Budget 2011 in support of seniors solely reliant on old age security and the guaranteed income supplement living with deserved dignity and respect.

Social workers do recognize that the Government of Canada has taken some very useful initiatives in recent budgets and economic plans to increase employment and job creation through apprenticeship tax credits, foreign credential recognition, and targeted initiatives for older workers.

In terms of challenges being faced and addressing these challenges, CASW commends the Government of Canada on the delivery of “Changing Directions, Changing Lives: The Mental Health Strategy for Canada”, and now seeks the commitment of the Government of Canada to see its recommendations realized into action in order to increase productivity in Canada.

With national leadership and provincial partnerships, it is possible to implement a coordinated national strategy for mental illness and mental health in Canada. Consequently, CASW fully supports the solutions grounded in the recommendations of the government's own national mental health strategy for Canada, including increasing the proportion of health spending that is devoted to mental health from 7% to 9% over 10 years; increasing the proportion of social spending that is devoted to mental health by two percentage points from current levels; setting up an innovation fund to assist provinces and territories in developing a sustainable mental health infrastructure across Canada; and, finally, ensuring that the five key principles of the Canada Health Act be applied fully and formally to mental health services, as they are critical to achieving equity between mental health and general health services.

Social workers firmly believe that the Government of Canada also has a critical role to play when it comes to funding health and health care, as well as developing accountability and equity in the delivery of social services beyond the announced 6% annual increase to the Canada health transfer and the 3% annual increase in the Canada social transfer through to 2016-17.

As the fifth largest provider of health care in the country, the Government of Canada has the opportunity and, some would say, the obligation to both lead by example in areas of direct federal responsibility and to coordinate shared accountability through the Canada health transfer and the Canada social transfer.

CASW recently released a comprehensive report on the Canada social transfer aimed at bringing attention to the lack of accountability inherent in its receipt and delivery. The “Canada Social Transfer Project - Accountability Matters” report outlines recommendations on renewing accountability for the billions transferred annually from the federal to provincial governments in support of social services, child care, and post-secondary education.

The Canada social transfer is inarguably a largely unconditional transfer that has no accountability measures for ensuring the level of adequacy with respect to social programs across Canada. Given that recent budgets and their consequent implementation bills have been used as a mechanism to realize changes in broad areas of legislation, policy, and regulations, CASW recommends that the accountability crisis inherent in the current model of financing social programs through the Canada social transfer be addressed in this next budget.

Thanks for your time in listening to the perspective of social workers. I look forward to responding to any questions the committee may have.

The Chair: Thank you very much for your presentation.

We'll now hear from Mr. Thurlow, please.

Mr. W. Scott Thurlow (President, Canadian Renewable Fuels Association): Thank you very much, Mr. Chair, and good evening.

On behalf of the Canadian Renewable Fuels Association, I want to thank you for the opportunity to speak to you here today.

CRFA member and supporting organizations provide Canadians with renewable, clean-burning ethanol and biodiesel fuels that help fight climate change and combat pollution, like smog. At the same time, our members provide the platform to develop the next generation of biofuels. With the committee's questions in mind, I would like to move directly to our recommendations.

Given the current climate of fiscal restraint, the CRFA understands that it has become increasingly vital to ensure existing economic programs continue to be efficient and are achieving their desired goals for economic growth and job creation. Over the past decade, government programs and grants supporting renewable fuels production have created some 14,000 full-time jobs and billions of dollars in economic activity.

The ecoEnergy for biofuels program, which has been a central element of this government's renewable fuels strategy, is one that I would like to highlight. Encouragingly, this program has been shown to be highly effective at generating industrial expansion and job creation in Canada's ethanol industry. However, in terms of renewable diesel, there is more work to be done. To this end, we believe modest changes to the program are necessary to ensure that the objective of building out 600 million litres of biodiesel production can be met.

Specifically, the CRFA recommends that the government reopen the ecoEnergy for biofuels program for renewable diesel fund to new project applications, and require existing program projects that were not substantially completed by September 30—the cut-off date—to reapply. As detailed in our submission, we would also like to see attached conditions to new applications to demonstrate their viability.

I want to be clear that our recommendations are in no way intended to detract from the tremendous help the government's ecoEnergy program has been in creating a vibrant and competitive biofuels production industry in Canada. However, the unfortunate reality is that the contribution agreement period for biodiesel has lapsed and only one new biodiesel plant has been constructed as a result of the program.

I think it's important to emphasize that these modest adjustments would require no new federal dollars. We believe that the funds committed in previous budgets can be directed to shovel-ready projects that are prepared to move forward in Canada today. Doing so could generate more than 1,350 direct and indirect jobs and could contribute almost 400 million additional litres of new production capacity in the Canadian market by the end of 2014.

Expanding Canada's biofuels industry creates jobs and environmental benefits that all Canadians can profit from. This is why the government must continue to ensure that the right conditions are in place to drive innovation and attract job-creating investment dollars to Canada. We have seen the success of an operating incentive as part of an integrated strategy aimed at stimulating the creation of ethanol plants and believe that the same support for next-generation ethanol projects would provide the security needed to attract private capital investment during the critical commercialization phase.

For this reason, CRFA proposes an operating incentive of 15¢ per litre for next-generation ethanol projects that can be funded directly by using the unused ethanol money remaining as part of the ecoEnergy for biofuel program, which we estimate to be at approximately $50 million. Here we are asking for previously allocated funds for ethanol to be redirected to benefit next-generation ethanol producers.

Another area of vital interest to our industry is Sustainable Development Technology Canada. Our members have relied heavily on programs like the SDTC NextGen Biofuels Fund. While there is no doubt that the global recession has slowed the development of some exciting technologies, there continues to be considerable advancement by the Canadian renewable fuels industry. It is our understanding that over 60% of the $500 million allocated in the NextGen Biofuels Fund is already committed and that many project announcements are imminent.

Moreover, by the end of this year, we understand that the fund will be almost 80% committed. Knowing that the program was originally designed to run until 2015 and pay out beyond 2017, I would posit that we are on the right track. Not everyone shares that view, however. Despite planned investments and commitments from the SDTC board, some stakeholders from other sectors have asked the government and this committee to recommend reprofiling the program fund sector into other areas outside the renewable fuels sector. Regardless of what others may suggest to you, those funds are not idle. The CRFA believes it would be a mistake to reposition these already committed funds at this critical time and that doing so would send a very negative message to innovators, private investors, and Canadian clean-tech entrepreneurs. We recommend that the fund and the qualification for applicants be preserved as is.

I sincerely appreciate this opportunity to speak to you on behalf of the Canadian renewable fuels industry, and I'll be happy to answer any questions you may have.

Thank you.

● (1715)

The Chair: Thank you very much for your presentation.

We'll now hear from Mr. Sinclair, please.

Mr. Art Sinclair (Vice-President, Greater Kitchener Waterloo Chamber of Commerce): Thank you very much, Chair. Thank you to the committee for allowing us to make our recommendations on the 2013 budget.

I'd also like to acknowledge the efforts of our local MPs: Minister Goodyear, Harold Albrecht, Peter Braid, Steven Woodworth—

A voice: They are great guys.

Mr. Art Sinclair: They are great guys, yes, absolutely.

Every year, for the last number of years, they have also conducted pre-budget hearings back in our community of Waterloo region with all the different interests. Of course, for an organization like ours that isn't based in the immediate Ottawa area or close to a provincial capital, our relationship with the MPs and MPPs is critical. Again, we are very fortunate to have excellent representatives. We thank them for their ongoing support and their participation in the annual budget process. It is a lot of work.

I am going to be brief in my comments. I had prepared speaking notes, but in the interest of ensuring that all the points are made, I am going to condense my presentation somewhat.

The first issue I would like to raise is the accelerated capital cost allowance for manufacturers. Our region—the Waterloo region—is still a home to a number of manufacturing organizations. There are approximately 1,500 manufacturers employing 55,000 people. The manufacturing industry is still a very viable component of the southwestern Ontario economy. It still employs a lot of people, and they pay a lot of municipal, provincial, and federal taxes.

In past submissions to this committee, we have been supporters of the government's accelerated capital cost allowance for manufacturing and processing. It was brought in by Minister Flaherty in 2007 as a one-year measure, and it has been extended a number of times since then. We concur with the Canadian Manufacturers and Exporters, who have proposed that in fact this particular initiative be made a permanent fixture of the tax system. We would support that.

This is a measure that probably provides about $500,000 per year to Canadian manufacturers to invest in new equipment. Academic reports and other analyses that have been conducted on the manufacturing sector keep referring to productivity. This money is used for productivity enhancement to make Canadian manufacturers more competitive, efficient, and more productive. Again, we would support having that particular measure be made permanent.

The second point we would like to advance is... As many of you in Ontario are aware, four years ago, Minister Flaherty announced the southern Ontario development program, which evolved into FedDev Ontario, which has been operational since August 2009. It was originally intended as a five-year program with $1 billion. We're three years, or 60%, through the program. In meeting with a number of stakeholders that are community partners throughout the Waterloo region and in southwestern Ontario...there is a lot of support for this program. It has provided some valuable funding to start up businesses in our community and the Waterloo region, primarily young, growing firms in the IT sector. It has provided a lot of assistance to a lot of stakeholders, such as municipalities and universities throughout southern Ontario. We would like to see this program extended in some form beyond the original five-year mandate.

The third point we would like to bring forward is something that was brought forward in the previous panel by Ms. Walmsley; namely, pooled registered pension plans. We are, as a chamber, also highly supportive of this initiative. As Ms. Walmsley said, to make this program successful, it requires the support of the provincial governments as well as the provincial finance ministers.

We have written to Ontario Finance Minister Dwight Duncan. He indicated that the Province of Ontario is reviewing this measure; however, they would be in further contact with their federal counterparts. Our message to the federal government is that our business community, and the business community across Canada, supports this program. That would be the message that we would like the federal government to take forward in negotiations with the provinces: that there is support amongst the business community for this program.

Certainly, we have a lot of small businesses that are members of the Canadian Chamber of Commerce in our area. They have told us there aren't a lot of options available, particularly viable, cost-effective options, that they can offer to their employees in terms of retirement plans. This addresses a lot of their concerns, so we very much would still like to see the provinces get on side, and particularly the Province of Ontario.

Again, thank you very much for the opportunity to present our recommendations.

● (1720)

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

We will now hear from the Calgary Chamber of Commerce, please.

Mr. Ben Brunnen (Director, Policy and Government Affairs and Chief Economist, Calgary Chamber of Commerce): Hello there. Thank you very much for the opportunity to present today. My name is Ben Brunnen. I'm director of policy and government affairs, and I'm chief economist with the Calgary chamber.

The Calgary chamber represents about 2,200 businesses within the Calgary region, and I'm speaking today on their behalf as we assist you in creating the best environment for Canadians: to live, work, invest, and raise their families.

My remarks today are based on three main themes from our pre-budget submission: principled expenditure management, employment insurance amendments, and enhanced foreign investment rules.

First, from a principled expenditure management perspective, with a favourable debt-to-GDP level and reasonably strong economic growth, Canada is the envy of the developed world. However, the risk of a global recession is higher than it has been since 2008. As such, we cannot be complacent. The chamber urges the federal government to apply prudent fiscal management policies to program expenditures, positioning Canada for stable long-term growth. This approach is beneficial in that it establishes future spending parameters in the context of the current fiscal climate and spending constraints. It also sends a credible signal to the business community that the federal government is committed to returning Canada to balanced budgets.

The chamber suggests that the government adopt a bandwidth approach to spending by targeting expenditure increases within a range delineated by population and inflation growth and real GDP and inflation growth, also known as our smart spending bandwidth, which we presented previously as well. This range is between 2.6% and 3.0% for 2013-14, using a five-year average.

Second, I'd like to talk about amendments to federal employment insurance. With demographic pressures and a strong investment climate, labour shortages are expected to be a long-run concern for the Canadian economy and a top priority for Calgary chamber members. The chamber suggests that the federal government introduce amendments to the EI program so that it is structured as a true insurance program similar to car insurance. The social program aspects should be moved to other programs, but still funded, similar to the Quebec government's parental insurance program. This restructuring of the EI program would facilitate the reduction of EI premiums, thereby reducing real wage costs to employers and increasing the real wages received by employees. This would create a stronger link between amount paid and benefits received.

● (1725)

We also encourage the federal government to adopt variable premium payments for the EI program, based on the program’s 58 established economic regions. Areas of consistently high unemployment, with correspondingly higher benefits paid, would pay relatively higher premiums, and vice versa. This would eliminate the implicit redistributed properties of the EI program that discourage employers and employees from finding solutions to chronic unemployment challenges and would facilitate labour mobility. Our end goal is to improve the labour market and reduce distortions in the job market, ultimately positioning Canada for a more competitive and economically prosperous future.

Finally, I'd like to talk about enhanced foreign investment rules. Expanding trade agreements and encouraging foreign investment in Canada is critical to our long-term prosperity. A recent focus on foreign interest in the Canadian energy sector has once again called into question Canadian government policy regarding foreign investment and acquisition of Canadian resources by foreign investors. In the last decade, approximately half of all merger and acquisition activity in Alberta's oil sands involved foreign companies, and that's a value of $30 billion.

Foreign investment is particularly critical for the oil sands because of the capital-intensive nature of the industry. Without it, there could be as much as 40% less oil sands investment in our province. With Alberta recognized as having among the largest proven oil reserves in the world, foreign interest in the oil sands is increasingly coming from emerging economies, particularly in Asia, whose growth trajectory suggests a long-term insatiable demand for energy.

However, Canada needs to update the Investment Canada Act to be able to respond and embrace foreign investment in our country. The recent decision to postpone the $6 billion Petronas takeover of Progress Energy has raised concerns around the clarity of the net benefit test and the interest regarding state-owned companies and Canadian natural resource assets. Looking ahead, the proposed $15 billion acquisition of Nexen by state-owned CNOOC is likely only the beginning of a long line of potential foreign takeovers of Canadian energy assets.

The Calgary chamber is asking the federal government to undertake a comprehensive, stand-alone review of the 1985 Investment Canada Act. We recommend that it be separate from the Budget Implementation Act and provide a broad and fulsome public debate. Specifically, we'd like to see the government clarify the net benefit test, as outlined in section 20 of the act, to streamline the wording, prioritize and focus the essence of the test, and establish parameters therein. We also recommend including parameters around reciprocity and the net benefit test, increasing substantially the threshold at which the federal government is legislated to undertake a review, improving the transparency of decisions so that third parties considering deals can assess their chances at meeting requirements, and setting specific criteria for state-owned companies to meet net benefit requirements in order to protect the Canadian economy from potential foreign government interference.

The current challenge for investors and Canadian companies is that nobody knows exactly how the rules will be applied in their particular case or how they should interpret the act and what they can do better in the future.

Thank you very much for inviting the Calgary chamber to present to the House of Commons finance committee. I look forward to responding to any questions you might have.

● (1730)

The Chair: Thank you very much for your presentation.

We'll now hear from Mr. Leach, please.

Mr. Gary Leach (Executive Director, Small Explorers and Producers Association of Canada): Thank you very much, Mr. Rajotte.

Thank you to the members of the committee for inviting our association to speak with you.

My name is Gary Leach. I am executive director of the Small Explorers and Producers Association of Canada. On January 1, by the way, we'll simplify our name to simply the Explorers and Producers Association of Canada.

We brand ourselves as the home of Canada's oil and gas entrepreneurs. Our membership is 300 companies. These are oil and gas companies that started here in Canada, they're headquartered in Canada, and they invest here in Canada.

These member companies of our association contribute to the Canadian economy each year in new investment some $6 billion to $8 billion invested in new oil and gas and oil sands production facilities. This sum, by the way, is equivalent to the entire value of all the building permits issued each year in the greater Toronto area. So while you can see all the condos and office towers and industrial buildings going up in the Toronto area, you don't see the same visual image from our investment in the country because ours goes underground rather than up. I hope it gives you some idea of how much our association members are investing in this country each year, contributing to the economy and sustaining tens of thousands of well-paying jobs, primarily in rural areas of Canada.

In fact, a strong Canadian natural gas resource sector has been one of the main pillars of our nation's relatively strong performance compared to other G-7 economies. The oil and gas industry alone is the largest, by far, private sector investor in the nation and has become Canada's largest export industry by value.

As you may know, the upstream sector generates annual top-line sales of $100 billion per year and reinvests each year more than half that amount. There is no other industry in the country that remotely approaches the level of investment in Canada of the oil and gas industry.

We think it's time to let the private sector drive the nation's economic growth while Ottawa focuses on reducing its deficit spending and withdrawing stimulus that it has introduced to the economy in the last few years.

We think the federal government has done the right thing to reduce corporate tax rates because we think this will draw more investment by the private sector—helped along by those provinces that choose to align their tax regime with the federal one—and this investment will lead to more jobs and higher wages for Canadians. However, the wealth that can be generated for Canadians from coast to coast by our oil and gas industry, whether you measure that in well-paid jobs or taxes or royalties paid to government, is seriously impaired by our lack of access to markets outside North America. This reduces the value of Canada's energy exports by tens of billions of dollars per year. We only get to sell a barrel of oil one time, and if we don't get the best price for that barrel when it's sold, the opportunity is lost forever.

We therefore support the goal of streamlining the project review process in Canada, particularly for major pipeline infrastructure projects. Canadians are quite capable of conducting project reviews with thorough consideration of environmental, social, and economic impacts in a reasonable timeframe. We don't need 10 years to conduct a review of a project like the Mackenzie Valley gas pipeline —which didn't survive the review process. Ten years doesn't add anything to the knowledge base that couldn't have been learned in two or three years in a properly managed process. Businesses investing in Canada are entitled to a government review process that's efficient, effective, and has a decision point within a reasonable period of time.

We also endorse continuing steps by Ottawa to reduce the burden of too much regulation and red tape imposed by government on small business. I'm sure many of you know that trying to understand and comply with overly complex regulation is far more costly per employee for a small business than large ones. A recent survey suggested thousands of small business owners in Canada said they would not have started their business if they had realized how much time was spent dealing with governments instead of keeping their customers happy.

For small and mid-sized oil and gas companies, a serious additional challenge is raising enough capital to fund their growth plans. This has particularly been the case since the financial market crisis of 2009, and it has been made worse by weak natural gas prices and the heavy discount that I referred to a few minutes ago that Canadian oil sells for in the North American market.

The amount of equity financing raised for Canada's oil and gas industry is down 44% this year to the mid-point of the year, compared to the first half of 2011, dropping to just over $4 billion from a $7 billion record raised in the first half of last year.

● (1735)

The amount of money borrowed for oil and gas investment has increased 25% over that same time period. However, of the $4.1 billion in equity financing raised in Canada so far this year, about $104 million—so a little over 2%—was from the issuance of flow-through shares.

The Chair: Mr. Leach, if I could get you to just wrap up very briefly, then we could go to members' questions.

I know you'll get a lot of questions on this, but we are running very short on time here.

Mr. Gary Leach: All right.

I spoke about flow-through shares. The finance department has recognized flow-through shares as an important financing mechanism for small oil and gas companies.

We have two recommendations: increase the annual Canadian development expense conversion limit to $4 million from $1 million; and increase the taxable capital test to access the conversion to $50 million.

Thank you, Mr. Chairman. Those are my remarks.

I'm of course happy to answer questions.

The Chair: Thank you very much for your presentation.

We'll now begin members' questions.

[*Translation*]

Mr. Caron, you have five minutes.

Mr. Guy Caron: Thank you very much.

[*English*]

Thank you very much, all of you, for your presentations.

I'll concentrate my questions on you, Mr. Brunnen—and maybe Mr. Sinclair, but you especially, as an economist. I'm an economist myself, and I'm really interested in macroeconomics. There are many issues I would like to tackle. I'll try to do that within the five minutes allocated.

In terms of productivity, we've been seeking to try to increase Canadian productivity for a long time. I still remember the free trade debates. We were told that the gap between Canadian and U.S. productivity could be reduced, or "will" be reduced, thanks to the agreement. Yet the gap never really got any slimmer between both countries.

The issue of Canadian productivity has been a problem since forever, I think. We've looked at many ways, including investment in research and development and so on, to try to improve on productivity, but nothing seems to work.

My first question—then I'll have a second question, before I give you a chance to answer—is why can't we seem to find a real solution on the issue of productivity, regardless of the prescription that is being either given or implemented by government?

The second point relates to taxation. The question is that, in especially the corporate sector, taxation has been reduced significantly since 2000, and even since 2006, since we've had this current government. At the time, I think the rate was 22%. Now it's 15%. The main argument for it is that if we are reducing tax rates, then that money will actually be reinvested and there will be economic growth in general.

It makes sense, except that in reality.... We've all heard about "dead money". Even Mark Carney, the Governor of the Bank of Canada, has mentioned it. We also have a problem where, if we're looking at the real investment rate in this country since 2000 and since 2006, it's been pretty flat. So we don't necessarily see that money going into investments in real terms.

I just want to know why you think that is, and if you think that prescription has actually fulfilled all the potential its promoters actually put forward.

The Chair: Do you want to start, Mr. Brunnen?

Mr. Ben Brunnen: Sure.

Definitely I think we can get rid of the first section there. If we need clarity on the second part of your question, perhaps we can get into that.

In terms of productivity, where we're talking about strengthening productivity, you....

I mean, basically you've solved it in five minutes, right?

Voices: Oh, oh!

Mr. Ben Brunnen: The reality is what I'm calling for right now: we're looking at expanding trade agreements as a means to enhance productivity. We see that as beneficial for a number of reasons, but in the budget submission we made to you, there's actually a citation from StatsCan when they presented to a standing Senate committee. They basically found that businesses that export have increased their productivity as they entered export markets, have grown much more rapidly after doing so, and have introduced new technologies more quickly.

Basically what we see in this regard, from a productivity perspective, is that accessing new markets creates access to new ideas, new technologies, new business sectors, those types of things, and at the end of the day creates more competition.

I think competition drives productivity very effectively. One of our challenges from a productivity perspective traditionally, not in recent years, has been that low Canadian dollar. There was a little bit of complacency, from a productivity perspective, that we could just rely on our currency position. That's changed a little bit. I think you'll see a bit more of an enhancement in productivity as a result of necessity in that regard.

Deregulation, ICT investment, and competition in that sector will enhance that as well, but opening up new markets, I think, is the fundamental key to doing that, because then we're able to bring in some competition, understand issues a little bit more, and innovate, if you will.

● (1740)

Mr. Guy Caron: Thank you, Mr. Brunnen.

I would like to hear Mr. Sinclair as well. Can you address the corporate tax aspect of my question?

Mr. Art Sinclair: Generally, with respect to the agenda of the current government with respect to corporate tax cuts, I believe that Minister Flaherty brought in a package in the fall economic statement of 2007 that has extended over a number of years. On behalf of our members, I think our approach is to stay the course. We're probably at a fairly competitive level.

I would also say that the Province of Ontario, and I'll give them credit, has made some significant corporate tax cuts as well. I think in the province of Ontario we're in a pretty competitive position.

Mr. Guy Caron: Why didn't it have an impact on the investment rate, per se? That was the reason it was brought forth.

The Chair: We'll have to come back to this. It is a big issue, so we will come back to it in future rounds, I'm sure.

We'll go to Mr. Jean, please.

Mr. Brian Jean: Thank you, Chair, and thank you to Mr. Caron for allowing Mr. Brunnen to recite the Conservative trade policy and the successes of it.

I noticed in your brief that you also talked about pursuing reciprocal arrangements on our bilateral trade agreements. Are you referring specifically to the reciprocal enforcement legislation found in the U.S., for instance, in their wine export-import laws between states?

Mr. Ben Brunnen: Actually, I'm not referring to that, because I'm not familiar with it. I'm referring basically to the concept of ensuring, when we engage in these types of arrangements, that there's equal access, or comparable access, to Canadian companies with these proposed foreign investors. I think that's a critical component in establishing that long-term, mutually beneficial relationship that is in Canada's best interest.

Mr. Brian Jean: I agree, and that is exactly what the U.S. does in relation to a lot of their trade laws with other states, just because of the protectionism of the sixties and seventies.

I was more interested in your final comments regarding the Nexen deal, in particular. I was wondering if the chamber sees a difference between a corporation that invests in the oil sands, for instance, or in conventional oil in Canada, that is a market economy investment or is owned by foreigners—that is, foreigners or Americans investing in particular oil sands companies—and companies owned by states that maybe are questionable with respect to their human rights records and the rule of law.

Mr. Ben Brunnen: Where we sit on this piece is that I think there has to be some differentiation, depending on the country and the relationship we have. If it's a state-owned entity, the government needs to understand what the interest is they need to protect against and then establish and legislate some good parameters around that.

I know there are some guidelines in the act right now that talk about what would be ideal from a partner perspective. But it would be really good to see some parameters around what it means when a state-owned company wants to make those investment decisions. I think they can be relatively straightforward. If we legislate that, we can manage those scenarios.

Mr. Brian Jean: In fact, wouldn't this bring a lot more clarity and predictability to corporations generally that want to invest, and also to shareholders, with stability in the overall market? Isn't that fair to say?

Mr. Ben Brunnen: It would be a huge confidence piece, and certainly business is looking for predictability, stability, consistency, and principle in decision-making. For example, if it had been ExxonMobil that had moved forward with the proposal, there would not be as many eyes batting as a result of that piece, right?

An interesting thing in the Alberta energy sector is that in the U.S. they talk about foreign oil, but they think Canada is not foreign oil. In Canada, we talk about foreign investment. We don't necessarily view the U.S. as foreign investment in the oil patch. It's that relationship through the free trade act.

● (1745)

Mr. Brian Jean: That is my point, because in fact, probably somewhere in the neighbourhood of 65% to 70% of the oil in the oil sands is controlled by foreign owners, and much of that is, of course, non-state owned. It's shareholders in the United States—my cousins, my uncles, family members, and others who are down in the United States. Isn't it fair to say that they own the majority of the shares, in essence? But they're publicly traded, so of course they have the ability to buy them.

Mr. Ben Brunnen: Yes, in terms of the ownership profile of the energy sector in the last 10 years and foreign investment in the Alberta sector, 30%—

Mr. Brian Jean: I only have one minute left, so make it quick, please.

Mr. Ben Brunnen: —would equally be the U.S. and China.

Mr. Brian Jean: I was interested in more of this, and I will talk to you at a different time.

In the EI suggestions you have in your brief, you're suggesting that we need to make it a fair, actual insurance program and reduce barriers to mobility as well, to encourage people to relocate. That's fair to say, is it not?

Mr. Ben Brunnen: Yes. Essentially what we're calling for is to bring it back to a true insurance-style program. There are a number of other components to it right now that distort, that are not necessarily linked to somebody losing his job. They're valuable programs and we'd like to see them funded separately. If we did that, and then structured it similar to an insurance program.... The reality is, if you live a high-risk lifestyle.... For example, I get a different insurance premium for a different neighbourhood in Calgary because I'm more likely to make a claim on hail damage.

If we were to structure it like that, you'd be encouraging the thriving and sustainable businesses in the regions of chronically high unemployment to prosper, without being brought down, if you will, by those that are struggling. This is going to help remove distortions in the labour market, which is one of the biggest challenges, from both a competitiveness perspective and an economic prosperity perspective.

The Chair: Thank you, Mr. Jean.

Mr. McGuinty.

Mr. David McGuinty: Thanks, Mr. Chair.

Mr. Thurlow, I'd like to go back to some of the testimony you presented earlier. There is no national energy strategy for the country. We have other strategies being pursued by the government. The Conservative members like to say, for example, that this is some kind of national energy program, while they pursue other important industrial strategies across the country. This is about an energy strategy for the country—where we are, where we're going, what it looks like. It's not the mischaracterization of some plan to fetter the free market.

You are heading up an association. It's an important one, a growing one around the world—

Mr. W. Scott Thurlow: No pun intended.

Mr. David McGuinty: —in renewable fuels. Do you know what role the renewable fuel sector in Canada is supposed to play, what contribution it's supposed to make with this overall reduction of 17% of greenhouse gases in the next 13 years?

Mr. W. Scott Thurlow: Actually, I can answer that question. Part of the renewable fuels strategy introduced by this government was to set a goal of a four-megatonne reduction, in concert with its Copenhagen Accord obligations. I can tell this committee with a great deal of confidence—and this was reported as recently as last week—that the transportation sector strategy that this government adopted is working. It is partly integrating with the United States fuel economy standards and partly integrating renewable fuels into the energy mix being used by consumers at the pump. Ethanol and biodiesel have significantly improved the climate change footprint, for lack of a better description, when compared with traditional oil and gas products, and the government's renewable fuels strategy has gone a long way to move that forward.

Mr. David McGuinty: You said that the government lapsed a lot of money in the ecoEnergy program. If I recall, the federal renewable fuels standard is going to require 600 million litres of production. Where are we getting that production now?

Mr. W. Scott Thurlow: Right now we're not producing 600 million litres. We're importing some of that biodiesel or renewable diesel from offshore. Unfortunately, canola producers in Manitoba and Saskatchewan are exporting their canola into the United States, where it's being upgraded and sent back into Canada.

We'd like to see some opening up of the ecoEnergy money, the money that lapsed just three weeks ago, on September 30. We'd like to see that program reopen so that shovel-ready projects can get under way. We want to get them up and operating before the end of 2014. That way, our domestic canola producers, our domestic seed producers, can have their products value-added right here in this country.

● (1750)

Mr. David McGuinty: I want to go back to something you said about NextGen Biofuels Fund. You looked at the SDTC and its commitments, and the amount of money in that fund is already being committed. In my own riding of Ottawa South, Iogen Corporation, which is located there, recently decided to commercialize their technology in Brazil. They walked away from a massive opportunity in Ottawa and particularly in Manitoba.

What advice do you have for this committee for preventing this from happening again? This is a huge loss of jobs, a huge loss of investment in new tech. We're not talking about food for fuel, as it is often cast. We're talking about creating next-generation enzymes to produce fuel from poplar trees, from straw.

How do we prevent this kind of loss from happening again?

Mr. W. Scott Thurlow: I'd preface my remarks by saying that the decision made by Iogen and its partners was an independent decision, a business decision, and it was based on the global assets of the entire company. They had assets to be deployed in other parts of the world.

The recommendation I would give this committee is to start with the operating incentive of 15¢, which is something we are competing with in other jurisdictions. It doesn't exist for next generation. Secondly, I would want to make sure that the programs that exist under SDTC right now aren't changed midstream. Make sure that the fund is allowed to evolve the way it was designed to do when it was created in 2007.

Mr. David McGuinty: How's my time, Mr. Chair?

The Chair: You have 10 seconds.

Mr. David McGuinty: Can I just respond to Mr. Leach for a second?

Mr. Leach, I appreciated your remarks about trying to improve the regulatory system in Canada, but I did want to correct the record to a certain extent. One of the reasons that the Mackenzie Valley pipeline was so significantly delayed was because the project proponent, Imperial Oil—it is widely understood now and agreed—contributed to about four years of delay by not meeting the timelines to deal with the regulatory bodies that were in play at the time.

The Chair: Okay. We may come back to that later in the session.

We'll go now to Mr. Hoback, please.

Mr. Randy Hoback: Thank you Chair.

Thank you, gentlemen, for being here this afternoon.

I understand Mr. McGuinty's frustration with Iogen being in his riding. Iogen was proposed to go to my riding in Prince Albert and set up this facility. In fact, they did a lot of groundwork and they brought in a partner by the name of Shell. Once Shell was brought into the picture, all of a sudden it seemed like everything was a stop sign. It's unfortunate, but that's what happened. It's unfortunate that they tried to relocate I think to Portage la Prairie, and even then they couldn't justify the numbers.

I think the reality in the region is this, and it goes back to what Mr. Jean and I have been saying. When you look at doing business in parts of Saskatchewan now, the labour shortage is so severe that it drops the cost of production, and the cost of construction goes up. I have a pulp mill going on in Prince Albert right now. I need 300 employees just to run it. I don't know where to get them. I need 400 employees just to do some construction inside this pulp mill, and this is actually the same pulp mill that Iogen was looking at to make into biofuels. So I can understand why they went to Brazil. There are probably some economies of scale, there are probably some feedstock prices that are cheaper in Brazil. There are other commercial activities going on in the background of their decision.

I think we can take pride in knowing that technology was developed here in Canada, and it's still going to be redeveloped and redefined. I can still see a day when Iogen is going to build a plant here, somewhere, either in Ontario or Saskatchewan. I look forward to that day.

It leads into one question I have, and that's on the $500 million. We have that $500 million fund sitting there that never really did get take-up. Is there anything we should be changing in that fund to actually get it utilized?

Mr. W. Scott Thurlow: Absolutely.

I share your sentiment as it relates to the Iogen technology. That technology will find its way back into Canada, there is no doubt about that. And Shell is also one of my member companies, so I'm in a somewhat precarious situation.

In all seriousness, absolutely, we would like to see the ecoEnergy fund reopened, the $500 million, to ensure that we get the most viable projects going forward. What I would like to see, first of all, is a performance bond of some kind so that when and if the program is reopened, would-be applicants have to put forward 25% of the production based on their first full year of capacity. That 25% would be repayable when the major equipment is ordered and put in place.

The second thing we'd like to see is a very transparent and very timely and prompt window for new application submissions and selection, and then the final contribution agreement approvals. From the cash side of the equation, we'd like to see the existing production incentives for all renewable diesel projects in the program right now extended to March 31, 2017, and to review all of the other unused funds in that ecoEnergy program. This is a program that was absolutely successful as it relates to ethanol, and we want to see that success emulated on the biodiesel side.

● (1755)

Mr. Randy Hoback: Mr. McGuinty brought up a good point.

You mentioned the topic of canola and how canola is actually being shipped across the line, processed into biofuels, and then shipped back into Canada. Is that true? Can you maybe just elaborate on that?

Mr. W. Scott Thurlow: It is absolutely true.

We look forward to a time when that logistical chain is shortened significantly and we'll see that value-added upgrade happen right here in the country. The renewable fuel standard was introduced by this government, and industry just hasn't caught up to it yet in terms of developing the build-out required to meet that need.

We have three shovel-ready projects that are ready to go. If the ecoEnergy program is changed in the immediate short term, we can be producing the biofuels that will meet the Canadian mandate by the end of 2014.

Mr. Randy Hoback: Okay.

When it comes to canola, then, you feel we have the ability; we just need to have some time to let that ability evolve. Is that fair to say?

Mr. W. Scott Thurlow: Well, it's time and then reopening the program to ensure that the most viable projects can go forward. But absolutely, it could and should happen.

Mr. Randy Hoback: Okay.

Mr. Brunnen, Mr. Jean talked a little bit about unemployment insurance and some of the changes he'd like to see made in unemployment insurance. Can you just maybe highlight that again quickly? The labour shortage is a huge issue. As a good example, we've lost a huge opportunity in Prince Albert because of labour shortages and labour costs.

How do you think that would be handled with the suggested changes you have?

The Chair: Just a brief comment, Mr. Brunnen, please.

Mr. Ben Brunnen: Basically, we're calling for changes to the employment insurance program that, priced more effectively, would remove distortions for people to stay in areas of high unemployment and move to areas of low unemployment, essentially. We're calling for the employment insurance system to continue to ensure that it has that safety net in the event that people who have fallen on hard times or who have a hard time transitioning out of their job...but also encourage economic activity to its highest and best use.

We're calling on the federal government to change the way it does these programs. Take the non-employment related benefits out of the program itself and fund those in a different way. Then charge differential premiums for areas that have chronically high unemployment.

What you are effectively doing in a situation like that is you are encouraging both businesses and employees to find solutions to chronic labour shortages, whether it's migration to areas of lower unemployment—

The Chair: I'm sorry, I'm just trying to be fair to all members in terms of their time.

[*Translation*]

Welcome back to the committee, Mr. Giguère.

Mr. Alain Giguère (Marc-Aurèle-Fortin, NDP): Thank you very much, Mr. Chair.

I am pleased that the committee has heard from you all because I have some questions for you about this country's economic development in the future. I am really looking forward to asking you those questions.

Mr. Thurlow, the pulp and paper industry is in difficulty all over Canada. I know that research is being done into technology that will allow the industry to produce both pulp and paper and biofuel in the future. Can you tell us a little about that technological advance?

[*English*]

Mr. W. Scott Thurlow: Absolutely, and thank you very much for the question.

Some of my member companies are currently looking at that next generation of technology. For the most part, this next generation is going to be feedstock agnostic. So whether it's waste from agriculture or whether it's traditional pulp and paper products, or the waste from those products, these can go into what we would call a cellulosic ethanol. Through a traditional gasification process, enzymes will break down this wood waste or this biomass into a product that can be consumed.

That process is ongoing. The companies that are in Quebec are using the SDTC programs to develop that technology. My member companies are spending their research and development dollars right here in Quebec and Ontario to develop that technology.

It's certainly something that we have on our radar.

● (1800)

[*Translation*]

Mr. Alain Giguère: Thank you very much. If you ever need encouragement for your research, if you want to get funding for it, you will find me a willing ear.

Mr. Sinclair, Mr. Leach and Mr. Brunnen, Canada has recently lost 500,000 jobs in the manufacturing sector. We have a balance of payments deficit of almost $50 billion. Our economic strategy at the moment is to produce raw materials as quickly as we can and export them completely unprocessed.

Paradoxically, Canadian businesses have never been so well capitalized. The Governor of the Bank of Canada has said that about $600 billion have not been invested.

What can we do together to stimulate investment into secondary and tertiary processing for our raw materials?

[*English*]

The Chair: We have two minutes. Could each of you do a 30-second comment?

Mr. Sinclair, please.

Mr. Art Sinclair: Again, the question was what can we do to encourage activity in processing, manufacturing, those industries. Certainly, I'd start going back to the productivity issue. One of our recommendations was the extension for the accelerated capital cost allowance as a productivity measure.

To follow up on Mr. Caron's question about productivity, from our perspective, in our chamber, what we see as being critical for the productivity issue is labour force development. We have to make investments in new technology, new equipments—the terminology is advanced manufacturing. We're shifting from people doing work to robotics, to machines doing work. We still need that human capital there. We need people to program computers and run the robotics. That's one of the key things, and that's where we have to make the investments in those particular areas.

The Chair: Okay. Let's go to Mr. Leach now, please.

Mr. Gary Leach: I just want to point out that Canada makes its living as a resource extraction country, and I think it's widely misunderstood, the view that the resource extraction industries are not full of high-tech jobs. Our industry is full of well-paid engineering, scientific research jobs. The oil sands dominates the agenda or the conversation around resources, but over the next couple of decades, $2 trillion will be invested in the oil sands and a million Canadian jobs will be tied to it. These will all be well-paid—and they can't go anywhere.

I want to point out that the resources are here. You can't move our oil and gas, for example, to China. Canadians are going to be employed in these industries because the resources are here.

My view is that this country needs to understand that we have a huge opportunity in well-paid jobs in the natural resource sector, and these are high-tech, research-oriented jobs in many cases.

The Chair: Mr. Brunnen, go ahead, very briefly, please.

Mr. Ben Brunnen: Essentially, looking at this one, we need to agree on the objective of strengthening our economic competitiveness. From a resource perspective, it begins with a Canadian energy strategy, with some level of agreement on how to develop our natural resources, understanding where the economics lie, whether we understand where that opportunity is to upgrade, generally speaking, looking at the capacity that already exists in our trading partners, and whether and to what extent we need to diversify our energy export markets.

One of the bigger things we need to focus on right now is removing interprovincial barriers to trade. That will facilitate labour mobility and economic competitiveness across provinces.

The Chair: Great. Thank you.

We'll go to Mr. Adler, please.

Mr. Mark Adler: Thank you, Chair.

I have a quick question for Mr. Sinclair.

In Bill C-45, which is part 2 of the Budget Implementation Act, we're calling for a one-year extension of the small business hiring tax credit. The NDP has already said they're opposed to it. You represent small business, medium-sized business. Can you talk about the advantages of that, why it has been so successful and why it needs to continue for another year?

Mr. Art Sinclair: Yes, we're quite supportive. In fact, I recall when it was introduced, we did a media release from our chamber that night, pointing to that as one of the key things that we support in the budget.

I think the key issue here—I think there's a general recognition that the real job generators in Canada are small businesses. It's the same in our community. I think it's the situation across Canada. The real engines of growth are the small businesses. In our community, we're quite fortunate to have thousands of start-up companies in the IT field. These are students coming out of the University of Waterloo. They came up with an idea in school and now they're putting it into operation. In some cases, companies staffed by individuals from the engineering school at the University of Waterloo, who started a company right out of school four years ago, now have 14 or 15 employees. Has that credit been of benefit to them? Yes. It provides some money to them, and I think that's the driver of the economy, the small business sector. So certainly we're supportive of it, very much so.

● (1805)

Mr. Mark Adler: Good. Thank you.

I want to ask a few of you one question, and I'll get back to you, Mr. Sinclair, in a second.

Mr. Thurlow, the NDP has called for a $21 billion carbon tax, which we say will raise the cost of everything—the price of food, the price of fuel, the price of everything, and workers and everyone else will have to pay that increase. It's on page 4 of the NDP party platform of 2011.

The Socialist International, of which the NDP is a member, calls for a carbon tax. In *Hansard* on December 5, 2011, the NDP revenue critic, Mr. Mai, even called for a carbon tax.

Could you please comment on that? Would that be beneficial to the industry or not?

The Acting Chair (Mr. Dave Van Kesteren): A point of order.

Mr. Hoang Mai: To Mr. Adler, I never called for a carbon tax. As you can recall, we called for a cap and trade, which, if you understand the difference, is not the same thing.

Mr. Mark Adler: Well, we'll table it.

Mr. Robert Chisholm: I think it's the same thing the Conservatives talked about in 2008.

The Acting Chair (Mr. Dave Van Kesteren): Mr. Chisholm.

Mr. Adler, go ahead, please.

Mr. Mark Adler: I didn't raise a point of order.

Mr. W. Scott Thurlow: Our association is strongly opposed to any program that would add cost to businesses, consumers, or, most importantly, make farming more expensive. We're in favour of what the current government is doing on the reduction of anthropogenic gases, and that's a sector-by-sector approach that is reasonable and logical for those individual sectors.

Earlier in my testimony, I referred to the transportation sector approach, and an important part of that is the government's renewable fuel strategy. I think the government gets a little bit of a raw deal when people say it’s not doing anything on climate change, because this is a demonstrated program that is working, that will help the government meet its Copenhagen Accord obligations by 2020.

Mr. Mark Adler: Thank you very much.

How many members do you have?

Mr. W. Scott Thurlow: We have 23 member organizations.

Mr. Mark Adler: Nice, and they're all of the same mind. Thank you.

Mr. Sinclair, could you please comment on that?

Mr. Art Sinclair: We don't like taxes in general.

We have 1,800 members. Actually, we have an environment committee at the chamber composed of environmental consultants, engineers, and planners. We have discussed this at quite some length, and there doesn't seem to be a lot of support for it, or there's no support for it. I think we can achieve our objectives in environmental protection through other avenues rather than through taxes of this measure.

Mr. Mark Adler: Mr. Leach and Mr. Brunnen, would you just please comment?

The Acting Chair (Mr. Dave Van Kesteren): You have another 40 seconds.

Mr. Gary Leach: I would just say that it's maybe not well understood across Canada, but Alberta was a leader in introducing a tax on large emitters. I think that program has been a success. Whether it would work in other jurisdictions, I don't know. But I think Alberta was the first jurisdiction in North America to introduce that. The fund goes into technology and research.

Mr. Ben Brunnen: From our perspective, absolutely, we see carbon management as part of a broader Canadian energy strategy. We do support the sectoral style of approach. We do support a life-cycle approach to managing carbon emissions. It's important to recognize existing investments and the rate of capital stock turnover in those types of regards, and to ensure that there's not an inadvertent redistribution of wealth or competing sectors against each other in the process.

Those are the broad parameters we like to look at in terms of approaching carbon mitigation. Generally speaking, that sectoral approach currently under way is one that's probably the most effective.

● (1810)

The Acting Chair (Mr. Dave Van Kesteren): Thank you, Mr. Brunnen.

Go ahead, Mr. Chisholm.

Mr. Robert Chisholm: Thanks very much.

Thanks to the presenters for coming in today. Taking time out of your undoubtedly busy schedules to present your ideas to this committee is very important.

I want to begin with Mr. Phelps.

You raised the issue of income inequality. It's not only income inequality between people; it's also income inequality between provinces and between regions in this country. It's a serious problem.

In particular, you raised the issue of the fact that one in five Canadians are impacted by mental health, and it's been estimated by the commission that this represents a cost to the Canadian economy of $51 billion annually. I'd like you to comment, please, if you think there is something the government can do to begin to address this.

Mr. Fred Phelps: I think the government has taken some positive steps to address it with the delivery of the first national mental health strategy. But with that delivery there needs to be a commitment to implement that and to provide a leadership role to bring the provinces and territories to the table to deliver the mental health strategy.

On top of that, regarding the Canadian social transfer, which has transferred billions each year to the provinces and territories to deliver social services, there is really no accountability measure put in place; there is no Canada Health Act. There was the Canadian CAP back a few years ago, the Canada Assistance Plan back in 1995, which was virtually eliminated. Really, the only requirement in the transfer of the social services is that there is no minimum requirement for individuals to access income assistance in the provinces and territories. Consequently, you are correct, from province to province the funds are transferred basically into general revenue, and there is no equity across Canada or accountability of the delivery of social services.

Mr. Robert Chisholm: It's certainly a growing gap, right?

Mr. Fred Phelps: It's a growing income inequality gap. There is a role that the federal government can play to bring the provinces together to develop accountability mechanisms.

Mr. Robert Chisholm: I appreciate your coming and making those points.

I want to go to Mr. Brunnen now.

You raised some concerns about the confusion created by the lack of clarity on the whole net benefit test. That's a question that members of my caucus have been raising in the House of Commons now for several weeks—well, actually longer than that, a few years now, but it's certainly come to a head of late.

The minister tells us to go to the website and that it's very clear there what the net benefit test is. But I think what we're beginning to recognize, and maybe what the government is beginning to recognize, is that people who are representing businesses that are affected by this are concerned about the lack of clarity and are asking for a comprehensive review.

I'd like you to give me some indication that you feel the government is going to start paying attention, recognizing the danger of not having more clarity with such an important issue as the net benefit test.

Mr. Ben Brunnen: Without a doubt, we see this as a critical lynchpin, if you will, for future investment in Canada, particularly in Alberta. We recognize that there's an increased appetite for investment, particularly from emerging economies in Asia, to basically secure energy resources and technology, if you will.

This piece of legislation hasn't been updated substantially in some time. There was a time when there wasn't necessarily a lot of interest in investing in Canada, actually before we had proven reserves of the size we have. Moving forward, it's both timely and critical that we update this piece of legislation, because it's also going to set the standard for our prosperity in the way that foreign investors, particularly new trade partners who we are trying to court, will view Canada from an investment-friendly perspective.

We are very much concerned about the lack of clarity around the net benefit piece as well as the thresholds for triggering the net benefit—

Mr. Robert Chisholm: Thank you. I've almost run out of time.

I just want to ask if you are getting some positive response. Do you feel some confidence that the government is going to respond and bring clarity to that provision?

● (1815)

The Acting Chair (Mr. Dave Van Kesteren): Very quickly, please.

Mr. Ben Brunnen: We fully anticipate that. The indications suggest there are going to be some changes to that Investment Canada Act in the near future. We're hoping it will have the comprehensive approach we're looking for, particularly regarding definitions of net benefit and parameters around state-owned entities looking to invest in our country.

Mr. Robert Chisholm: Great. Thank you, Mr. Brunnen.

The Acting Chair (Mr. Dave Van Kesteren): Thank you, Mr. Brunnen.

Ms. McLeod.

Mrs. Cathy McLeod: Thank you, Chair.

And thank you to the presenters.

I'm going to start with Mr. Sinclair.

Mr. Sinclair, you were talking about the accelerated capital cost allowance and the fact that it should be made permanent. I reflect back to the home renovation tax credit that we put in. Did it ever get people out there. They were renovating, and there were probably more kitchens and floors and whatever....

Is there a danger that because it's temporary it is psychologically spurring action now that might not have happened? That is my first question.

Mr. Art Sinclair: No, I wouldn't say so in this particular instance with the accelerated capital cost allowance for manufacturing, because regardless of how long it gets extended or whether it becomes permanent or not, it's just a situation. This is what we're hearing from our members in the manufacturing sector. They will use that money they save and invest it back into their organizations, probably in further technology and better equipment. As I've said on a number of occasions, that's key to the manufacturing sector. What we hear from the members is that they have to make these adjustments, and a lot of it is moving from the traditional forms of human production to mechanized production.

The term that's often used is “advanced manufacturing”, which is the use of robotics and very highly mechanized equipment for producing everything from auto parts to food. The position of the industry is that we have to make those investments back into the industry. That's how they would look at this money. It's a savings they are going to invest back into more technology.

Mrs. Cathy McLeod: Okay. You wouldn't see it creating somewhat of a—

Mr. Art Sinclair: It's just rolling on through time, hopefully.

Mrs. Cathy McLeod: —laissez-faire approach to when they do the work, then.

Mr. Art Sinclair: Exactly, yes.

Mrs. Cathy McLeod: If it was going to be made permanent, are you suggesting it be the exact same formula as it is right now?

Mr. Art Sinclair: Yes. It seems to be working. It builds that long-term security and long-term certainty. You can do that five-year, ten-year planning process if you have something like this in place. Right now it's extended every two years.

For somebody in south Kitchener who is running a manufacturing operation, if they can say in five years they will still get this, then they can build that into their planning process, particularly with respect to investment of new capital. That's a particular advantage to them. That's certainly what we're hearing from our members. If they had that certainty, they would probably invest more.

Mrs. Cathy McLeod: If the percentage changed marginally, would that make a difference?

Mr. Art Sinclair: It would probably not, no. Probably anything they have, any return they get from the government, anything they're not paying, they are certainly going to invest back into their operations.

Mrs. Cathy McLeod: Thank you.

Mr. Thurlow, I'm not an expert in your field. If we look back to the last number of years, we've heard about some of the things that didn't go so well with the programs. Tell me about some of the real successes in terms of how the money was spent, what we achieved, and what the long-lasting impacts are.

Can I understand a little bit better what we accomplished with—

Mr. W. Scott Thurlow: Sure, and let me be clear: if it wasn't for the government's investment in the renewable fuel strategy, our association wouldn't exist. It is important, this government's investment.

The ethanol expansion program was the first step. Using the ethanol expansion program, we built out several ethanol facilities in the country. The key behind that program was ensuring that the renewable fuel standard of 5% was going to be met by domestic production, so that the value-add, which is the creation of the renewable fuel, happens here domestically, in our country.

That's what we'd like to emulate with the renewable diesel or the biodiesel standard. Over the last couple of years we haven't seen the same build-out that we've seen with ethanol. There's a confluence of reasons for that. We think what we'd like to do is just reopen that program for projects that have the money, the investors, and the proven success in the marketplace to generate this type of biodiesel so that they have a shot at this ecoEnergy funding, to help make sure that the government can meet its objective of 600 million litres.

● (1820)

Mrs. Cathy McLeod: Thank you.

I probably don't have enough time. I was going to ask Mr. Leach —

The Chair: You have 30 seconds.

Mrs. Cathy McLeod: He had two recommendations at the very end, but perhaps later....

The Chair: I can do that on my time.

Mrs. Cathy McLeod: Okay. Thank you.

The Chair: Thank you, Ms. McLeod.

[*Translation*]

Your turn, Mr. Mai.

Mr. Hoang Mai: Thank you, Mr. Chair.

[*English*]

I was really glad to hear Ms. McLeod say that the energy retrofit program was working and was creating jobs and everything, but the government actually cut that program without all the funds even being out.... It's really sad to see.

Mrs. Cathy McLeod: Home renovation—

Mr. Hoang Mai: We were talking about green energy. Mr. Phelps, do you feel that the government has done enough in terms of moving more towards a green economy, of moving in that direction in terms of looking into what we can do in the future also?

Mr. Fred Phelps: Innovation-wise, I think the government can invest more. It's definitely not our area of expertise, but we know that other jurisdictions—the United States—are heavily investing in green technology and green energy. I recognize from this panel that we have high resources in the west that have an appetite for today, but I think planning for the future, and not necessarily just for today, is something the federal government could do more of.

Mr. Hoang Mai: I'll come back to you, Mr. Thurlow, if I have a bit of time.

For the Calgary Chamber of Commerce, regarding net benefit, we have been asking for a long time for the government to actually give a definition or a clarification. In this case, with the deal with Progress and with Nexen, there were some losses in the markets, and some pension funds lost money on that front too. Do you think those moneys might not have been lost if we had a clear definition of what net benefit is?

Mr. Ben Brunnen: Well, without a doubt, the recent decision on the Progress Energy-Petronas piece did create some skittishness in the markets. As a result, we saw that reaction. That's a confidence reaction. A lack of clarity in the style with which the announcement came forward has really sort of given the market a little bit of jitters in that regard.

I think a little bit more robustness into the process and clarity regarding the decision-making framework could have avoided a lot of that, because the proponent could have come forward with a better understanding of how their proposal would have been evaluated in the context of net benefit and of the parameters under which they would need to check in order to be successful. Without a doubt, I think it's critical.

Mr. Hoang Mai: Thank you very much.

Mr. Thurlow, you mentioned that there is a problem right now with product being shipped to the U.S., where value is added there and then it's sold back to us here. I think we're feeling the same thing regarding fossil fuels. We're shipping away our resources somewhere else, they're putting in all the value-added and creating the jobs, and then they're selling it back to us.

Can you tell us why the government hasn't done anything, or what is limiting you to actually move forward to have things done here in Canada?

Mr. W. Scott Thurlow: I agree with many of the parts of your question, but there's some of it that I don't agree with. I think the government has done a lot, particularly for the renewable fuels sector.

The program I'm talking about is a very modest change. Applications were made for reasons that are unique to each one of the individual applicants. The build-out did not happen. As a result, we'd like to see that program money made available again so that projects that we know are ready can move forward. It's true that right now canola growers are sending their product into the United States to have it upgraded and sent back. We'd like to see the program reopen to prevent that from happening—so that the logistical costs are cut down for our farmers.

Mr. Hoang Mai: I'll come back to you, Mr. Phelps.

I don't know if you saw the flyer that came out from Kelly Block, the MP for Saskatoon—Rosetown—Biggar, regarding the refugee health cuts. I know the government is really proud, and MPs on the other side are really proud. Can you tell us what your position is regarding those refugee health cuts?

Mr. Fred Phelps: Social workers have publicly come out against the cuts to the interim health program for refugees. I think there might be some misrepresentation of the cuts, in some regards, and we're thankful that the federal government has put some of the funding back into place.

I think we as social workers look to raise the envelope for all rather than to lower it for others. Recognizing that a person on social assistance in Canada is the same as a human who is a refugee in Canada, and meeting those basic needs....

In the long run, it will be better for the economy if we ensure that people actually have the health care services they need. If they are not to stay in Canada, then it's an investment that is realized on a human scale, not necessarily on a scale that's just ensuring—

● (1825)

The Chair: Okay. Thank you.

Mr. Van Kesteren, please.

Mr. Dave Van Kesteren: Thank you, Chair.

Thank you, Mr. Phelps, for that answer. I think that was fairly obvious, but I just want to clarify something that I think you made clear as well. The program would see to it that refugees have the same coverage as other Canadians, not more, not less: that's correct.

Mr. Fred Phelps: The coverage that is extended is really extended to people on social assistance in Canada, and is no more and no less than what other Canadians receive.

Mr. Dave Van Kesteren: And I think that's what we're trying to say. Thank you for that. I appreciate that.

Mr. Sinclair, you talked a little bit about FedDev and the $1 billion. A total of 60% has been used, so there is still some money coming.

Can you give us some examples of successful applicants and how they were able to expand businesses and expand employment in your region?

Mr. Art Sinclair: I know there's one firm, called Miovision, that has received a couple of rounds of funding. They do information technology application to municipal traffic planning. Probably in the last three years they've gone from 20 employees up to 50 employees. Again, it's in that IT sector. University of Waterloo graduates came up with an idea in university, and they were able to carry it forward and commercialize it.

It's not just in the business sector, I think. The universities and the community colleges across southern Ontario particularly have benefited as well, not only in terms of funding directly to the institutions but also the partnerships they've developed with private sector partners. Again, a lot of those are in the knowledge economy—high tech, biotechnology, and of course biotech.

Like you, we're from southwestern Ontario, and agriculture is important to us. That's a key area. From our perspective, I think the three areas that we're interested in are IT, agriculture, and manufacturing, probably similar to your riding as well.

But yes, the successes are pretty significant.

Mr. Dave Van Kesteren: Yes, you've done a good job, I can tell. I think you should be commended. When I drive through your town every Sunday, and come home every Friday, there seems to be more and more traffic. That has to be an indication.

Mr. Art Sinclair: It's because of a good chamber of commerce, obviously. That's what drives everything.

Voices: Oh, oh!

Mr. Dave Van Kesteren: I want to go to Mr. Leach and to the Calgary Chamber of Commerce.

In my riding of Chatham-Kent—Essex, we have seen a significant decline in manufacturing. We all know—we've spoken about this a number of times—the importance of the extraction industry and how that has generated huge revenues. Indirectly, I think, 20% of the GDP can be attributed to what's happening in the extraction industry.

Much of that, of course, is in your neck of the woods. I wonder if you can tell us if there are some programs that are in place to....

We have a vast array of very qualified people in the manufacturing sector. I'm wondering if there is communication, and if the federal government can help maybe improve that, between the cities so that a community like Chatham-Kent will know what's available, what's being called upon by the industries in your area, and can subsequently take advantage of that, and we can all benefit.

Mr. Ben Brunnen: I guess Gary passed that one over here.

Yes, without a doubt, I think there are a number of initiatives going on. In thinking about this piece, we know there are efforts from Alberta companies, and our City of Calgary as a matter of fact, to reach out to Ontario communities to promote Alberta as a destination and a place of prosperity and job growth. Those do happen. We have Calgary Economic Development. The economic development arm has a specific initiative in that regard.

We are moving forward collaboratively as well, as a group of associations and industry professionals, trying to raise awareness of the labour challenges and the various opportunities out there, from strengthening the immigration piece, tapping into underutilized talent.

The last piece I'll share with you relates to...actually, from a federal government perspective, there are two things. The first is reforming the EI system: remove the distortions in the market, encourage people to migrate from areas of high unemployment to areas of low unemployment. Secondly, it's about conveying the message of the strength of the Canadian economy as a whole and the role the energy sector plays in that. I think it's important. Often perception is reality, and if we can ensure that the message is positive and collaborative across our provinces, I think that would go a long way to helping people with their mindset about moving to areas such as Alberta for employment opportunities.

● (1830)

Mr. Dave Van Kesteren: Thank you, sir.

Mr. Gary Leach: The private sector is doing a lot, too. We have buyer-seller forums in Alberta, where companies from Ontario and Quebec come to look for opportunities to sell products to Alberta-based companies.

The Chair: Thank you, Mr. Van Kesteren.

I want to take a final round. I know we're going a few minutes over our time.

I will start with you, Mr. Leach. In your opening statement, you mentioned the challenges in raising capital. You talked about flow-through shares, and then you made two recommendations. Ms. McLeod wanted you to expand on those two recommendations for the committee. Could you take a minute to do that?

Mr. Gary Leach: Thanks, Mr. Chairman. You know flow-through shares are an issue that we promote as best we can.

We had two specific recommendations on improving the flow-through share regime. One is that the annual Canadian development expense conversion limit to Canadian exploration expense tax treatment be increased to $4 million a year from $1 million per company; and secondly, that the taxable capital test to access that conversion from CDE to CEE tax treatment be increased to $50 million from $15 million. Those are the two that are linked. We think it would make the opportunities a bit more flexible for junior oil and gas companies and take advantage of.... We have to deal with the fact that the costs to invest in oil and gas have been going up and up and up. These limits need to be increased to make the program more viable.

The Chair: For clarification, right now the sector raises about 2.5% by flow-through shares, but you're saying that because of the lack of financing from other areas, you're hoping to increase that percentage, to increase the overall amount, obviously.

Mr. Gary Leach: Yes. These numbers vary considerably. You can see how much the amount of equity collapsed from a year ago—again, a lot of it due to commodity prices and things like that. But 2%, 3%, 4%, probably, is about how much the flow-through share program is of the total amount of equity raised each year. It's particularly important for Canada's home-grown smaller startup oil and gas companies. We think it's a way to get Canadians investing in their own oil and gas development, as it does for Canadians investing in junior mining as well.

We think the program has a lot of merit and deserves a serious look to see if it can be made better.

The Chair: Okay. I appreciate that.

I want to move on to Mr. Sinclair, on the manufacturing issue. You pointed out that Minister Flaherty had it in the 2007 budget, but before that, a couple of us were members of an industry committee that recommended it unanimously—in fact, by all parties. I always believe strongly in committee work, so I think that was some excellent work.

You're absolutely right. It was recommended by the Canadian Manufacturers and Exporters and a whole host of other organizations.

The challenge is—and members of the opposition will point this out—if you have corporate tax reductions, if you have accelerated capital cost allowance...the challenge is for industry and companies to show that they are investing as a result of these initiatives. You've stated it's working. If you can tell your member companies that the more evidence we have as members of Parliament to go to the finance department and to say extend this or make it permanent.... They will raise the argument: what evidence do you have as parliamentarians that companies are actually making investments as a result of these changes, specifically with respect to the accelerated capital cost allowance?

Do you want to address that issue? I know we're going to get challenged on it as MPs if we recommend it, so what would you say in response to that?

Mr. Art Sinclair: In terms of specific examples of specific companies that have used this, there is one particular company, Kuntz Electroplating, which is in south Kitchener. They are in auto parts manufacturing. They've made some significant upgrades in their equipment over the last number of years.

As a chamber, we could probably provide some case-by-case situations among our membership that would demonstrate the investments that our companies and our members have made.

● (1835)

The Chair: In my area that's what I've asked for. I've asked for companies to tell me if they utilize IRAP and if it works, and if we should increase funding for that. Also, how do they use the SR and ED credits, and how do they use accelerated capital cost allowance? When we had the stimulus period, how did they use the work-sharing program? Some of them were able to write me and say specifically which investments they had made in terms of this machinery. All that would be very helpful for us.

Mr. Art Sinclair: I will do that through Dr. Albrecht.

The Chair: Okay. I appreciate that.

I want to thank all of you for being with us here today and for joining us from Calgary. We appreciate your responses to our questions. If you have anything further, please send it to the clerk, who will ensure that all committee members receive it.

Thank you very much.

The meeting is adjourned.

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