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Chair

The Honourable Wayne Easter

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● (0850)

[*English*]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): We'll call the meeting to order.

For those witnesses at the witness table who are going to make the formal presentations, I'll just explain what we're going to do now.

When we're on the road—we were in Victoria yesterday and Whitehorse the day before—we give the floor the opportunity to make one-minute opening statements, which we call open-mike statements. That information goes into the record and is considered as part of the pre-budget consultations.

We'll start with the open mikes and Ms. Pam Bryan.

Pam, welcome.

Ms. Pam Bryan (As an Individual): Good morning, Chair and members of the committee. Thank you very much for allowing me to speak. My name is Pam Bryan, and I am the Canada green corps regional coordinator with the United Nations Association in Canada.

I would like to draw your attention to why I believe it is important that you consider support to UNA-Canada as a strategic lever to address urgent Canadian and international priorities.

UNA-Canada is a historic Canadian charitable organization providing a leading policy voice and is a convener and mobilizer of Canadians. With over 25,000 members, UNAC is a founding member of the World Federation of United Nations Associations with a global reach to over 100 countries.

Our mission is to educate and engage Canadians in the work of the UN and to seek solutions to the critical issues that affect us all. With a reach of five million Canadians a year, our polling confirms citizens strongly believe that an effective United Nations is essential to peace and security and a more equitable, sustainable world. We invest innovatively across generations, bringing empathy-based education to citizenship, youth civic engagement, natural resources, gender, unity and diversity, health, peace and the environment to the most marginalized within Canada and internationally.

Our recommendation is for support to implement a body of work conforming concretely to the objectives and directives to cabinet on defence, foreign affairs, international development, environment, heritage and labour.

An investment of $10 million per year over a period of four years to UNAC will provide constructive and innovative dialogue, research engagement and mobilization for policy research and innovation to provide fleet, disciplined input to defence, diplomacy, development, climate action, populism and exclusion. It will support action, and showcase, count, report and develop educational materials to meet Canada's obligation in the sustainable development goals. It will allow us to engage with UN agencies and bodies in support of Canada's UN Security Council campaign and follow up key issues.

UNAC will bring arm's-length credibility, made-in-Canada solutions, international community innovations and challenges to Canadians and to United Nations voters and agencies. It will mobilize Canadians in understanding and support for Canada's full engagement in the UN, including UN peacekeeping, sustainable development and human rights.

UNA-Canada shares with the Government of Canada the imperative to ensure full participation of women and girls and youth in building a more fair, prosperous and sustainable environment and world.

Thank you for your consideration.

The Chair: Thank you.

Pam, if you can leave your remarks with the clerk, the translation didn't come through, so we'll get your remarks translated and they'll go into the record.

Ms. Susan Roberts (As an Individual): Good morning, everyone.

My name is Susan Roberts. I'm here to represent Alberta Food Matters, Food Secure Canada and the Coalition for Healthy School Food.

Canada is one of the only members countries of the Organisation for Economic Co-operation and Development without a national school food program. We're asking for your committee to strongly consider financially supporting a cost-shared universal healthy school food program for all Canadian schools, one that is universal and open to all students.

We are asking you to consider a financial outlay of $360 million to contribute to the total bill of $1.8 billion cost-shared with provinces, municipalities, school districts, schools, non-profits, communities and business. The Alberta government has made an investment of $15.5 million in school food for 2018-19 that has directed these funds to high-needs elementary schools and has not addressed the issue of universality. It's a good first step, however. For more information see the “2018 Nutrition Report Card on Food Environments for Children and Youth”, written by the U of A.

The evidence strongly shows the return on investment of a universal healthy school food program is high. Outcomes include improvement in educational outcomes, increased graduation rates, improved mental health and improved student health. The research shows substantial decreases in the incidences of chronic disease, obesity, heart disease and diabetes. It also shows there's a positive local economic impact. The key elements we seek to see in a national universal healthy school food program in Canada are that it is universal—meaning all students can take part—health promoting, respectful, connected, multi-component and sustainable.

Presenting today is timely because just now, in September 2018, the Canadian Food Studies journal published an article on the case for a healthy school food program across Canada. The citation will be at the bottom of some of the materials you will receive.

Please consider our request for the federal government to cost-share with provinces, municipalities, communities, schools and school districts. A national food program has been recommended also by the Senate's social affairs committee, the Ontario Healthy Kids Panel, a former House finance committee, the former chief public health officer, and a motion by Senator Art Eggleton, motion 358, which recommends federal funding for a national school food program.

With so many benefits, health, social, economic, as well as mental health outcomes for our universal school food program in Canada, everybody wins, but especially our children. I really look forward to the support that you might give this idea across Canada. It's been fun to work with all these organizations across Canada. There are over 120 organizations that are part of this movement, so I would hope you would support it in some way.

Thank you very much for your time this morning, and welcome to Alberta. Go Oilers. They won last night in overtime, 5-4. I'm just saying.

Voices: Oh, oh!

● (0855)

The Chair: Thank you, Susan.

Last of the open mikes is Ms. Margaret Schoepp.

Ms. Margaret Schoepp (As an Individual): Thank you.

Good morning to the committee and Mr. Chair.

My name is Margie Schoepp. I'm representing CASFAA, the Canadian Association of Student Financial Aid Administrators.

CASFAA represents many personnel across Canadian post-secondary institutions who are dedicated to helping Canadian students achieve financial wellness. To build Canada's economic growth and ensure our competitiveness, we have three recommendations to help ensure student success. First, allow students adequate time to establish stability before beginning the regime of student loan repayment by reinstating the Canada student loan interest subsidy for the six months following the completion of studies.

Second, empower post-secondary students who acquire Canada student loans by requiring mandatory entrance and exit loan counselling, and third, reduce the educational gaps between indigenous and non-indigenous Canadians by providing a Canada student grant program for indigenous students.

CASFAA believes that these measures will help develop financial literacy in our students and position them to immediately engage our economy when they have completed school.

Thank you for your time and consideration today.

The Chair: Thank you very much, Margaret.

As I indicated, those comments will go into the record and be considered.

We will start the formal aspect of our meeting. As everyone knows, this is the finance committee doing pre-budget consultations for the 2019 budget.

For the witnesses, those who have presented submissions prior to August 15, we have those. Those are considered as well. They're on people's units, and they will be referring to them from time to time.

Before we start, just to give you a little bit of an idea where people come from on this committee, I will go around and ask members to introduce themselves.

Perhaps, Peter, we'll start with you.

Mr. Peter Julian (New Westminster—Burnaby, NDP): I'm Peter Julian. I'm the vice-chair of the committee. I hail from New Westminster—Burnaby on the coast of British Columbia. I confess, I am an Oilers fan, but I am not an Eskimos fan.

● (0900)

Mr. Matt Jeneroux (Edmonton Riverbend, CPC): You're not an Eskimos fan, shame.

I'm Matt Jeneroux, member of Parliament from right here in Edmonton. It's good to be home but also good to welcome the entire committee and crew along with us to Edmonton.

Thank you, witnesses, for taking the time to come to the committee. It's important work that we do, and I'm proud that we've chosen to come to Edmonton today.

The Chair: It is nice to see Edmonton and Calgary sitting together, guys. That wasn't always easy in the past.

Mr. Pat Kelly (Calgary Rocky Ridge, CPC): I got some kind of special permission to come here.

I'm Pat Kelly, and I'm the member of Parliament from the sunny riding of Calgary Rocky Ridge. I'm delighted to be here with my committee colleagues and with today's presenters, as well as the members of the public who have come to be with us today.

Mr. Michael McLeod (Northwest Territories, Lib.): Good morning. My name is Michael McLeod. I represent the Northwest Territories.

Ms. Kim Rudd (Northumberland—Peterborough South, Lib.): I'm Kim Rudd, member of Parliament for Northumberland—Peterborough South. For context, that is a rural riding in southeastern Ontario. It's great to see Lynette and Mark after my last trip and the great tours you gave me in July.

I'm glad to be back.

[*Translation*]

Mr. Greg Fergus (Hull—Aylmer, Lib.): Hello. My name is Greg Fergus and I am the Liberal MP for Hull—Aylmer, just outside Ottawa in Quebec. Several members of my family live in Edmonton and I am very pleased to be back here.

[*English*]

The Chair: I'm Wayne Easter, member of Parliament for Malpeque, Prince Edward Island, on the government side.

We'll start with the Alberta Chambers of Commerce, Mr. Kobly, president and CEO.

Welcome, Ken.

Mr. Ken Kobly (President and Chief Executive Officer, Alberta Chambers of Commerce): Good morning, Mr. Chair and members of the committee. Thank you for the opportunity to appear before the finance committee again.

To put into context the organization that I represent, we have 126 community chambers in the province of Alberta who, in turn, represent in excess of 25,000 businesses. About 95% of those businesses are small and medium-sized enterprises. All community chambers operating in Alberta are members of the Alberta chambers and the Canadian chamber so we have a tremendous amount of integration from the local to the provincial to the federal level.

Policies come from our community chambers and are debated at their AGM. Once adopted they become our policy.

I understand that you have our submission, and I'm assuming you reviewed it. I'm prepared to answer any questions you may have on it, but there are a few things I'd like to touch on.

We have five recommendations. The most important one to us is the establishment of a royal commission to review the Income Tax Act. At the last Canadian chamber AGM two years ago this received 99% support among the delegates. If fairness and simplicity is desired, a royal commission is needed. The last royal commission occurred in the 1960s, I believe, about 50 years ago. The current act is an outdated piece of machinery with multiple pieces welded on the side that don't work well with each other. If we're looking at progressing into this century, perhaps we should look at a full review.

We need to be mindful of cost layering on small and medium-sized businesses. Even if a change appears small in budget deliberations, that adds costs onto small and medium-sized businesses. You need to be cautious. We've seen a continual layering of costs from the municipal, the provincial particularly, and the federal level. All those small changes added one on top of the other have a major impact on small and medium-sized businesses. For example, the implementation of enhanced CPP in 2019 will have a cost impact on small businesses.

We would appreciate it if you would implement the Standing Senate Committee on Banking, Trade and Commerce recommendation and fund the University of Calgary's proposed northern infrastructure corridor or transportation utility corridor. It is imperative that we do future viewing planning as to how we're going to move product across this country.

As the Alberta Chambers of Commerce—I don't think you'd expect anything else from us—one of our recommendations is to get the federal budget balanced. It has a tremendous impact on costs that are moved down to various businesses.

One other thing that is probably up for consideration this year in the budget will be national pharmacare. I would caution you to take a very clear look at the cost impact of this. The Canadian chamber submitted a submission to the Government of Canada suggesting that if you are considering national pharmacare, to address the gaps, not to introduce a full national pharmacare program on all. Currently 1.8% of Canadians do not have coverage either through their employer or through a provincial program, so rather than changing the entire system, we would caution you that that would be very costly and before you proceed with anything, you understand the cost implications.

It was very fortuitous that yesterday the Senate Committee on Banking, Trade and Commerce released their report "Canada: Still Open for Business?". Specifically within that report is the Senate committee's support for, one, a royal commission; two, reducing corporate tax rates and temporarily allowing the full and immediate deduction of all capital costs to be in accord with the United States; three, improving Canada's regulatory regime to ensure that a project can get approved and be completed, for example, the Trans Mountain pipeline.

Bill C-69, in my opinion, is definitely not the way to go if you're looking at bolstering or coming up with a very strong regulatory system that has any chance of success. Hal Kvisle, the former CEO and president of TransCanada PipeLines suggests that any pipeline company under Bill C-69 would be foolish to apply for any type of pipeline project.

You should improve Canada's trade infrastructure, for example rail, pipelines, roads and ports. A classic example here in Alberta is that we have only one 24-hour border crossing, whereas other provinces have multiple 24-hour border crossings. That impacts us greatly, as far as trade goes. That 24-hour border crossing is in the far west side of the province. Anything that is coming up from the central United States has to go out of its way to get back into Alberta.

● (0905)

We should negotiate and implement free trade agreements with fast-growing economies, and while we're at it, reduce interprovincial trade barriers. In some cases, it's easier to trade with the United States than it is to trade across this country.

Those are my prepared comments, Mr. Chair. I'm prepared to answer any questions.

The Chair: Thank you, Ken.

With Alberta's Industrial Heartland Association, we have Mr. Plamondon and Ms. Tremblay.

Welcome.

Ms. Lynette Tremblay (Manager, Government Relations, Alberta's Industrial Heartland Association): Thank you, Mr. Chair and committee members, for this opportunity. Welcome to Edmonton.

[*Translation*]

My name is Lynette Tremblay and I am the Director of Government Relations.

[*English*]

As you mentioned, with me is our Executive Director, Mark Plamondon.

Alberta's Industrial Heartland Association is a non-profit economic development organization of five municipalities that represent a 582-square kilometre, $40-billion, value-added energy cluster, here in the metro Edmonton region.

Our cluster model minimizes industry's environmental footprint, makes use of petrochemical by-products and maximizes the benefit for Canadians.

Petrochemicals touch every corner of our country and every sector in our economy.

[*Translation*]

The petrochemical industry creates fertilizers for potato crops in PEI and packaging to keep Ontario and Quebec dairy farmers' products fresher longer. The industry provides lightweight, durable plastics used in auto manufacturing to make buses and cars more fuel efficient.

[*English*]

Whether a child visits the B.C. Children's Hospital in Vancouver or the Stollery, here in Edmonton, they are receiving first-rate medical care. This is in thanks to petrochemicals that make IV bags and sterile tubing that deliver life saving blood and medicine, stethoscopes, aspirin and even diapers.

The tech supercluster in Waterloo wouldn't exist without petrochemicals, which make up over half of the components in smart phones, tablets and computers.

[*Translation*]

Canada imports $53 billion in petrochemicals each year, mainly to British Columbia, Alberta, Manitoba, Ontario and Quebec. We have the resources, the talent and the opportunity to manufacture more of those products here at home.

[*English*]

In fact, we have the chance to attract $30 billion in new investments to Alberta's industrial heartland alone, by 2030, but only if we have a competitive investment climate. We have some work to do on that front.

The competitiveness gap between Canada and the United States has been growing over the past decade, with the introduction of targeted investment attraction programs and tax initiatives south of the border.

The implementation of 100% immediate capital cost depreciation in the U.S. has been the most recent and significant measure. Over a 10-year period, that measure alone is forecasted to increase GDP by 3%, increase capital stock by 8.3%, and boost the wage rate by 2.5% and the number of full-time equivalent jobs by 575,000.

● (0910)

[*Translation*]

But for us, it's not just about numbers. It's about the contribution to our communities and about the people who depend on these high-skilled, middle class jobs that will exist for decades after these facilities are built.

[*English*]

For example, the $200,000 Shell Skills Centre at Fort Saskatchewan High School will help us get more youth interested in the trades and help close the skills gap. Cenovus' $200,000 donation to 22 libraries and 19 aboriginal communities will help promote learning and literacy. Inter Pipeline's polypropylene facility in the heartland—the first ever in Canada—is bringing us new technology, construction jobs and much needed work for local steel fabricators, like Dacro and Cessco.

For every job created in the heartland, five more jobs are created in the broader Canadian economy because of the multiplier effect of the petrochemical sector. Not only do these investments bring jobs and community benefits, but petrochemical production in Canada, from clean, natural gas liquids, will result in lower global greenhouse gas emissions, than if produced elsewhere from oil or coal. Moreover, production of these necessary products at home will reduce the need to import them, further reducing global emissions.

This is the future of our energy economy in Canada. It will help lead the world in the transition to a lower-carbon economy. We have to be willing to work together, at all levels of government, to ensure the jobs and economic benefits end up here in Canada and not across the border. With the change in government and subsequent environmental policies in the United States, it's more important now than ever that Canada ensure these facilities are built here, where we are environmental leaders.

To that end, our recommendations for increasing and extending the accelerated capital cost allowance and modifying the strategic innovation fund are two measures that can have an immediate and significant impact on our ability to attract investments in Canada.

[*Translation*]

We look forward to your questions. Thank you for your time today.

[*English*]

The Chair: Thank you very much, Lynette.

Turning then to the Canadian Association of Oilwell Drilling Contractors, we have Mark Scholz, president.

Welcome, Mark.

Mr. Mark Scholz (President, Canadian Association of Oilwell Drilling Contractors): Thank you again, Mr. Chair. It's great to be back.

I hope the weather improves on the island so you can get those wonderful potatoes out of the ground. We have experienced some interesting weather here in Alberta, as well.

Thank you very much for the opportunity to address the committee. I represent oil and gas well drilling and wells servicing contractors from across the country. These are the hard-working men and women who spend their days on drilling and service rigs, drilling holes in the ground that eventually become the producing wells that supply us with affordable and reliable energy.

Canadians are proud of their oil and gas industry, and the majority of us support its responsible development. This industry has a long history of building Canadian businesses and allowing Canadian families to prosper. They recognize that new pipelines represent thousands of jobs, a bright future for Canada's economy, and a safer way to transport our ethical resources, both domestically and to the rest of the world.

The lack of market access for Canadian oil and gas is an enormous short-, mid-, and long-term liability to the Canadian economy. Without new pipelines, we are not competitive in global markets, and we are losing investment opportunities.

Over the past 18 months, our members have moved over 20 high-spec drilling rigs, including Canadian skilled labour and management teams to the United States. We are losing jobs, talent, market share, margins and our industry, because we cannot compete.

In 2014, there were approximately 800 drilling rigs and 1,200 service rigs in Canada. Today, there are only 600 drilling rigs and 900 service rigs, a difference of 500 rigs. In 2019, we are estimating the rig fleet count to decrease again, to only 550 drilling rigs, a 30% reduction since 2014.

These statistics should alarm policy-makers, because every active drilling rig represents 135 direct and indirect jobs. It means that an estimated 54,000 high-value jobs have disappeared from the Canadian economy and are not coming back because of the relocation of these assets.

Unfortunately, given Canada's recent track record and the looming prospects of Bill C-69 and Bill C-48, we do not see a bright future for the competitiveness of the Canadian oil and gas industry. What perhaps is worse is the fact that as we sit paralyzed, fretting over the most regulated, safe and environmentally conscious hydrocarbon jurisdiction in the world, countries such as the United States have incentivized investment in their own oil and gas sector. For example, the recent tax reforms in the United States have provided businesses with the ability to immediately expense 100% of investments in machinery, equipment and qualified approved property in the same year of purchase.

With our world-class standards, Canada has an opportunity to play a significant role in shaping the world's energy future responsibly, yet, rather than enabling our industry, we continue to place roadblocks in front of it. In addition to falling behind regarding market share and investment, our egress challenges cost Canadians $40 million per day in pricing discounts. Canadian lose up to $50 per barrel compared to WTI, depending on the grade of crude, and the majority of these discounts are due to transportation bottlenecks.

In 2016, the federal government removed the fuel excise tax exemption on heating oil from my members. This decision had an effect of increasing costs at a time that our membership could least afford it. We're asking the federal government to reinstate this exemption.

The carbon tax in Alberta and British Columbia, as part of Canada's climate plan, has increased operating costs significantly. A prominent oil and gas producer in Canada stated that it cost over $100,000 in carbon taxes alone to drill a single well in British Columbia. The increasing cumulative costs, however, do not factor in the lost jobs and opportunity costs that are missed as our industry begins to dig itself out of the downturn.

In the meantime, our equipment, people and capital are being redeployed to other oil and gas-producing jurisdictions, such as the United States. Over-regulation has shuttered Canadian oil and gas firms, and in turn harms, not advances, global action on climate. A failed Canadian oil and gas industry cannot help to assist in the reduction of global emissions through the displacement of hydrocarbons from jurisdictions with lagging environmental standards.

In summary, our association is calling on the federal government to do the following. First, defeat Bill C-69 and Bill C-48 in the Senate. Second, reinstate the federal excise tax exemption on heating oil for drilling and service rigs. Third, consider incentives such as allowing firms to expense 100% of their investment capital in the first year.

Fourth, focus Canada's climate strategy around reducing global emissions and not just domestic emissions. Fifth, defend and promote the benefits of our industry, including our world-class standards and technical expertise. Sixth, appeal the lower Federal Court's decision on the Trans Mountain project to the Supreme Court of Canada.

● (0915)

Finally, stand firm in the position that pipeline construction falls under federal jurisdiction and that getting Canadian oil and gas to Canadian and world markets is a priority.

Thank you very much.

The Chair: Thank you very much, Mark. Thank you for your directness in that submission.

From Canadian Manufacturers & Exporters, we have Mr. Holden, chief economist.

Mr. Michael Holden (Chief Economist, Canadian Manufacturers & Exporters): Good morning, Mr. Chair and members of the committee. Thank you for the opportunity to speak here today.

I'm here, as mentioned, on behalf of Canadian Manufacturers & Exporters, our 2,500 direct members across the country, and the broader manufacturing and exporting community. Our membership network accounts for an estimated 82% of manufacturing activity across Canada, and 90% of the country's exports.

I'd like to begin my remarks by highlighting three related trends that deeply concern our organization.

First, Canadian businesses are under-investing in their operations. Canada has one of the worst records in the entire OECD when it comes to business capital spending. Non-residential investment is 13% below its 2014 peak and is at almost the same level now as it was just six years ago. In the manufacturing sector, the numbers are even worse. Capital investment intentions for 2018 are 15% below 2015 levels and 7% below 2008 levels.

The second issue is that Canada is losing out on foreign direct investment. Global investment flows into Canada have fallen by more 64% since the pre-financial-crisis period. Meanwhile, south of the border, investment has risen by 48%. On top of that, we're seeing a massive outflow of investment dollars from Canada into the United States. Four years ago, Canada had a positive investment balance with the U.S. of about $15 billion, so that's $15 billion more U.S. investment into Canada than investment going in the other direction. Since then, U.S. investment in Canada has dropped by nearly half, southbound investment has more than tripled, and we now have a net investment outflow of about $60 billion.

The third issue is that value-added exports are stagnant. According to the WTO, Canadian exports have risen by an average of about 2.5% per year since the year 2000. That represents one of the worst export performances in the entire OECD and places Canada second to last in the entire G7, ahead only of Japan. Making matters worse, most of the export growth we have seen over that period is from higher-volume crude oil shipments. Since 2000, value-added exports have grown by just 0.7% per year. That's well below the rate of inflation over that period.

These three problems—flat investment, declining FDI and stagnant exports—are all the results of our uncompetitive business environment. Business costs in Canada are high, labour supply is tight, the tax and regulatory burden in increasing, and we have too many small companies and not enough large ones.

In our formal submission to this committee, we put forward a number of recommendations to address these issues. With the time I have remaining, I'd like to highlight a few of them.

First, we need to improve our tax competitiveness. Canada needs to match the current capital cost allowance provisions in the United States, which give U.S. businesses an immediate 100% tax writeoff on qualifying capital asset purchases. Longer term, we need fundamental tax reform. Canada's business tax system needs to be simplified and structured in a way that rewards companies for growing—unlike the current system, which rewards them for being and staying small.

Second, we need to reinvest all carbon tax revenues collected from manufacturers back into the sector. A recent study by Canadians for Clean Prosperity has made headlines by saying that if carbon tax revenues were used to finance annual dividend payments most Canadian households would be better off than if there were no carbon tax at all. This only works because those dividends are financed through an implicit wealth transfer from businesses to households. Penalizing businesses for polluting but rewarding households for the same activity makes no sense. Carbon tax revenues collected from manufacturers need to be recycled into programs that increase investment in emission-reducing machinery, equipment and technologies—dollar for dollar.

Third, we need to improve our export market penetration. Among our recommendations, we ask the government to improve awareness and funding of existing government-support programs and make them more business-friendly, to introduce a national manufacturing export accelerator program to help prepare SMEs for new markets, to address company-specific export barriers, and to adjust the corporate tax structure so that companies pay a lower rate of tax on profits generated from exports.

Finally, labour and skill shortages continue to plague the sector. In a recent CME survey, about 70% of respondents said they face labour and skill shortages today, and almost three-quarters expect such shortages to arise within the next five years. We are already working with the federal government to improve female representation in manufacturing, and this is a solid first step. Other measures that would help include enhanced work-integrated learning programs that better link post-secondary institutions to the private sector, and steps to expand and improve the Canada job grant.

In closing, let me say that we need to act quickly and with urgency to improve business competitiveness in Canada. If we don't, we risk being left even further behind our global competitors.

Thanks for your time. I look forward to any questions you might have.

● (0920)

The Chair: Thanks very much, Michael.

He now have Ms. Lane with the Canada West Foundation.

Welcome.

Ms. Janet Lane (Director, Human Capital Centre, Canada West Foundation): Good morning, Mr. Chair and members of the committee. Thank you for the opportunity to make this representation.

Canada West Foundation is a non-partisan think tank based here in the west. Much of our recent work has had direct impact for Canadians and businesses in the changing economic landscape. Specifically, we have made recommendations about removing the barriers to building the infrastructure that is much needed for economic diversification and success, and we have published guides for businesses about how they can participate in CETA, CPTPP and the new USMCA trade agreements. The trade commissioner service partnered with us on the CPTPP, and we've offered recommendations for bringing private sector supply chain intelligence into national trade infrastructure planning and prioritization.

We also did the foundational research for the plant protein supercluster with support from WED. We've been working on a multi-year project to document some of the economically successful partnerships between natural resource firms and indigenous communities across the west, and we will soon release a paper on how to achieve an integrated western electricity grid.

But now for something completely different. My focus in being here today is to stress to you all the critical importance of increasing productivity and economic growth to improving the basic cognitive skills of the workforce. Much is being made about the importance of having a skilled workforce with an emphasis on the STEM skills that we believe will help us become more innovative and enable the diversification of the economy. However, advanced technical skills are impossible to build without basic cognitive skills, and 40% of the workforce does not have adequate levels of these basic skills. These working-age adults must be assisted to improve their basic skills now.

I present three compelling reasons.

One reason is that 42% of young people aged 16 to 25, including recent graduates of our education systems across the country, do not have the literacy and numeracy skills to continue to learn effectively and efficiently or to function fully and productively in 97% of the jobs in the Canadian economy.

The second reason is that, in today's workplace, jobs are changing quickly and machines or algorithms are replacing some tasks. This makes the ability to adapt the most important skill of all, but adapting is about learning and applying new skills quickly, and this takes adequate levels of literacy, numeracy and language skills. Without this capacity, many people currently in the workforce will not be able to keep their current jobs or find new ones.

Here is the most compelling reason. Recent analysis of the international adult skills data has found that increasing the literacy skills in the workforce by an average of only 1% would, over time, lead to both a 3% increase in GDP and a 5% increase in productivity.

What's more, this research also shows that improving the skills of people at the lower end of the scale, levels one and two on a five-level scale, will have more impact than improving the skills of people who are already at level three or higher. As the people most at risk of losing their entire job to automation are the people employed in low-skilled jobs, this would have the added advantage of assisting them to find a new higher-skilled job.

There is no doubt that increasing the basic cognitive skills, literacy and numeracy of the Canadian workforce would help to grow the economy. A 3% increase in GDP over time would amount to, in today's dollars, $54 billion a year every year. While this would not happen overnight—it would take years to reach that steady-state return on investment—some returns would be available as soon as we started to improve the skills of our workforce.

How do we do that? There are four main ways. First, obviously, we must stop allowing our youth to graduate from high school and post-secondary programs without adequate levels of cognitive skills. I realize that this is not the purview of the federal government, but this government can require that literacy skills be embedded in all federally supported workforce education and training initiatives for both youth and working-age adults.

It can also encourage or even incentivize employers to improve the skills of their workforce by, first, changing work processes to increase the knowledge and skill demands of current jobs, which will help employers to keep up with foreign competitors and also assist their employees to be prepared for the ongoing automation of jobs.

● (0925)

Second, assess the skills of job applicants with tools that reliably certify skills and competencies so that employers can make better hiring decisions. This should reduce the skill mismatches that are happening in today's workplaces and avoid the skill loss that happens when people work in jobs that do not use all their skills.

Third, employers should be investing in literacy, numeracy and problem-solving skill upgrading for current employees by embedding it into all other training.

Fourth, work processes should be adjusted to ensure that the skills gained through training and upgrading are put to use and do not stagnate or deteriorate.

Lastly, the federal government could make sure that the new government-funded future skills centre is mandated to incorporate basic cognitive skills into its research program.

I close by saying that there is an urgent need to prepare today's workforce for the increasing skill demands of the new economy. The more urgent necessary prerequisite for this is an investment in increasing literacy and other basic cognitive skills for the people who most need it. Fortunately, this investment will have the added benefit of dramatically increasing productivity and, ultimately, GDP.

Thank you. I look forward to your questions.

The Chair: Thank you very much, Janet.

From the Explorers and Producers Association of Canada, we have Mr. Morningstar, who is chair of the board of governors.

Welcome.

Mr. Wesley Morningstar (Chair of the Board of Governors, Explorers and Producers Association of Canada): Thank you, Mr. Chairman.

Good morning, panel members.

I'm here today representing the Explorers and Producers Association, otherwise known as EPAC. I am the chair of EPAC for 2018-19, which is a volunteer position. My day job is chief executive officer of Canlin Energy Corporation, owned by a consortium of Asian entities. EPAC is pleased to be asked to present our views on the topic of economic growth and ensuring Canada's competitiveness.

EPAC represents Canadian oil and gas entrepreneurs. We have 150 members that operate 65,000 wells and supply approximately 20%, or one-fifth, of Canada's oil and gas. Our members invest about $15 billion per annum across British Columbia, Alberta, Saskatchewan and Manitoba, which supports employment for tens of thousands of Canadians, their families and communities, including indigenous communities. In short, our operators and our participants operate from Virden, Manitoba, to Fort Nelson, B.C.

Ongoing robust demand for both oil and gas globally should be a strong signal for Canadian energy companies. Unfortunately, it is not. Today, there exists significant and systemic competitive gaps relative to competing jurisdictions, particularly the United States. Canadian oil and gas—natural gas—remains trapped in western Canada leading to unprecedented differentials on pricing for both oil and natural gas. These pricing differentials are costing the Canadian economy tens of billions of dollars each year and have a significant negative impact on oil and gas economics leading to reduced oil and gas activity.

Canada's energy industry is one of, if not the largest driver of our economy. Our oil and natural gas resources are world class. Production of our energy is some of the safest, cleanest and most highly regulated in the world. The western Canadian sedimentary basin is a natural gas-prone basin, allowing Canada to play an outsized leadership role in the global transition to a lower carbon energy.

Why should our product be stranded and heavily discounted to world prices at great cost to all Canadians?

Our challenges on competitiveness and access to capital are many: the perception that we cannot improve oil and natural gas egress by building pipelines or liquefied natural gas facilities; the reality of a confused, ever-changing and never-ending regulatory process; multiple levels of government that appear less than supportive of this cash cow and the Canadian industry; and the lagging tax and fiscal regime that does not encourage spending or growth. The capital flows to the oil and gas business in western Canada have dried up. Even our large public sector pension plans are increasingly looking to invest in the U.S. The Government of Canada can and should help to enhance our competitive position.

Gary Leach, the president of EPAC, has contributed a written submission for pre-budget consultations that outlines five recommendations. These five recommendations are predicated around competitive deductibility for capital costs, innovative approaches to finance small and medium oil and gas entities, framing the leadership role Canada has taken with respect to greenhouse gas emissions on the carbon and methane fronts, and continual improvement and innovation on technology to ensure Canada's leadership on the energy front continues.

These recommendations have been developed in consultation with other industry associations and indicate five ways for the federal budget to support an improved competitive landscape so that our industry can get back to exploring for and producing our abundant, clean, safe energy in an efficient fashion.

Thank you very much for the opportunity to speak this morning. I look forward to answering any questions you may have about EPAC's presentation.

● (0930)

The Chair: Thank you very much, Wesley.

Thank you, all, for your presentations. Certainly, everybody on this panel was on the productivity and competitiveness issue, which we really do appreciate.

We'll go to seven-minute rounds, and we'll start with Mr. Fergus.

[*Translation*]

Mr. Greg Fergus: First, I want to thank you for your presentations. They were truly outstanding.

One of the privileges we have as MPs is that we sometimes hear things that surprise us, but that are very helpful in our discussion of priorities for the upcoming budget. If there is a common thread in all your presentations, it is the capital cost allowance. That was very clear.

I have two questions, one for Ms. Tremblay and one for Ms. Lane.

Ms. Tremblay, can you tell us again how important this allowance is? You quoted figures from market studies on the positive impact of this allowance in the United States, but do you know if such figures are available for Canada?

● (0935)

Ms. Lynette Tremblay: Yes, of course. If you don't mind, I will answer in English.

Mr. Greg Fergus: By all means.

[*English*]

Ms. Lynette Tremblay: I know that the Chemistry Industry Association of Canada is going to cover this in the next session in terms of the numbers that associate for Canada on the accelerated capital cost allowance, but essentially the stakes are quite high. We know what the stakes are if we don't implement this. Essentially, there are a lot of lost jobs and GDP on the table.

On the other hand, on the positive side of things, I know that the Chemistry Industry Association has done a lot of research on what the return would be for Canadians if it's implemented. Essentially, eight years afterwards, the federal government starts to regain revenue again, which in the life of the facility—essentially over 50 years—is a huge return for Canadians. On top of that we have the revenue from the construction period, as well as the full-time jobs and the multiplier effects, as I mentioned before.

I'm not sure if Mr. Plamondon would like to add to that.

Mr. Mark Plamondon (Executive Director, Alberta's Industrial Heartland Association): Thank you. I would like to add a comment.

We conducted a study in December of last year that looked specifically at if we build, or if somebody builds, an $8-billion facility that would produce polyethylene in the industrial heartland—or if they build that same facility in Pennsylvania, on the gulf coast, in the Middle East or in China—what that would look like in terms of how economic that project would be. What is the most economic jurisdiction in which to build that facility, considering the cost of feedstock, labour availability, capital cost, operating costs and all of these things?

What was really interesting about that study was that it showed that the industrial heartland, on the surface of it, had a competitive advantage to these other jurisdictions. What was happening in the United States was that the United States jurisdictions were providing additional incentives to these companies that would then make their jurisdictions more competitive. On top of that, around that time the Americans introduced their tax reforms. Ignoring all incentives, it completely changed the competitiveness of the United States' jurisdictions so that they are the most competitive and the most economically attractive jurisdictions for these types of projects in the absence of any other type of incentives provided simply from the change of the capital cost allowance. For these types of facilities that would be going in the industrial heartland, it adds a significant impact to their cash flows and, hence, the economics.

[*Translation*]

Mr. Greg Fergus: Thank you. I am very much in favour of your suggestions.

Ms. Lane, thank you for your testimony. I have to say I was pleasantly surprised by the part of your presentation that stressed the need for young people to overcome illiteracy and for them to do everything they can to learn to read and understand properly. It is unusual for economic organizations to talk about that. Would you care to elaborate?

I think it is very important for everyone here—not just the other witnesses, but the MPs as well—to understand how essential it is for our young people to develop good literacy and numeracy skills.

[*English*]

Ms. Janet Lane: When I talk about reading and literacy, people think that of course we're a literate country. Yes, we are a literate country. Only a handful of people are unable to read effectively.

I'm not talking about whether you can decode the language, though. I'm talking about whether you can read at a high enough level to critically think about what you're reading. Can you apply what you're reading here in a new situation? Can you read between the lines? Remember back in high school when we were asked to compare and contrast? Can you do that? Too many of our youth are not able to read at that level. They're not absorbing what they're reading. They're not applying what they're reading elsewhere.

Unfortunately, it's not just youth. If you are a person who has been working in a fairly routine job for a long time, you will also have lost skills. You may have had those skills when you started, but over time you have spent less time reading, thinking, comparing and having to apply your skills in new and different ways. You've lost that capacity over time.

The problem is that the economy is changing so quickly. Things are changing in jobs constantly. Being able to adapt to new processes and fluidly problem-solve, which is actually a function of literacy skills, has decreased in people at a time when we need it to increase. The skills gap that Canada has is actually growing, and it comes right back down to those basic cognitive skills: reading, writing and arithmetic.

Employers will tell you that some employees have the technical skills but don't know how to work with people. They can't work in teams and they don't know how to do customer service. They wonder what it is. These are functions of a person's capacity to read well, critically think, adapt to change and grow. That's the important piece, especially right now, at a time when jobs are changing ever so quickly.

● (0940)

The Chair: Thank you, all.

I'll turn to Mr. Jeneroux for seven minutes.

Mr. Matt Jeneroux: Wonderful. Thank you, Mr. Chair.

Thank you, everybody, for your presentations here today.

I want to add to Mr. Fergus' assessment of the theme of the presentations. I also heard that Bill C-69, Bill C-48 and carbon taxes don't help the industries we're talking about today. They actually hinder them. I just wanted to take a second to get that on the record, from my assessment on this side of the table.

I want to start with you, Mr. Scholz. You spoke of 1,800 wells to 600, to about 550 wells next year. Each of those represents 135 jobs. Could you expand on what that means? What types of jobs are those? What does that mean, broadly, for a community here in Alberta?

We've gone across the country, as you know, and heard from a variety of organizations, but this is quite specific to Alberta and what we're experiencing right now. If you have any examples of those jobs and of the impact on the community, that would be helpful.

Mr. Mark Scholz: Sure. We're not talking about wells. We're talking about drilling rig equipment.

For example, the overall drilling rig fleet peaked back in 2007 at around 900 drilling rigs. We have seen a gradual decrease in the overall equipment fleet, but that's really.... I would say that prior to the downturn we did see a decrease, but that was more in line with aligning the equipment with the market and where the market was going, which was with much heavier types of equipment and longer-reach horizontal types of wells, so the fleet did change.

What has changed rapidly in the last four years is not so much the changing specs or dynamics of the equipment; it's in fact this equipment, this high-tech innovative equipment. Some of the most technologically advanced drilling rigs in the entire world are built right here in Nisku.

Here in Nisku, if you take a 20-minute drive down to the heartland of our manufacturing sector here in the oil and gas industry, you'll see the construction of rigs, but those rigs are not being deployed in Canada anymore. They're being built here for export. Some of them are going to Alaska. Many of them, actually, are going into the United States.

What we've seen is that we've gone from 900 drilling rigs in 2007 to 600 today, so that's a delta of 300, and 200 of those in the last four years. We think we're going to be going down to about 550.

What we always compute is that every active rig that's working generates 135 direct and indirect jobs, and these are some of the highest-value jobs in the entire country. We have individuals who are coming in with a high school education and a good skill set to work with their hands and to work outside. There's a demographic that enjoys that kind of work. Even at the lowest end of a drilling rig crew, the opportunity for someone who has a grade 12 education to make $90,000 at a minimum, entry level, is not uncommon in our industry.

Those types of jobs are leaving. The talent is leaving and the equipment is leaving. I say this somewhat to raise awareness to our policy leaders that if we want to be in this space and we want to have the high-tech equipment that we need to compete, we have to make sure that we're sending the right signals and incentivizing that type of investment in this industry.

● (0945)

Mr. Matt Jeneroux: Where are they going? Are they going south? Are they unemployed?

Mr. Mark Scholz: Yes. I would say the relocation assets would be going either to the Permian basin or, for the majority of them, to Texas. We see a number of reasons for that.

One is that we cannot command a sustainable price model in Canada. The return on capital is just not there, and as a business.... These aren't large organizations that are making these decisions. Small and medium-sized businesses are making that decision. They're doing that because they want to get a fair return on their equipment and have a sustainable business model. You can't do that today, unfortunately, in this market in Canada.

Mr. Matt Jeneroux: They're moving their families. The community impact is significant when that happens. Thank you for sharing that.

Mr. Morningstar, thank you for your presentation. You commented that energy investment has completely dried up. I'm hoping that you can expand on some of your thoughts and some of your association's thoughts on why exactly that's dried up recently.

Mr. Wesley Morningstar: Yes. I think the biggest issue for our membership continues to be around product egress: the ability for us to be able to sell our natural gas and oil at world prices.

Recently, a barrel of oil in western Canada on the heavy side is traded at a discount as high as $50 compared to West Texas Intermediate. If West Texas Intermediate is at $72 U.S. today, that means our Canadian heavy barrel is getting just over $20 per barrel. There are massive discounts on the oil side, but something people forget is that there's also a large discount on the natural gas side as well. Again, because of egress, we can't move our gas out of western Canada. As an example, a normal differential on a molecule of natural gas would be $1 U.S. per thousand cubic feet of production. Today, we're seeing it mostly at $2 U.S. Again, it's a big differential. That does tend to curtail investment in our business.

One of our member companies, Peyto Exploration, a year ago probably would have had 20 to 30 rigs working in our basin. Today, they have six. Another one, Tourmaline Oil Corp. would be of similar vein. They would have had 25 to 30 rigs working a year ago, similar to Mark's comment, whereas today they'd probably be working with 10 to 15 rigs.

There are big impacts on our communities across Alberta, B.C. and Saskatchewan in particular.

Mr. Matt Jeneroux: Quickly, before my time is up, Mr. Kobly, I want to get to you because you mentioned Bill C-69 and what your members are saying about that. I'll give you about 20 seconds to expand on that before the chair cuts me off.

The Chair: Go ahead. I won't cut you off. Do your full explanation.

Mr. Ken Kobly: Thank you, Mr. Chair.

On Bill C-69, from what we're hearing, mainly in the media and from our members, there is a lot of concern as to the final outcome of this particular bill. What will be the increased regulatory requirements? What will be the increased consultation requirements? Again, I fall back on the interview that I saw with Hal Kvisle where he questioned the intelligence of any pipeline company that would in fact apply under that new legislation. It does not appear to be legislation that will actually enable us to get our product to market.

● (0950)

The Chair: Thank you, Mr. Kobly.

Before I go to Mr. Julian, I'll just go back to you for a second, Mr. Morningstar. I will talk about the Alberta discount probably as much as anyone, but I'm usually thinking of oil, not natural gas. Can you expand on the natural gas because I don't think many of us think of the Alberta discount, what we call the Alberta discount. You people would all understand it. Can you explain that a little further on natural gas?

Mr. Wesley Morningstar: Yes, and oftentimes we do confuse the issue by calling it the oil and gas business, and when people think of gas they think of gasoline. In our case we're natural gas producers. Natural gas producers represent about 12 Bcf of production here in western Canada. That puts us in Canada at the fifth-largest natural gas producer in the world. Clearly, we have a big role to play in a lower-carbon world.

Our discounts, again, are related to the fact that we have too much gas developed in Alberta currently. We've been too efficient at expanding and drilling our world-class resources and we don't have enough pipeline take-away capacity. Of course, when there's too much product and not enough take-away capacity that leads to wider differentials.

We currently have a pipeline monopoly in Alberta, essentially known as the NOVA Gas Transmission Ltd. system owned by TransCanada, and they, quite frankly, have not done a very good job of improving take-away capacity in western Canada.

The Chair: Okay. That's really helpful. Thank you very much.

Mr. Julian.

[*Translation*]

Mr. Peter Julian: Many thanks to all the witnesses.

You are clearly providing some interesting food for thought.

[*English*]

I'm going to start with you, Mr. Kobly. I'm a member of the New Westminster Chamber of Commerce and the Burnaby Board of Trade. Welcome to this committee.

You talk about a review of income tax and we've heard from other witnesses across the country who have talked about how dysfunctional our tax system is right now. I certainly join my voice to yours in terms of a review, but that review, a number of witnesses have indicated, should include as well the role that overseas tax havens play right now in sucking potential investment out of the country and the fact that there are sectors like the web giants that don't pay any income tax or any payroll taxes at all in Canada.

Would you not agree that if we are looking at the income tax system we have to look at those two considerations, overseas tax havens and the web giants?

Mr. Ken Kobly: Mr. Julian, certainly, when we're talking about a royal commission on taxation we're talking about reviewing all portions of the Income Tax Act and the enforceability of the Income Tax Act. We're looking at things like GST, everything that's related, the personal side of income tax.

We saw what happened last year when the Government of Canada tried to one-off the changes on incorporated individuals and small businesses. That did not work well. What we found from this is that in their endeavour to try to make the tax system fairer, simpler, in fact the end effect was to make it more complex. When you start to look at one-off pieces of the Income Tax Act and try to amend one-off pieces of the Income Tax Act, you have unintended or perhaps intended consequences that don't work well for anybody.

Mr. Peter Julian: Thank you for that.

Another part of your testimony stunned me. You said that there's only one 24-hour border crossing from Alberta to the United States. There's Highway 2, there's Highway 4, there's Highway 6, and there's Highway 62.

Mr. Ken Kobly: Yes.

Mr. Peter Julian: There are four border crossings. You're telling me that only one of them is operated 24-7. Which one of those is it?

Mr. Ken Kobly: You're actually missing one as well, which is Wild Horse border crossing, south of Medicine Hat, which has the supplemental benefit of being able to bring truck traffic into Canada and up to central and northern Alberta and take it off of Highway 2, which is currently very congested.

There is only one 24-hour border crossing in the province and that's at Coutts, which is on the far west side of the province, south of Lethbridge.

Mr. Peter Julian: Wow, that's stunning. That certainly has to be in our report. I had no idea. In British Columbia, of course, we have 24-7 crossings in various parts of the province. I had no idea Alberta was not getting the support for border crossings, so thank you for that.

Madame Tremblay and Monsieur Plamondon, you are very strong advocates for value-added industries, and I commend the work you've done as a non-profit. It's quite amazing. I come out of the oil industry myself. I worked at the Shellburn oil refinery in Burnaby, British Columbia. It's now closed, and we've seen that happen across the country. Value-added firms have been closing for decades now, in the oil industry of course, in the lumber industry, and we're also seeing this with mining.

We're exporting raw logs, raw bitumen and raw minerals, rather than adding value and making sure that the products that come from our country are actually value-added and we get all the jobs that come with that.

What have been the elements of your success? I note that you commend the Alberta government for attracting $3.5 billion in investment. That's important, so obviously the provincial government has been very supportive of value-added.

Obviously, over the last few decades, it has been a major policy problem, so what do we need to do in this country to get back to value-added?

● (0955)

Mr. Mark Plamondon: Fortunately, if I look at Alberta's industrial heartland, we're very well positioned from a feedstock cost advantage, so that gives a structural cost advantage to the projects that would locate in our area.

The opportunity in our area, as you mentioned, is the value-add. To take a specific example like propane, it is one of the components that is naturally forming with the natural gas in the ground. Natural gas comes out of the ground, and a big component of that is methane but there are other components such as ethane, propane and butane.

Upgrading propane to an intermediate product like polypropylene multiplies its value by five. That's the opportunity we're talking about. Taking the raw product to just an intermediate upgraded product enables it to bring five times as much revenue to our region.

There is tremendous opportunity, and there are structural advantages to the industrial heartland with respect to the competitiveness of the feedstock in the region, as well as all the infrastructure and the clustering benefits that have happened in the industrial heartland.

However, a number of things are important to mention with regard to what is happening with the provincial government, and also what the federal government can do.

Ms. Tremblay, do you want to start talking to some of those points?

Ms. Lynette Tremblay: Sure. Essentially, there is no single silver bullet, which is what makes it difficult. It requires efforts on the regulatory side of things. We need to streamline certain intransparent regulatory processes. Right now, for value-added projects, that lies with the provinces and we think that's where it should stay. There is certainly work to be done on that front.

We need certainty in terms of a competitive tax framework, which includes carbon pricing but also corporate tax and accelerated capital cost allowance. Also, the existence of incentives is a reality in the market these days, and there are ways of doing that. That's one example where governments have stepped up—particularly the Government of Alberta, but also the governments of Ontario and Quebec—and that has made a fairly significant difference in attracting these investments.

There's the necessity for infrastructure. Rail is particularly important, because these products can only be shipped out by rail. There are a lot of capacity issues, which I know will also be discussed later today, because we have a lot of demand on our rail system. In particular, if a pipeline does not get through, that's crude added on to the rail system as well.

Finally, there's a need for a skilled workforce, as many of our colleagues have said here today.

The municipal and provincial governments have aligned their policies and programs around attracting value-add energy investments, like petrochemical manufacturing and partial upgrading of oil. To be completely blunt, though, we need the federal government to quite openly make value-added energy processing a priority in Canada. We should be vocal about that.

The Chair: Thank you all. Sorry, we're over time, Peter.

Ms. Rudd.

Ms. Kim Rudd: Thank you very much, everyone, for coming. There are so many questions and so little time, so my apologies if it seems I'm rushing you through.

There are a number of things that have come out. I'm going to follow up on what Peter is talking about and the value-added. I had the opportunity to tour the heartland a few months ago and have a great meeting with a number of the stakeholders. Just last week or the week before, I met with the chemistry association, and they have done work on the numbers for the accelerated capital cost allowance there. We had a really good, in-depth conversation, so I think the committee will be very interested to hear their presentation a little later.

You talk about the five-fold increase on the value-added product and Inter Pipeline, of course, in Fort Saskatchewan, a $3.5-billion facility. It sounds like Pembina is going to have another facility in terms of the polypropylene.

Those are good steps forward. There is lots more to do, but I think we have to acknowledge that there is work being done, and there are examples out there.

One of the things we've heard about is education, about the skilled labour force. We're hearing that everywhere across the country. There are a couple of things the government is doing. First, there is a pilot project on the east coast around immigration to fill some of that gap. I think there's a second pilot about to start trying to find creative ways to be able to fill this gap.

One of the things I was very impressed with when I was out here a couple of months ago was my conversation with NAIT and some of the very innovative work they are doing around filling specific skill gaps in what we call the new trades of the sector, particularly here in Alberta. I think it is another good thing that's happening, and it's really industry driven. Industry is extremely involved. I think that's the only way we get the workforce we need in these very specialized areas.

When we talk about oil and gas—I know we're in Alberta—we should also briefly mention on the record the $4-billion natural gas, LNG, facility in British Columbia, Peter's great province, that has formally announced it's going ahead and what that means, as it is not just in terms of jobs and economic development, which is very important, but as a signal. I think we have to keep that in mind as well.

In your recommendation you talked about the Government of Canada permanently extending the accelerated capital cost allowance. That's interesting to me, because, in terms of competitiveness, the U.S. is not permanently extending it. There is a sunset clause on that. We've heard, and I've heard meeting with folks, about this seven-year time frame. You have recommended 10. I'm assuming that's because your projects maybe take longer than most.

I want to share this with you, and maybe a couple of people might be interested in commenting. Our biggest trading partner, the U.S., is our biggest challenge in terms of competitiveness, and we're hearing about this. In 2018, the U.S. deficit is $779 billion, an increase of 17% over last year. They are hitting a current debt of $21 trillion, which is almost unheard of, this kind of interest. Next year they expect their deficit to be over a trillion dollars in one year.

It's unheard of to see those numbers in an economy that's booming. What has done it, of course, are the tax cuts. That's not in dispute; that's pretty clear.

We've had 99% of our product going to one customer. We know that's not a good thing, so we're doing a number of things on that front.

I support the accelerated capital cost allowance. As my colleague Mr. Fergus has mentioned, I support the rationale behind it. When it comes to the tax cuts, I would be really worried about the resulting increase in deficit that would impact the country. Would any of you want to comment about doing something that would increase the deficit significantly?

● (1000)

Ms. Lynette Tremblay: A point of clarification, I suppose, is that we're not advocating additional tax cuts. The accelerated capital cost allowance is essentially the extent of that measure.

Ms. Kim Rudd: Others were, I think the chamber of commerce and others.

Ms. Lynette Tremblay: I know we've made this point, but I'll just reinforce that the accelerated capital cost allowance alone would not be sufficient. It is one of multiple measures that need to be taken, and not just at the federal level. It requires action at all levels of government in an aligned and coordinated way.

I will allow the others to comment on that.

Ms. Kim Rudd: Ken, maybe you could comment on that.

Mr. Ken Kobly: Sure. I'd be glad to.

Accelerated capital cost allowance certainly isn't a new idea. It was around for the oil sands back about eight or nine years ago. It was phased out there and introduced in the auto sector in the same budget.

As far as tax decreases go, you're right; the government would have to be very careful as to when they would introduce any tax decreases. It's interesting that we had a corporate tax increase in this country and the deficit actually increased at the same time.

There is some correlation between tax decreases and increasing deficit, and in some cases, there isn't. Somebody above my pay grade would have to determine when it's beneficial to decrease taxes. Our current policy that we have on our books is to decrease taxes, corporate taxes, when we're fiscally able to do so.

● (1005)

The Chair: Mr. Morningstar, do you want in?

Mr. Wesley Morningstar: I don't have anything to offer on the tax side, but Ms. Rudd, I would just correct you. It's a $40-billion investment on the west coast, as opposed to $4 billion.

Ms. Kim Rudd: Sorry. I very much appreciate you putting that correction on the record.

Ken, I'm going to come back to you again, if you don't mind. I am a former president of a chamber of commerce and an entrepreneur for 30 years, and I have been through the cycles of business over that time, some more stressful than others.

There are two things you said that I wonder if you can provide some clarity on. You said 1.8% of Canadians do not have pharmacare coverage. I can't find that number anywhere, and it's certainly not the number that we have been given. Can you tell me where you got that, and if you have it, could you provide it?

Mr. Ken Kobly: The 1.8% number comes from a study that the Canadian Chamber of Commerce performed. I believe their submission is online on their website, so you can get that backup.

Ms. Kim Rudd: Is that your own study?

Mr. Ken Kobly: That's the Canadian Chamber of Commerce's study.

To translate that into actual numbers, it means about 630,000 or 700,000 Canadians are without coverage either through choice or through falling through the gaps. Our point is to fill those gaps, rather than enforcing a new system on the 98% of Canadians who currently have substantial coverage.

Ms. Kim Rudd: It's really important to clarify that it is a Canadian study, because I found about 10 numbers and none are that one. We just need to be clear about what the study is.

The Chair: Thank you.

We're going to Mr. Kelly. These will be five-minute rounds.

Mr. Pat Kelly: Mr. Morningstar, you spoke of the confused, unpredictable and ever-changing regulatory environment that presently exists in Canada. You spoke of capital flows drying up. I'd like you to expand on that, if you have anything you want to add to that. We've heard various numbers on the capital flight that has taken place in Canada at a time when other oil- and gas-producing jurisdictions are seeing capital inflow.

I'd like you to comment if you have any more information you can give the committee on the access to finance within our industry.

Mr. Wesley Morningstar: Most of what I would have to add would be slightly anecdotal, admittedly. I was in New York at the end of June looking to raise capital and it was clear at that time that there was no capital to be raised for, one, a natural gas producer, or two, a western Canadian oil and gas producer. All our publicly traded oil and gas companies that make regular junkets to eastern banks and institutions are finding the same story. We are feeling as though we're losing that capital to the U.S., particularly Texas and the gulf coast.

As I said, we make a lot of oil and gas in this basin and we just feel as though there is very little incentive to reinvest that capital back into our business. Therefore, we find there's a flight to elsewhere in the world.

Mr. Pat Kelly: Jobs are lost locally here in Alberta. Money is fleeing the province, and indeed the country, for other oil- and gas-producing jurisdictions.

Mr. Wesley Morningstar: Yes, definitely, at a time when we're seeing increasing demand.

Oil demand in the world right now is 100 million barrels a day and it's expected to increase by 30%.

Mr. Pat Kelly: Over the decades in this industry, at a time when prices have been rising and we're at a relatively high point, in any past cycle of the ups and downs of prices, we would see money flowing into Alberta, people obtaining high-paying jobs and working. We are not seeing that at this time.

Thank you.

The Chair: Mark wants in.

Mr. Pat Kelly: Okay.

Mr. Mark Scholz: Thanks, Mr. Chair.

I just have a comment on Wesley's piece. When Wes has problems raising money in New York, it impacts my guys in the service sector because Wes basically tells my guys that we've raised *x* number of dollars, so this is the drilling program and this is the number of wells we're going to drill and then he hires my guys to go out. My guys represent the blue-collar, hard-working women and men of our industry, who are really impacted significantly because of the negative conversations that Wes is having in New York.

I would even go further to say that my membership and my international contractors, a disproportionate amount of their own capital, even 90%, is going to their international operations and not being deployed in Canada.

● (1010)

Mr. Pat Kelly: It's staggering. I've heard that the provincial initials of AB for Alberta means “anywhere but” in finance circles in London and New York. This testimony seems to suggest that's the case. The loss of 500 rigs that have disappeared is indeed a function of the inability to raise money and the inability for Alberta and Canada to take advantage of the recovery in prices.

Mr. Kobly, did you have anything you wanted to add?

Mr. Ken Kobly: The clear impact that most people will see is the reduction in what those fellows do. I can tell you that the impact on the communities in the province of Alberta is as dramatic. When you don't have the crews out working, you don't fill up the hotels and you don't have folks living in their community. Maybe they have to move out of the community to a different centre to take work. That is one of the hugest impacts of having what we have now on the individual communities in this province.

Mr. Pat Kelly: I'll ask either Mr. Morningstar or Mr. Scholz for a quick comment.

What are the impacts of some of the intangible signals that can come from a government? Flippant comments about phasing out oil sands and these kinds of things, which aren't statements of policy or a change in law, send a signal to decision-makers in finance.

What are some of the intangible impacts of this non-support, or what seems like non-support, for the industry?

Mr. Wesley Morningstar: I would add that investors are typically looking for a stable economic environment in which to work. We're not here advocating for tax cuts particularly, but we're advocating for fair access to global markets, so that we can get away from one customer and get fair prices.

When you have comments like that being made, they would lead investors to believe that there aren't stable environments in which to invest in western Canada, right now.

Mr. Pat Kelly: These have tangible results.

The Chair: Do you want in, Mark?

Mr. Mark Scholz: I'll reiterate what Wes said.

I think it's really important to recognize that the tone at the top matters. It matters in any organization, in terms of strategic direction. It matters in federal or provincial governments. I think it's really important for all of our political leaders to stand behind a world-class regulatory environment and to advocate for signalling to the investment community that this industry is important to the Canadian economy and the government wants to see it grow.

The Chair: Mr. McLeod, you have five minutes. We will have time for one more question from each party following that.

Go ahead, Michael.

Mr. Michael McLeod: Thank you, Mr. Chair.

Thank you to all of you for your presentations. It's a very interesting discussion.

I represent the Northwest Territories, and I listened with great interest to Janet Lane's presentation.

In my previous life, I did some work with indigenous communities in the Northwest Territories. One of the projects I worked on was setting up a pellet operation in the north. I did some assessment in the area and we put a workforce strategy together. It didn't take long for me to realize that, oh my God, we were in trouble. We have high unemployment rates in the north, but at the same time there is a reason for it. The literacy rates are very low.

We also recognized that the ability to manage money, personal financial management, was going to be huge challenge. A lot of people hadn't had a good work record because they didn't know how to manage money. You also factor in addictions in our communities, and it makes it more challenging. There were many people we talked to who said, “There are 16 of us living in a house. We're probably not going to be able to get up in the morning. It's hard to sleep.”

There are huge compounded challenges, in addition to what you said. I'm really curious—and I know you're just talking about the west and you haven't really looked anywhere else—about what needs to be done.

What would it cost to correct some of the shortages and the cognitive skills in other areas that you pointed to?

● (1015)

Ms. Janet Lane: Various studies are still being done around what it would cost, but I know we have examples of especially workplace-related skill upgrading that is not that expensive.

When you're dealing with your communities, you have a little further to go. A lot of your people are perhaps at level one literacy rather than at level two. That would take longer, obviously. You're changing culture as well, from an oral tradition to a written tradition. This is going to take time.

However, predominantly in the workforce across Canada, people are at what we would call level two literacy for the most part, if they have a shortage of skill. That can be corrected with as little as 25 hours of upgrading classes through a workplace environment.

What is really important is that the training is embedded in other training. It doesn't have to be.... You don't go to somebody and say, “You know, you have a problem. You can't read”. That is just going to put people's backs up. It's going to make it really hard. However, you can say, “Let me help you to become better in your job. Let me help you figure out how to change the way you work.” Then, embed that literacy and numeracy training in training that is directly related to the job at hand.

That can be done. We know how to do that. We know how to develop the curriculum, to deliver that curriculum. For the most part, we bring people over that hump into that fluid capacity in as little as 25 hours of training. The Canada job grant could be very useful in that.

Mr. Michael McLeod: I live in a small indigenous community, and on one side we've had oil and gas operations for 20-some years. We don't have one person there. The oil and gas activity does not benefit us at all in terms of employment. On the other side of the community, we have a diamond mine. Now, they offer literacy courses, so we are seeing a success there.

I don't think it's the responsibility of the different sectors to offer literacy and financial management, although some of them are doing it.

I want to know what the government can do. What would you suggest that the government do to change the situation? I think it's compounded in the north, but from your standpoint, could you maybe just say a few things that we could do? What would you recommend?

Ms. Janet Lane: The government across the country transfers funds through the labour market development agreements for training for people who are unemployed or between jobs. That funding could be directed to apply more to those lower cognitive skills than just to what are typically the supply-push kinds of programs that are offered now. Often, if you're unemployed and you're going to a training program that is offered provincially but funded federally, you're being trained for a job that might exist in the future, rather than something that is industry-driven. I heard that word here earlier.

The industry-driven piece is really important. If employers could be given the tools to say, “These are the skills we're looking for”, and if those skills were further identified as to what cognitive skills go along with being able to do that technical skill, then the curriculum could be designed to cover both. The labour market development agreements—the funding that the federal government supports training through—could help to improve both the technical and cognitive skills of people who are in the situation that you're talking about, not employed.

● (1020)

Mr. Ken Kobly: As a practical solution, I would commend to you Aspen Heights school in Red Deer. They have a program called “MicroSociety”. If you are interested, we could arrange a tour down to that school. It's a classic example of bringing kids in who are very vulnerable but are turning around, and teaching them skills, literacy, numeracy and the ability to function as a society—as a microsociety.

Mr. Michael McLeod: I have one quick question for Ken. It's regarding the northern construction corridor.

I represent the Northwest Territories. I have not heard anybody from the Northwest Territories asking for funding for the northern corridor, but it's ironic. I come to Alberta and you're asking for funding.

Mr. Ken Kobly: It's because you've come to Edmonton and we have a very close allegiance with the NWT, particularly through the Edmonton Chamber of Commerce. The University of Calgary is the organization that has brought up that we should be doing a study. The Senate has suggested that the funding should be provided for that study of transportation utility corridors in the north.

The Chair: We'll go to one question from each of the parties.

Before I do that, I guess the federal government has to look at what it is possible to do in the short term. If the finance minister had the nerve to do something before the end of the year, what would those two possible things be—accelerated capital costs? Budgets are cumbersome. Comprehensive tax reform, I think you'll find all of us are supportive of that, but that's more long term. We looked at it and debated whether we'd do it as a committee about two years ago. I think we even had a recommendation. We don't have the expertise. You really need to do something like a royal commission, and then turn it over to the committee down the road. That's a three- or four-year process.

What can be done quickly, in the short term, to enhance our ability to be competitive, especially given where the United States is at?

Who wants to take that?

Mr. Ken Kobly: Certainly, there is accelerated capital cost allowance, if the finance minister were to do anything. Other than that, I'm not sure that I would be true to what we're saying by saying, “We'd really like to see this happen as well.” Certainly the royal commission is a long-term process, but I think it's very difficult for somebody to say, “We want this, this, and this, but by the way, we want you to balance your budget.”

If the minister would want to do something, it would be accelerated capital cost allowance.

The Chair: Is there anybody else—Michael or Mark?

Mr. Michael Holden: I would echo that comment. The accelerated capital cost allowance is a huge issue. If you're looking for any one thing that would make a difference as soon as possible, it would certainly be that. Beyond a first one, nothing leaps off the page quite to the same extent as the ACCA does. But if I were to pick one to highlight right now, it would probably be on this issue of reinvesting carbon tax revenue, however that ends up unfolding, back into the valued-added economic sector, in manufacturing specifically.

In Ontario there's a program called the SMART Green program, which was cancelled a little while ago. Effectively it provided information and incentives for manufacturers in Ontario to invest in emissions-reducing machinery and equipment. I think using carbon tax revenues to finance a program like that would be beneficial.

The Chair: Okay.

Go ahead, Mark.

Mr. Mark Plamondon: Thanks very much. We echo the comments on the capital cost allowance. We find that has been one of the factors for companies to make decisions on where they locate their next capital project for value-added manufacturing of energy products.

In addition to that, in our submission, we also suggested that the government look at doubling the strategic innovation fund, which is a fund that could be coupled with some of the programs offered by the provinces. In Alberta, the provincial government has offered the petrochemicals diversification program.

What we're seeing here is supports to help these large-scale, value-added manufacturing facilities, to help them de-risk the large-scale capital investment that is happening. We're seeing that supports in the order of the equivalent of 10% capital have been what's helped companies make the decisions for various jurisdictions.

That's a good investment for Canada because the initial capital build is a few years, and there's that initial support, but these facilities are in the ground and are competitive and operate for decades, 40 to 50 years. They provide good, stable middle-class jobs for Canadians, plus all the indirect jobs, for decades.

● (1025)

The Chair: I think Mr. Scholz wanted in and Mr. Morningstar and then we'll have to go to Pat.

Go ahead, Mr. Scholz.

Mr. Mark Scholz: There are three items, Mr. Chair, that I think you can do in the short term.

I'm not a parliamentarian and I don't entirely know all the processes for governance. However, I can tell you that, first of all, the government needs to look at Bill C-69 in the Senate and then come back to the table and consult with industry. Our industry is facing an existential crisis with this legislation, particularly with the pipeline and major infrastructures.

Second, we need to reinstate the federal excise tax exemption on our heating oil for drilling and service rigs. Third, I'll echo the 100% of capital investment being expensed in the first year.

The Chair: Wesley.

Mr. Wesley Morningstar: I'd like to add one more point around the carbon tax. We heard this morning that the cost to a B.C. producer is about $100,000 to drill a well on the basis of the carbon tax. At the same time, we're importing natural gas from Marcellus in Pennsylvania. There's no carbon tax paid on that gas. We're bringing oil from Saudi Arabia and from the Middle East down the Gulf of St. Lawrence, and there's no carbon tax paid on that. It's a matter of competitiveness with respect to the carbon tax.

The Chair: We did a tour of the Irving Oil refinery in New Brunswick when we were there.

Mr. Kelly.

Mr. Pat Kelly: Thank you.

Mr. Scholz, you mentioned in your remarks the loss of $40 billion a day to the Canadian economy.

Mr. Mark Scholz: That was $40 million a day.

Mr. Pat Kelly: Okay, with $40 million a day, I can only imagine how many thousands of jobs that means. There are many unemployed in the oil and gas industry in my riding. The loss of tax revenue on the Alberta discount.... We we could probably fund every budget ask we've heard around this table in all of our committee travels if we could close that gap.

Can you talk about what the loss to the Canadian economy and to Canadian governments, at both federal and provincial levels, means in public service that we are actually exporting to the United States?

Mr. Mark Scholz: I could certainly share with you a number of studies that would corroborate a lot of the pieces we're concerned about with respect to both taxation and jobs. I'll just reiterate my earlier comment when it comes to the decisions that service companies are making because we don't have proper regress and we are not getting proper value for our products, with E and Ps, or the producers not being able to get the needed cash in order to deploy in the basin.

On the rig fleet alone, the fact that we've lost maybe 300 drilling rigs means that when that equipment leaves to the United States the chance of that equipment coming back is very remote. Those business decisions have been made because of the four long, gruesome years of a downturn, and unfortunately I don't really see any indications that things are going to improve anytime soon.

When you're left in that type of a situation and scenario, the sustainability of your business is really what you're trying to accommodate. That means you have to look at other jurisdictions that can provide you a reasonable return on invested capital in order to satisfy your shareholders and bondholders.

I'm not sure if that entirely answers your question. I think this is a real issue.

Mr. Pat Kelly: They're excellent points.

Mr. Mark Scholz: It's a timely issue, and we have to get serious about egress.

● (1030)

Mr. Pat Kelly: My question really was around the actual loss of the ability for our governments to fund public service, but your points are extremely well taken, and I thank you for that answer.

The Chair: We are going to go a little over time, but I think that's fine. We have Mr. Julian, and then Ms. Rudd.

Oh, sorry, did somebody want in?

Mr. Morningstar, sorry, I didn't see you.

Mr. Wesley Morningstar: Some quick numbers that we've calculated indicate that a loss of revenue for governments at all three levels, at a $40 U.S. differential, is about $17 billion to the Canadian economy. That's a loss of government revenues.

The Chair: I think former premier Frank McKenna did a study, and that's the number he came up with as well—$17 billion. That's a lot of money.

Mr. Julian.

Mr. Peter Julian: I have three quick questions, Mr. Chair.

First, Mr. Morningstar, given your last comments, I believe you're saying that you support the idea of a carbon border levy. Is that correct?

Mr. Wesley Morningstar: A carbon border levy...?

Mr. Peter Julian: Yes, for the natural gas from Pennsylvania or when we're talking about overseas—

Mr. Wesley Morningstar: Yes, certainly in jurisdictions where other competing entities do not have to pay that carbon levy, yes, we would support that, for sure.

Mr. Peter Julian: Okay, thank you very much. I thought that was very interesting testimony, and it's something that has not come up. You're the first to mention it, but I think it's extremely important for us to consider as a committee.

Second, Madame Tremblay and Monsieur Plamondon, coming back to this issue of the differential, the companies that are involved in value added aren't suffering from the differential. Husky and Suncor are two examples. Isn't that really a solution, ensuring that we get full value of the resources by making sure that we're doing value-added upgrading, refining and petrochemical here in Canada?

Mr. Mark Plamondon: Yes. There is no question that part of the competitive advantage for the value-added industries is the low-cost feedstock that they're seeing for their operations.

In looking at the diversification of the economy as a whole, we think that the value-added manufacturing of our oil and gas resources is a way to have a countercyclical business. It complements, in my view, the export of the commodity because it is countercyclical in terms of the profitability associated with the value added.

Mr. Peter Julian: Thank you.

Finally, Ms. Lane, it's very interesting that Canada West Foundation is producing a western electrical grid paper. I'd like to know when that's coming out. That has, of course, enormous ramifications. In the U.S., the renewable energy market is exploding—four times the market potential over the next 10 years. In terms of renewable energy, in terms of geothermal, wind and solar, all of which have enormous potential in Alberta, is that report going to study the importance of having an electrical grid and a smart grid, such as we have in northern Europe, which would allow Alberta to really benefit from the clean energy boom?

Ms. Janet Lane: I believe so. I believe that our author has been looking at all of the different types of energy. It's in layout this week—

Mr. Peter Julian: Wow.

Ms. Janet Lane: —so I'm anticipating that it will be published either next week or the week after. I know it's the next thing on the list.

Mr. Peter Julian: Is it possible to make a copy available to the committee as it's coming out?

Ms. Janet Lane: Absolutely.

Mr. Peter Julian: Thank you very much.

The Chair: If you could send that to the clerk, Ms. Lane, we'll distribute it.

Ms. Rudd.

Ms. Kim Rudd: Thank you.

I have just a couple of things.

Michael, you talked about the proceeds, if you will, of the price on pollution coming back to businesses for enhancing equipment around energy efficiency and those kinds of things. Is that correct?

Mr. Michael Holden: That's right, yes. Our position is that we are not necessarily opposed to a carbon tax as a means to achieve a public policy goal, but it's a carrot-and-stick issue. If you tax businesses, you create the stick but you remove their capacity to invest in mitigating products because they have less money available. By taking that money and reinvesting it in these kinds of programs, dollar for dollar, you improve their capacity to take action to mitigate their environmental impact.

Ms. Kim Rudd: Certainly, in my former role as parliamentary secretary to the Minister of Natural Resources, I learned a lot about the sector and some of the real innovation that was happening around reduction of energy use, water use and a number of things. It actually increased and enhanced the bottom line at the end of the day, which I think is exactly what you're talking about—twofold positivity, if you will.

Wesley is talking about the price on carbon pollution as not being there, and you're finding an opportunity for it. What has happened? Can you talk a little bit about, or provide a bit more information about what Alberta has decided to do in terms of their price on pollution, which they are distributing across the province?

● (1035)

Mr. Michael Holden: I have to defer that question to somebody else at the table here. The work I do at CME tends to be focused on national issues, so my familiarity with the structure in Alberta is probably not as good as somebody else's here.

Ms. Kim Rudd: Alberta has its own plan and it decides what to do with the money and whether it goes to businesses. In B.C., they have done a combination of businesses...direct tax returns to individuals. I wonder if that has been contemplated in Alberta and is being done. Maybe someone else has the answer to that.

The Chair: Ken and then Lynette.

Mr. Ken Kobly: My understanding is that 65% is returned as rebates to low-income individuals. The balance of 35% is used for new projects.

Ms. Lynette Tremblay: I can speak to this as it relates to heavy emitters in Alberta's industrial heartland.

We have an output-based allocation system for carbon pricing, and the revenues collected from the heavy emitter's price on carbon is returned to industry by virtue of a number of programs through Emissions Reduction Alberta and Energy Efficiency Alberta, which help industry improve its energy efficiency and fund various types of technology pilot projects. Some of those projects have been funded in the heartland around partial upgrading of bitumen, for example, and various other types of initiatives. We think that's an incredibly successful system and should be replicated across Canada.

The Chair: Did somebody else have a hand up? I don't think so.

We will have to end it there. We are a little over time and we have a second panel waiting.

I want to sincerely thank everyone for their presentations and their direct approach in responding to our questions.

We will suspend for 10 minutes and go to the second panel.

●

(Pause)

●

● (1045)

The Chair: We'll come to order and welcome the second panel here in Edmonton for the pre-budget consultations for the 2019 budget. Welcome.

For those who did present submissions prior to August 15, they are on people's iPads or computers or units, and they'll certainly be referring to them every once in a while. All the evidence today and the submissions will be considered as part of our work on recommendations.

Before I start, I'll just ask our committee members to introduce themselves so you know where we come from and what region we represent.

I'm Wayne Easter, a member of Parliament from the riding of Malpeque in Prince Edward Island. I'm a member on the government's side.

Peter, do you want to start?

● (1050)

[*Translation*]

Mr. Peter Julian: Thank you very much, Mr. Chair.

My name is Peter Julian. I am the deputy chair of the committee and represent the NDP.

[*English*]

I'm elected in the riding of New Westminster—Burnaby, which is the traditional territory of the Qayqayt First Nation and the Coast Salish peoples.

I'm very happy to be here in Edmonton.

Mr. Matt Jeneroux: Thank you, Mr. Chair. Thank you, everybody, for being here.

This is home for me. I'm the member of Parliament for the Edmonton Riverbend area, where I represent the Conservatives along with my colleague here.

I want to thank everybody for coming here. I know some of you have travelled to get here, as well, and I really appreciate it. This is important. I'm proud the chair has chosen to bring us here to Edmonton.

Mr. Pat Kelly: Thank you.

I'm Pat Kelly. I'm the member of Parliament for Calgary Rocky Ridge, so the northwest corner of the suburbs of Calgary.

[*Translation*]

Mr. Greg Fergus: Hello.

My name is Greg Fergus. I am the Member for Hull—Aylmer, in the Outaouais region of Quebec. I am a Liberal MP and have been a member of this committee for two years. I am very pleased to be here. Like Mr. Julian, I want to acknowledge that the riding I represent is on the unceded territory of the Algonquin and Anishinabe peoples.

[*English*]

Ms. Kim Rudd: Good morning, and thank you for coming.

I'm Kim Rudd. I am the member of Parliament for Northumberland—Peterborough South. For context, that is a rural riding in southeastern Ontario.

It is good to be back in Edmonton. I really look forward to your presentations this morning. Thank you.

Mr. Michael McLeod: Good morning. My name is Michael McLeod, I represent the Northwest Territories.

Welcome to all of you.

The Chair: With that, thank you everyone. Welcome again.

We'll start with the Agricultural Manufacturers of Canada.

Ms. Andreas, chair of the board directors, and Mr. Hamil, welcome.

Ms. Richelle Andreas (Chair, Board of Directors, Agricultural Manufacturers of Canada): Thank you, Mr. Chair.

My name is Richelle Andreas. I'm the CEO of S3 Enterprises. We're a small manufacturing company out of Swift Current, Saskatchewan. I'm also the board chair of Agricultural Manufacturers of Canada or AMC.

AMC is very pleased to be able to take part in the consultations by the House of Commons Standing Committee on Finance in advance of the 2019 budget. I'm humbled to have a chance to address you on behalf of our members at a time when there's such an incredible opportunity through innovation and smart policy in the agri-food sector to make expanded and long-term contributions to Canada's economy.

With over 250 members, AMC is a national organization dedicated to sustaining a strong, viable and highly respected Canadian farm equipment manufacturing industry. It can be said of our members that innovation is truly in our blood. Many Canadian farm equipment manufacturers started out as farmers or members of small rural communities. Over the years, they have used their experience and ingenuity to develop cutting-edge farm equipment that met the unique needs of local farmers, given the harsh climate and growing conditions of the region.

Today our agricultural equipment is among the highest quality and most sought out in the world. In 2017, AMC member companies exported more than $1.9 billion in agricultural implements to 154 countries.

Let me point out that AMC's member companies see themselves as playing a significant part in helping to advance the federal government's goal of increasing Canada's exports of agri-food and agricultural products to at least $75 billion by 2025. As you know, our manufacturers and farm customers are dealing with significant challenges arising from uncertain trade patterns and our commitment to balance growth with ensuring a safe, secure and environmentally sustainable agricultural sector.

The agricultural equipment manufacturing sector is an important one for Canada's economic success. For our sector to thrive and ensure Canada's competitiveness, budget 2019 should include measures that support the innovation that is already taking place and help us get our products into global markets.

Our number one recommendation for the 2019 budget is for the federal government to provide a better incentive to invest in the purchase of farm equipment by raising capital cost allowance rates available to farmers. Specifically, AMC recommends the government modernize the capital cost allowance rates for purchases of new farm equipment and machinery by combining the two classes they now fall into and providing a higher rate of amortization.

At a rate of 50% amortization, the writeoff period associated with farm equipment purchases would more closely match their technological obsolescence and incent Canadian farmers to invest in technologies that will reduce their emissions, decrease their carbon footprint and increase the overall productivity of their operations, better positioning them against global competitive threats.

I should mention in this context that the federal government-commissioned economic strategy tables on the agri-food sector recently singled out improved CCA rates as a significant incentive that would accelerate investments and enhance Canada's competitiveness.

AMC also recommends that the federal government continue pursuing free trade agreements and diversifying Canada's export markets. Based on the favourable global reputation of specialized Canadian-made farm machinery and equipment, Canada's manufacturers are in a strong position to take advantage of the expanded market access in Asia, Europe, South America and other regions. We also recommend the government encourage Export Development Canada to continue and strengthen its support for Canadian exporters active in developing markets such as South America.

Canada's manufacturers of specialized farm machinery are proud of their unique, made-in-Canada success. We are national in scope and play an important role in rural communities where AMC companies employ approximately 12,000 people, primarily in communities of less than 10,000.

Innovation starts at home. Modern farm practice is advancing at an unparalleled rate, and our members are creating the solutions to execute the science of tomorrow's farm. As a leader in the global advancement of agronomy with good public policy, Canada stands poised to increase our exports and become the worldwide model for sustainable agricultural practice. We believe with improvements and crucial incentives from the federal government we can greatly increase our contribution to the country's long-term success.

Thank you. I would be happy to take any questions you may have.

● (1055)

The Chair: Thank you very much.

We'll turn to Mr. Malloy with the Alliance of Canadian Comprehensive Research Universities.

Welcome.

Mr. David Malloy (Vice-President, Research, Alliance of Canadian Comprehensive Research Universities): Thank you. Good morning. You have our submission. This morning I'd just like to read some excerpts from it to call attention to some salient points.

Before I do that, I'd like to give you a brief overview of what ACCRU actually is. The Alliance of Canadian Comprehensive Research Universities represents 38 small and medium-sized comprehensive universities and 56% of all undergraduate students from across Canada. ACCRU is not intended to be a lobby group. Instead, it strives to be the voice to discuss challenges and issues that smaller universities face.

By acting as a collaborative whole, ACCRU is able to accomplish the following objectives: identify best practices to enable the most effective execution of research at ACCRU member universities; identify and encourage collaborative research initiatives among its members and other research institutions nationally and internationally; enable its members to respond to new research opportunities and developments in a coordinated and timely fashion; and act as a voice for communications on research and scholarly activity issues important to its members with research funding agencies, policy-makers and the public at large.

We've submitted three recommendations, all of which focus around increasing funding to undergraduate students for research and experiential learning opportunities and increasing access for those students at our member institutions.

Our first recommendation revolves around supporting skills training for undergraduate students. There's an urgent need to renew our commitment to undergraduate students and at the same time to raise the level and quality of university education. Placing increased and more pervasive emphasis on research at the undergraduate level has been identified as a high-impact educational practice. Increasing our training and education in—and through—undergraduate research is the way forward for Canada. It enhances the qualifications of bachelor's graduates by equipping them with the skills required by the knowledge economy and stimulates the desire to pursue scientific education and skills development in graduate education. It also provides an intimate linkage between universities and the communities and industries they serve.

This is especially true for smaller communities where the university is frequently the hub of the knowledge economy. The data clearly identifies the importance of vibrant post-secondary institutions as a basis for the driver of small and large business ventures as well as the attraction and recruitment of new Canadians into these communities.

With that said, our recommendation is focusing on increased funding particularly to undergraduate research awards across each of the tri-councils. Currently the undergraduate student research award is focused on NSERC. We're suggesting that should go across to CIHR as well as to SSHRC. As well, we are recommending that increased funds go to Mitacs to allow undergraduate students to access Mitacs funding.

Our second recommendation is focused on accessibility. The principles of equity, diversity and inclusion in Canada's research investments set out in the most recent federal budget are undeniably a step forward towards a research ecosystem that can draw on a full range of talents. To achieve this objective, however, the ACCRU member universities continue to observe the persistence of a significant imbalance with respect to the representation of small and medium-sized universities in the distribution of federal funds. Certain research program requirements can effectively exclude researchers or applications from many smaller or regionally located universities. As a result, the 85 or so Canadian universities that host 56% of students, including international students, at all university levels receive only 26% of the total funding awarded by the three tri-agency funding councils and the CFI, 15% of funding from the Canada first research excellence fund, and 8% of funding awarded to CERCs.

The disparity obviously has not only an impact on an individual institution's ability to compete in the domestic and global knowledge economies to attract and retain excellent researchers capable of training diverse students across Canada, but it also has an impact on the communities in which our universities seek to be economic and multicultural drivers.

● (1100)

With that said, our second recommendation asks the federal government to provide financial incentives and enhance the federal government's requirements for equity, diversity and inclusion in the distribution of Canadian granting agency award budgets to include, among the target groups, faculty, students and trainees working in small and medium-sized institutions located in regions or communities outside major urban centres.

Our final recommendation has to do with the research support fund. Let me begin by quoting from the Canadian Association of University Business Officers, “Without adequate funding for the indirect costs of research, efforts to maintain a competitive and high-quality research environment in Canada could be in vain, even as global competition becomes increasingly fierce. Universities would be forced to limit their investments, thereby reducing the productivity of their researchers....”

Since 2000, the funding provided to institutions to cover these infrastructure and administrative indirect costs is based on a formula that combines fixed thresholds and reimbursement rates covering the first $7 million of eligible direct research costs. Direct funding in excess of $7 million is funded at a rate based on the balance of the RSF envelope.

This formula takes into consideration small institutions' limited capacity to pool resources, and it provides them with a minimum support for covering the basic costs of a research environment. Like our income tax provisions, it's a progressive system. However, research infrastructure and administrative costs have significantly increased since 2000, and these thresholds have not been adjusted consequently.

This is the reason why ACCRU's third recommendation proposes that the federal government increase the amounts allocated to the research support fund to reach levels supported by the Naylor report and Universities Canada, as well as take into consideration the cost of inflation since 2000.

This investment will provide a high rate of return in skill development, international attractiveness and an engaged society.

With that, I'll close. Thank you so much for hearing our submission.

The Chair: Thank you, David.

We'll turning then to Chief Poitras, Assembly of First Nations regional chief for Alberta.

Welcome.

Regional Chief Marlene Poitras (Regional Chief, Alberta, Assembly of First Nations): Good morning. Thank you for the opportunity to appear on behalf of the Assembly of First Nations, Alberta Region, which is a regional advocacy body for 44 first nations in Alberta.

I first want to welcome you all to Alberta, the traditional territory of Treaty No. 6.

It is our position that for Canada to reach its full economic potential there first must be a recognition of where the wealth of this country comes from. When our people entered into treaties with the newcomers, we agreed to share the land to the “depth of a plow”—nothing underneath—yet we have not seen the sharing of the lands and resources in our traditional territories to the extent we had hoped.

While first nations do not currently share equally in the $22 billion per year that is produced annually in revenues for governments in Canada as calculated by Natural Resources Canada, there have been some bright spots.

This past April, the Government of Ontario signed a historic resource revenue-sharing agreement with 31 northern first nations. In fall 2019, these 31 partner first nations will receive 45% of the government revenues for forestry stumpage fees, 40% of the annual mining tax and 40% of royalties from active mines. This will increase to 45% for future mines in the areas covered by the agreement.

This type of government-to-government partnership needs to be expanded across the country and is an example of recognizing first nations' economic jurisdiction over their ancestral lands. Promoting these partnerships needs to be on the federal government's radar and shared widely across all provinces and territories.

For action the federal government can take now, the issue of federal procurement is one that requires immediate examination. J. P. Gladu, president of the Canadian Council for Aboriginal Business, CCAB, has said that economic reconciliation occurs when aboriginal communities are no longer managing poverty but are managing wealth.

The CCAB has been a staunch supporter of making the federal procurement system more fair and proportionately inclusive of indigenous businesses. The CCAB found that in 2015 federal government procurement of goods and services totalled $20 billion. Of that total, $63 million on average annually went to aboriginal businesses. Indigenous peoples represent almost 5% of the population in Canada, yet our business and communities receive 0.32% of government procurement revenue. This has to change.

The federal government needs to immediately co-develop a strategy with first nations to set an indigenous business target for all federal government procurement. Through proportional allocation, we will see first nations businesses thrive. Our people are ready, they are able, they are qualified and they have the expertise to get these jobs done.

Addressing why first nations businesses are not receiving the same proportional share is a priority that this committee can move on. Barriers include obtaining capital and adding our businesses to the approved government vendors lists. Let us address those now.

Let's look beyond procurement. We also need to look at continuing to address the massive socio-economic gap between indigenous and non-indigenous people. The Centre for the Study of Living Standards calculated that Canada would add over $36 billion in GDP by 2031 if we closed the gaps in indigenous education attainment, employment and income.

If you want to close that income gap and if you want to reduce poverty amongst our first nations people, you have to invest and fuel economic development for both on-reserve and off-reserve ventures led by first nations. Not only is there an economic argument for closing these gaps, there is also a moral imperative and an international requirement to do so.

Canada's commitment to implementing the 2030 agenda for sustainable development and the 17 sustainable development goals will be key not to just reducing poverty but to eliminating it. I encourage the committee to push for the agenda's full implementation. Again, continued and sustained investments will lead to successful first nations, which in turn will lead to a better Canada.

● (1105)

Let's not take our foot off the gas pedal when it comes to sustained investments in first nations education, housing, water, and economic development. Let's keep going down the road of economic reconciliation.

Thank you.

The Chair: Thank you, Chief Poitras.

We turn then to the Chemistry Industry Association of Canada, Ms. Des Chênes, Executive Vice-President.

Welcome.

Ms. Isabelle Des Chênes (Executive Vice-President, Chemistry Industry Association of Canada): Thank you, Mr. Chairman, and thank you, members of the committee. It's good to see some of you again.

[*Translation*]

I am here today to talk about the major investment and growth opportunities in Canada's chemical industry. I want to present my recommendations for the 2019 budget.

● (1110)

[*English*]

You might have read recently eye-catching headlines last month saying that left unchecked, tax reform south of the border would put about 635,000 Canadian jobs at risk and potentially reduce Canada's GDP by $85 billion, or about 5% of the economy.

The PricewaterhouseCoopers report was commissioned by the Business Council of Canada. It specified that the petrochemical sector will be particularly hard hit by these reforms, which pose a serious risk to chemistry manufacturing in Canada. These are issues that have been on our radar for quite some time, and others are finally starting to take notice.

The chemistry industry is a vital component of Canada's economy. It's the fourth largest manufacturing sector with just over $52 billion in annual shipments, and with 68% of production exported, we are the nation's second largest exporter behind the automotive industry. While few people give thought to the role of chemistry in their everyday lives, more than 95% of all manufactured goods are directly touched by the business of chemistry.

The industry is also a highly skilled sector that employs over 87,000 Canadians, 38% of whom have a university degree. In fact, the sector has the second-highest proportion of university graduates in Canada, second only to IT.

Indirectly, we support over 525,000 thousand jobs across the country. Globally, chemistry is a large, fast-growing industry, and analysts are expecting that the global demand for chemicals will triple over the next 20 years.

While much of the production and growth has taken place in Asia, chemistry manufacturing is also the fastest growing manufacturing sector in North America. In the United States, over $258 billion worth of investments have been announced since 2010, and 60% of those come from foreign investors.

Despite some of the successes and despite many key factors that we have to our advantage here in Canada, including our low-cost feedstocks, Canada has lagged far behind its traditional 10% share of North American chemistry investments. We should have realized about 20 or 30 new investments worth over $25 billion, but have seen only a handful of investments totalling a little more than 2% of that share.

Over the past several years, we have been working very closely with the federal government and have urged them to heed the investment opportunity in our sector and take notice a number of the provinces' determination to capture new investments, particularly here in Alberta.

We continue to stress the importance of ensuring Ottawa's economic priorities align with those of the provinces where Alberta, Ontario and Quebec have all prioritized chemistry investments so that all of their oars are pulling in the same direction.

To that end, last August, we submitted three recommendations to the committee to ensure a robust investment climate for the chemistry sector. As you know, enacted in 2017, the U.S. Tax Cuts and Jobs Act, TCJA, lowered the marginal effective tax rate on capital investment from approximately 35% to 19%. While Canada has historically enjoyed a marginal effective tax rate advantage to overcome construction, utility, labour and logistic disadvantages, the TCJA has eroded some of this advantage.

A key aspect of that legislation is the 100% immediate depreciation rate for capital equipment. You've heard a lot about that this morning.

In Canada, an accelerated capital cost allowance, ACCA, for manufacturing was introduced in 2015 to encourage investment in machinery and equipment. The immediate depreciation of capital investment lowers the upfront capital costs needed to finance a project by allowing a firm to deduct those expenses from existing revenue streams.

Therefore, the CIAC is recommending that the federal government adopt a temporary 100% ACCA to be applied to value-add resource manufacturing for a minimum period of seven years or a full business cycle.

As we aim to grow chemistry and plastic resin production in Canada, we must ensure that there are systems in place to recover the value of plastics as potential feedstocks once they've reached their end-of-life use.

Canada could be a global leader in the recycling and recovery of plastics by investing in chemical recycling technologies and other innovations.

CIAC is calling on the government to invest in programs that will allow Canada to become a leader in the commercialization of technology to recycle, recover and transform all plastics by 2040.

Finally, Canadian chemistry executives now identify rail service as a key factor in deciding whether to locate a new facility or expand their operations in Canada. This decider is second only to feedstock availability. As we've seen in the past few years, work stoppages and delays in our railways have had a huge impact on the stability of the chemistry sector in Canada. That's why we're recommending investments in the effective and safe transportation of goods by renewing the national trade corridor initiative, including investments in rail and ports, and the re-funding of the rail safety improvement project, and expanding it to include education and resources around the transportation of dangerous goods.

● (1115)

[*Translation*]

Thank you all. I look forward to your questions.

[*English*]

The Chair: Thank you very much, Isabelle.

With Festivals and Major Events Canada, we have Mr. Martin Roy, Executive Director. Welcome.

[*Translation*]

Mr. Martin Roy (Executive Director, Festivals and Major Events Canada): Hello, ladies and gentlemen of the Standing Committee on Finance.

[*English*]

Festivals and Major Events Canada speaks as the recognized voice of the festivals industry in Canada, and works closely with Regroupement des événements majeurs internationaux, in Quebec.

[*Translation*]

These two associations together represent 45 events right across Canada.

[*English*]

As the only pan-Canadian organization exclusively comprising festivals and events in the country, the scope of FAME's thinking extends to all festivals and events of all sizes in every region and province. There are hundreds if not thousands.

In fact, I would like to acknowledge the presence in the room of one of our members, the Edmonton Heritage Festival, which puts together a true celebration of multiculturalism, and attracted an estimated 345,000 this past August. Jim Gibbon, the festival's executive director, is here with us today as an observer. This year, FAME has come up with a three-pillar plan to create a better business environment for all festivals and events in Canada by keeping them safe, helping them to grow and focusing on creation.

The first pillar of our plan has to do with security. Security costs at festivals have risen by 60% for members of FAME in the last five years alone in light of the increased risk of incidents at public events. This is why we are asking the government to provide additional funding in the amount of $10 million for the communities at risk security infrastructure program, and expand the program criteria to include festivals and events. Our recent meetings with Minister Goodale's team led us to think that it's possible to work closely together in ensuring that modern threats are handled with modern technologies.

[*Translation*]

The second pillar of our plan involves growth and development.

FAME wants the industry to remain competitive in order to attract international tourists, which is a booming market, and suggests a program designed to increase festivals and events that can generate more tourist and economic activity. I recommend a program with $20 million in funding per year, similar to current programs in Quebec, British Columbia, and Ontario, to some extent.

We have had positive discussions with Minister Joly's team.

[*English*]

In 2011, in its evaluation of the marquee tourism events program, the Government of Canada concluded that the program had responded to the need for economic stimulus to the tourism sector. Today, we strongly believe that a similar program managed by regional development agencies, or by Destination Canada, would have a great impact that we can also measure precisely with studies like the one we conducted with KPMG on 17 Canadian events over the past year.

[*Translation*]

Finally, our third pillar revolves around culture.

While festivals and events have grown a lot, the budgets of the two Department of Canadian Heritage programs that support them have not increased in over 10 years, despite the fact that the funding in constant dollars is about 15% lower than what it was originally. As a result, these programs are under a lot of pressure and can no longer keep up with demand, which Minister Rodriguez could certainly confirm.

[*English*]

An administrator of the Canada arts presentation fund said that to say that the program is oversubscribed and cash-strapped is an understatement. The only option is for the CAPF to identify funding priorities and give deductions to existing clients. Unless the budget is increased, the CAPF will not be in a position to reverse this trend. We had hoped to receive an increase in last year's federal budget, but unfortunately this did not occur.

[*Translation*]

Like the Canadian Arts Coalition, we are seeking a major reinvestment in the Canada Arts Presentation Fund, which should be nearly doubled, as the budget of Canada Council for the Arts was. We are talking about $30 million, $20 million of which would go to the programming arts festivals and performing arts series presenters component. On top of that, we recommend adding $10 million for the community development through arts and heritage program.

If it makes this investment, the Government of Canada will be able to say that it has taken action on the entire cultural value chain during its mandate, from creation to exports, and including domestic presentation, which is currently the weak link.

● (1120)

[*English*]

On behalf of dozens of festivals, as well as events, organizations such as TIAC, and cities that support them, I ask you to keep our events safe, help them grow and focus on creation, and to include FAME's requests in your final report and recommendations.

Merci.

The Chair: Thank you very much.

We'll turn to our last group, the Sport Matters Group, with Ms. Sherk, Senior Leader; and Neville Wright and Marc Kennedy, who are Olympic athletes.

You folks certainly made us proud. Neville, I'm not going to challenge you to arm wrestle today.

Ms. Sherk, go ahead.

Ms. Lindsay Hugenholtz Sherk (Senior Leader, Sport Matters Group): Honourable committee members, my name is Lindsay Hugenholtz Sherk. I am from Ottawa. I'm the senior leader for the Sport Matters Group, which advocates on behalf of over 80 national sport organizations. Thank you for the invitation to participate today.

I am accompanied by two of our celebrated Olympians, who will take a few minutes to outline our recommendation for budget 2019.

Neville Wright is a three-time Olympian who participated in the sport of four-man bobsleigh. Prior to bobsleigh, Neville competed for Canada internationally as a track and field athlete. He's from Edmonton, is the father of two young children, and works as a massage therapist and performance coach.

Marc Kennedy is a two-time Olympian. He has a gold medal from the 2010 Winter Olympics and is a two-time world curling champion. Marc is from St. Albert, is the father of two daughters, and works as a real estate agent here in Edmonton.

We would like to highlight the recommendations submitted in our brief asking for a 25% increase to the sport support program. This increase will allow national sport organizations to hire the right people, develop the right programs and build the policies we need to keep kids active and make sure Canadians of all ages, backgrounds and abilities are able to access the benefits of values-based sport.

Mr. Marc Kennedy (Olympic Athlete, Sport Matters Group): Good morning, it's an honour for me to be here. As Lindsay mentioned, I am a father of two young girls, ages 10 and seven. On a daily basis I observe the challenges our community faces in creating opportunities for these children to be active. The Canadian 24-hour movement guidelines for children and youth recommend at least one hour of physical activity per day and two hours or less of recreational screen time. Despite the fact that my girls are very active and compete in multiple sports, my wife and I still struggle with limiting their screen time.

In Canada, 82% of adults and 65% of children are not active enough. This physical inactivity costs the Canadian health care system over $4.3 billion each year. Participation in sport leads to better health and greater productivity. It builds character and self-esteem in our children and youth, strengthens our communities and helps develop the tools necessary to be a positive contributor to our society.

Sport participation can be particularly important for new Canadians, who can use it to help them integrate into our Canadian society and learn our Canadian culture.

I chose to pursue sport because I love to be active, to feel healthy, and most importantly, to feel part of a team. I feel so blessed and fortunate that sport has always been a significant part of my life.

I hope for my daughters' sake that our national sport organizations will be awarded this additional funding. It will allow our NSOs to reach more children and more youth and continue to build a safe sport system where Canadians of all backgrounds and abilities can access the benefits of values-based sports.

Mr. Neville Wright (Olympic Athlete, Sport Matters Group): Good morning.

While I'm proud to call myself an Olympian, I'm proud to tell you about the road that it took to get to the Olympics. I'm the second youngest of seven children. At a young age, my father passed away, so my mom had to take on the hardship of raising me and my other siblings. Because of that, we didn't have a lot of access to and participation in sports.

It wasn't until I went to university that I met a coach who encouraged me and helped me find ways to excel in sport. My story is not unique to thousands of other youths out there. National sport organizations have been looking for ways to break down barriers for children and youth to gain access to quality and safe sport programming for years.

In addition to developing and governing all aspects of a particular sport, national sport organizations have taken significant new responsibilities in order to adapt to the demands of evolving sport systems and a changing world, for example, creating sport environments free from harassment, abuse and discrimination, which is imperative.

Concussions in sports are a recognized public health issue, and national sports organizations are required to develop concussion protocols and return-to-sport strategies. They also create opportunities for girls and women to participate in sport, as well as programming that is interesting and accessible to indigenous youth, which is also a priority.

Despite these growing responsibilities, national sport organizations have received no additional funding to support the rising costs of hiring staff, conducting innovative research, and developing sophisticated inclusive programs needed to encourage Canadians to participate.

Since 2008, core funding has remained virtually stagnant, even though inflation has risen by 16%. We ask that you consider our recommendation to increase the core funding component of the sport support program by 25%, which is an additional $18 million per year on an ongoing basis.

Thank you.

● (1125)

The Chair: Thank you.

Thank you all, and certainly thank you to all of those who presented.

We'll now go with seven-minute rounds.

Mr. Fergus, you're up.

[*Translation*]

Mr. Greg Fergus: First of all, many thanks to the witnesses who have appeared today. Your presentations were very interesting. I also note that you have not made huge requests.

Let us begin with the Sport Matters Group.

Thank you very much for your presentations, Mr. Wright, Mr. Kennedy and Ms. Hugenholtz Sherk.

When I was growing up—I am 49 now—, we did an hour of sports at elementary school every day. Now it is about 45 minutes twice per week. I find this strange because we know that people have to be active and that it is increasingly important to participate in physical activities.

The $18 million you are requesting is really for young people, participants or athletes who have reached a certain level. Are you asking for more money? Is that just what you are requesting from the federal government? Are you making a similar request to the provinces?

What do you do to encourage daily physical activity?

Ms. Lindsay Hugenholtz Sherk: Thank you for your question. I will answer in English, if I may.

[*English*]

It's very important to highlight the lack of physical activity and sport opportunities children and youth currently have access to in the place they spend the most time, which is at school. There are several organizations—PHE Canada is one we work very closely with. They're a member of the Sport Matters Group, and they advocate with us. They work across provinces and territories to try to influence the curriculum and physical education requirements in school boards.

Education is a provincial-territorial jurisdiction, and our colleagues who work for government at the provincial-territorial level are working very closely with their education counterparts, trying to encourage the increased opportunity for children to have access to more. From a national sport organization perspective, we can offer programs that are easy for physical education teachers to take into their schools. We have a number of organizations—Athletics Canada is one I would highlight. They have a program called Run Jump Throw Wheel, so they can easily provide them.

Our ask specifically is to allow an organization like Athletics Canada to have more capacity to continue to promote the fact that they have this program, and how easily adaptable it is in a school environment. They could collaborate with PHE Canada and with the Canadian Parks and Recreation Association, which works with municipalities so that when children are out of school and participating in recreational programs, they can have access to these programs.

The majority of national sport organizations have these programs. They have done a lot of modifications so that equipment is not a requirement and kids can try these sports. Really, it is a question of influencing educators about implementing it into the curriculum.

● (1130)

[*Translation*]

Mr. Greg Fergus: Thank you very much, Ms. Hugenholtz Sherk.

Mr. Roy, thank you very much for your presentation. Your requests are very reasonable, as they were last year, and we have had the chance to talk during the year. We certainly know how important festivals and culture are in Canada. They are not only good for the mind, but also create good jobs and stimulate our economy. We agree on that.

My main questions are for the Assembly of First Nations and ACCRU,

[*English*]

the Alliance of Canadian Comprehensive Research Universities.

[*Translation*]

While I clearly understood the assembly's testimony, it raises the need to ensure that indigenous youth have the same resources and the same individual subsidy that other children get to go to school.

As to ACCRU, its request for an increase in funding to sustain our institutions that subsidize research is in the same category. Canada has really fallen behind in the past decade, and even before then. We need more money to be more competitive with other countries around the world.

Chief Poitras, please explain the importance of guaranteeing that indigenous students receive the same funding as other students, and what that will mean not only for the indigenous community, but for all of Canada?

[*English*]

Regional Chief Marlene Poitras: First nations youth are Canada's youngest and fastest-growing demographic, and we need to invest in this generation. We need to invest in housing, infrastructure and education to close the socio-economic gap and begin to realize first nations' potential. Investment in our aboriginal youth will reduce the statistics that are related to suicides and the lack of education of many of our youth. It will be a great investment for the fastest-growing segment of our population.

Thank you.

[*Translation*]

Mr. Greg Fergus: Do you have something to add, Mr. Malloy?

[*English*]

Mr. David Malloy: What would increased funding mean to—

[*Translation*]

Mr. Greg Fergus: You said it is important to have diversity and equality in the research community as to gender, culture, and so forth, and that research councils have to be called upon to provide more funding for that.

[*English*]

Mr. David Malloy: Yes. Essentially, our position is that excellence in research has no fixed address.

[*Translation*]

Mr. Greg Fergus: Yes and no. Excellence might not have a face, but we know very well that there are reasons or systemic barriers that explain why the majority of researchers today are men of a certain ethnicity, white men. We need diversity in research that reflects Canada. To elaborate on what you said, excellence is not defined by a person's face, skin colour or gender.

● (1135)

[*English*]

Mr. David Malloy: I agree wholeheartedly with what you say. I think more diversity, in our regions, as well as ethnic groups that have participation in the research agenda, is exactly what we need. In fact, if we look at gender differences, I can speak for my own university—the University of Regina—I think we're 63% female right now. The next generation of researchers is, and should be, much more balanced, rather than the typical white male, old dusty professor, like me.

The Chair: Thank you all.

Go ahead, Mr. Jeneroux.

Mr. Matt Jeneroux: Thank you, Mr. Chair, and again, thank you, everybody, for being here today.

Before I start my questioning, I do, quickly, want to give a shout-out to Mr. Gibbon, who is in the audience as well. The Heritage Festival is fantastic. Those who aren't from Edmonton definitely have to make a point to come to it. It's one of the most well-attended festivals here in the city over the August long weekend. I look forward to welcoming my colleagues at that time of year.

I want to speak on the competitiveness aspect. Mr. Chair, how do you highlight the competitiveness theme of our trip across the country? You invite two Olympians here to really hammer it home. Quickly, if we could get on record, tell us some of the things that are different about Canada, compared to our neighbours in the south or maybe some other countries, that you've seen in your travels around the world, like things that they're doing right or that we could learn from.

The Chair: Go ahead, Marc.

Mr. Marc Kennedy: I can start on that. My experiences are very much curling-oriented and Canada has the most depth in the world, when it comes to curling. What I love about Canada is the number of young curlers and young athletes that we have and I want to continue to see that. The one thing that I see when I go to a lot of countries is it does get very specialized. They find young athletes and they groom them to be on certain specific teams or to get to the Olympics, but there's not the same depth of activity among the youth. That's what I see.

What I do like about Canada is that we have such a big country and so many young potential athletes. Sport can change life. Sport changed Neville's life. It changed my life. It provides so many opportunities and we've had the opportunity to travel across this country, visit schools, see young people and talk about the benefits of sport. I want to see that grow and see that opportunity expand. I would like to see these young people getting involved in sport at all levels and to see the funding get increased and pushed into that area, so that kids have access to the experiences that Neville and I have had since we were young kids.

The Chair: Do you have anything to add, Neville or Lindsay?

Mr. Neville Wright: Yes. I believe that it's very important for us to invest in the youth in Canada. It's really important. For myself, growing up with not a lot of advantages, I saw a lot of youth with untapped potential, who were not able to access certain sports or become involved in certain activities. I think it's very important that we increase funding to be more inclusive of these unfortunate youth. Like myself, who knows where they could go and what they can achieve with a bit more support?

Ms. Lindsay Hugenholtz Sherk: I'll speak a little to the difference with some of the other countries.

Last week I had the opportunity to tour the WinSport facility in Calgary, one of the best facilities in the world. It continuously needs to be improved. The enhancements to keep it at that state are really important. You'll see a lot of the winter sport nations come to Calgary to train out of that facility.

However, while we have good funding at the international high-performance perspective, we can always use more because we're constantly seeing that other countries are injecting more and more funding. Yesterday, Sport Ireland made a significant investment into their high performance. Some of our other Commonwealth partners, let alone winter European countries, are continuously investing in high performance.

Having consulted with this sector this year, our position is focused less on the high performance and more on that core funding. You'll see that our sector and our national sport organizations are completely aligned on this request for this year. We will stay at it because that core funding is about getting more kids active and accessing programming, exactly as Marc and Neville have talked about.

● (1140)

Mr. Matt Jeneroux: That's great.

Mr. Malloy, I would like to get your thoughts. The Naylor report was largely supported in the last budget with the exception of the research support funding. That's obviously crucial to a lot of universities and a lot of researchers.

Could you speak to what a research support fund would mean for certain universities if funded to the level that Dr. Naylor has requested?

There is a support fund, as we know; it funds keeping the lights on, basic equipment and so on. That stuff is still happening. Universities are pulling funding from elsewhere.

If the research support fund were funded, what would that mean for universities in a larger scope?

Mr. David Malloy: I think the research support fund in general is being spent very quickly at all universities, whether they are very small or very large. But the universities themselves are then kicking money back in to compensate for the loss. The cost of compliance alone has increased dramatically over the last 18 years. The funds haven't kept up.

What would we do with this? First of all, we'd continue to pay the hygiene factors of our needs. It would also allow us to expand the maintenance of our equipment. Other uses of the research support fund include space rental, library acquisitions, hiring staff to enable us to enhance our ability for compliance where there's legal or animal care and so on.

Mr. Matt Jeneroux: I would assume that a lot of it is being funded in a number of universities, so the presidents would pull from undergrad tuition to support the research support fund. That would have an impact on the undergrads.

Mr. David Malloy: That's absolutely right.

The Chair: Thank you all.

Mr. Julian.

Mr. Peter Julian: Thanks to all our witnesses.

It's very important testimony. Particular thanks to Mr. Wright and Mr. Kennedy for proudly representing our country.

Chief Poitras, we have heard from a number of indigenous leaders, including most recently in Whitehorse. We had a terrific panel including Grand Chief Johnston. We have heard that we need to change how we fund first nations infrastructure, indigenous languages, health care, education, all those elements.

Aren't we really talking about a sea change in how we approach reconciliation, putting in place important investments so we can close all these gaps that you've clearly identified, to end the neglect in the history of colonialism and bring Canada to a new day of reconciliation?

Regional Chief Marlene Poitras: Absolutely.

I believe the Truth and Reconciliation Commission and its 94 recommendations are very important in that. Although a number of areas you mentioned are funded, there needs to be more. Often the funding that goes through it takes a long time to get to the first nations that really need the funding. I believe that an investment in building the economic base of those nations will go a long way to reconciliation.

● (1145)

Mr. Peter Julian: We heard in Whitehorse about difficulty even in accessing funding that had already been approved for the budgetary process. Has that been your experience with Treaty 6 first nations, that even when it's budgeted and announced, the funding is very difficult to obtain?

Regional Chief Marlene Poitras: Yes the flow-through, the funding, is oftentimes an issue, because, like I said, it takes a while. For example, in Alberta, on the Trans Mountain pipeline, there were a number of first nations that were interested in becoming owners of the pipeline, but the funding was an issue, and in terms of trying to access funds, oftentimes they were denied.

Those types of barriers need to be eradicated so that our first nations and the people on the ground who are building the communities can to be taken seriously in terms of building the economy of our first nations.

Mr. Peter Julian: Thank you very much.

[*Translation*]

Mr. Roy, you are talking about an overall increase of about $60 million per year. What impact would that increase have on job creation nationally? We certainly know that the culture sector creates a great many jobs. It is a very good investment when the government provides funding to create jobs.

Do you have any idea how many new jobs could be created with this additional investment of $60 million per year?

Mr. Martin Roy: We have studied the economic benefits. We estimate that the major events industry in Quebec supports 5,000 to 6,000 jobs. Those are the figures for Quebec; I do not have FAME data on the number of jobs across Canada, but using the rule of three, I would expect that the major events and festivals sector currently supports 15,000 jobs across the country.

This investment would certainly have an impact on the number of jobs and economic benefits. In recent years, we have seen that each investment maintains the ratio of economic benefits and jobs. For every investment in the festivals and events sector, there is a direct return in taxes, economic benefits and jobs in the same fiscal year.

I can deduce that such an investment would definitely boost jobs by more than 20%, roughly speaking, and have many economic, tax and incidental tax benefits.

Mr. Peter Julian: You are saying roughly 3,000 new jobs.

Mr. Martin Roy: Yes, if the rule holds true. The ratio holds true for tax, incidental tax and economic benefits, so if the ratio also applies for jobs, there would be considerable benefits.

Mr. Peter Julian: Thank you very much.

[*English*]

Mr. Malloy, you have very effectively put forward the case of the urgency of providing increased funding. I was surprised from reading your brief to learn that only 34% of 25-year-olds to 34-year-olds are degree holders in Canada. That is a problem when we are compared to other countries.

When I read the brief, I don't get a sense of the size and scope of the financing that you're looking towards. When we talk about adequate funding for these projects and programs, what scale of funding should we be looking for in the next budget?

Mr. David Malloy: That's a very good question. Our association didn't specify exactly what amount we'd be asking for. Our interest was more pushing the agenda forward for support for undergraduate research writ large as well as just opening access to federal funding in a much broader way. We don't have a number. We can certainly report back to you to suggest a number.

Mr. Peter Julian: I think that would be helpful for the committee.

Mr. David Malloy: It was more of a philosophical push than a financial one, but I would be happy to consult with my group and get back to you with a number.

● (1150)

Mr. Peter Julian: I think that would be helpful, so thank you very much.

Madam Andreas and Mr. Hamil, you have talked about the importance of ensuring an export market for agricultural manufacturing, and you put forward a very effective case for that. Could you give us some idea of what's happened to the domestic market? We've seen the elimination of single-desk marketing. We've seen a lot of—for lack of a better word—carving into our supply-managed sector. Have you found over the last few years as a result of those actions that there's been more of a challenge with the domestic market, that it's something that potentially we should be looking at, as well as stimulating exports?

Ms. Richelle Andreas: Thank you for your question, and please, Mr. Chair, stop me. I could talk about farming all day long. This is fun for me.

The Chair: We will, because he's out of time. But go ahead.

Ms. Richelle Andreas: Fair enough.

Actually, we find quite the opposite. The elimination of the Canadian Wheat Board and the abolishment of the Crow rate have actually stimulated investment, specifically investment in technology and new farming practice.

The rate of investment in technology in farming right now is unparalleled. I compare it to a subsequent agricultural revolution. The way farmers are approaching farms now, they have more choices available to them than ever before, and they're using our technology and our equipment to deliver that farm practice.

The Chair: Thank you.

Mr. McLeod.

Mr. Michael McLeod: Thank you, Mr. Chair, and thank you to all of you for very interesting presentations.

I wanted to direct a couple of questions to the Assembly of First Nations, to the regional chief.

I really support your comment about recognition of where your wealth comes from. I represent a riding where over half of my constituents are indigenous. We have probably the second biggest oil well just outside my community and we don't have one job. Not one. I watch with interest as the guy who owns the companies invests in universities in Manitoba, and hospitals, yet has not given us a dime.

I watch as diamond mines pop up in the middle of Akaitcho communities. Those are Akaitcho lands. We sit there and we struggle in despair. Low housing and suicides, things of that nature. As I travel, I talk to indigenous governments. We talk about how to be self-sustaining, to move forward, to be self-governing.

We don't want to be under any other government. We want to be on par. We want to be partners. We want to co-manage, and that's where we're heading. But we can't be continually going to the federal government for what are called handouts by most people in the general population. We want to be able to operate on our own source of revenues. That means we need to look at resource revenue sharing.

Some jurisdictions have done it. I know that in the Northwest Territories the resources are split fifty-fifty between the territorial government and the federal government. Of the 50% the territorial government has, they give 25% to the indigenous governments. It's not enough, but it's certainly better than it was, and they just started that.

If we're going to move forward on governance and self-sustaining governance, we also have to look at procurement. In July 2015, the Prime Minister made some changes to the indigenous procurement program. We've seen some improvement, but of the 200 and some departments spending money out there, over 80% of them are spending zero on indigenous companies or on trying to promote indigenous economic development. That's a concern for us as indigenous MPs. We have our own caucus where we're flagging this issue and we're tracking it.

We're spending what? There's so much room for improvement that we want to make some recommendations.

What would you suggest to improve indigenous procurement? The indigenous set-aside policy is not doing what it should be doing. Do we need a new policy? Do we need new programs? Do we need to revise this program? What would be your suggestion?

Regional Chief Marlene Poitras: There are a lot of programs out there. ASETS is one program.

The procurement strategy needs to be improved. It needs to have first nations at the table to develop those policies around procurement. There are a lot of instances, as I said in my presentation.... Ontario is working with 31 first nations, and I know that in northern Alberta—I'm from the Mikisew Cree First Nation—there are a lot of aboriginal communities working on that, under businesses as well and they are successful.

I think more needs to happen because, especially now, more and more women are getting into business ownership. There needs to be some recognition of small businesses and the growth that is needed for them to become successful in the Canadian economy.

● (1155)

Mr. Michael McLeod: I'm also watching the land claims, governments and the indigenous self-governing nations. We are still seeing too many government projects being developed right in the heart of their communities with no attempt to ensure that indigenous companies get in. There are lots of indigenous companies. Some self-governing first nations have economic clauses in their agreement that state that they are supposed to get the first right of refusal on these contracts.

How do we ensure that happens? Is there something you would recommend that the government as a whole can start to honour? This has been going on for a long time. The initiatives that have come forward have improved it, but they still haven't changed it enough for most indigenous people across the country.

Regional Chief Marlene Poitras: Absolutely.

In Alberta, there is a wide range of first nations. There are the haves and the have-nots. As you said, a lot of them have success in their businesses. But those have-nots really don't have any type of resource opportunities within their region.

I think the government needs to look at that, so that the first nations, the have-nots trying to create businesses, are taken seriously, because they want to be successful as well.

The chiefs in Alberta have also started some discussions around resource revenue sharing, but it needs to go further than where things are now.

Mr. Michael McLeod: There's a lot of work to be done. The whole issue of how to work with the indigenous people, from a government standpoint, is complicated. It's complex. We have on reserve and off reserve. We have Métis. We have first nations. We have the Inuit. Everybody is in a different situation. We're looking at it from the indigenous caucus. We're having a lot of discussion on this issue.

If your recommendations are compiled somewhere, maybe you could share them with this committee so that I could get the chance to look at them. I'd appreciate it.

Regional Chief Marlene Poitras: Absolutely. I'd love to do that.

A lot of first nations right now are building their economies with their nations, working toward self-determination, building their laws and their constitutions, protocols and all of that. There are good things happening. I believe that with government supporting those nations, we can go a long way—

The Chair: Thank you all.

If you have anything additional, Chief Poitras, just send it to the clerk, and we'll get it to committee members.

Mr. Kelly is next, and then Ms. Rudd. We'll go to five-minute rounds, and we'll have a little time after that.

Go ahead.

Mr. Pat Kelly: Thank you.

My question is to Chief Poitras as well.

I'm very interested in the obstacles to indigenous participation in public procurement.

The government operations committee tabled a report on this subject. It was broader than just indigenous procurement. The study was on modernizing federal procurement for small and medium-sized enterprises, women-owned enterprises and indigenous-owned enterprises.

What was quite common in the testimony at that committee was that the obstacles to participation in government procurement were very similar between any small and medium-sized enterprise and those owned by indigenous shareholders or women-run enterprises. They all said that federal procurement is absolutely, horrifically complicated and difficult. This has spanned governments. This is not new.

I wonder if you could identify for this committee some of the very specific obstacles indigenous-owned enterprises have in participating in public procurement.

● (1200)

Regional Chief Marlene Poitras: As I said previously, when the funding comes to the regional level, it becomes harder to access. I believe the biggest obstacle is the bureaucracy—when there's funding available, you have to do the proposal, you submit the proposal and then there are more things you need to submit. It creates a lot of barriers for first nations, especially those that don't have the capacity in the first place. They're hiring consultants to help them develop their proposals. It becomes a barrier. They have less and less funding.

I really believe it's the bureaucracy that needs to change so that accessibility can be better for the first nations.

Mr. Pat Kelly: Are you aware of whether indigenous-owned enterprises find it easier to get private-sector contracts? We heard at committee that Suncor, Syncrude and Imperial Oil annually have about a billion dollars in subcontracts that are filled by indigenous-owned enterprises. That's far more than the federal government does, and those are just three companies.

Is it easier to deal with private companies than to deal with the federal government when you're trying to get a contract as an indigenous enterprise?

Regional Chief Marlene Poitras: Yes, it is, because with the businesses you don't go through that big bureaucracy. They're developing one-on-one relations. They build relations and have an understanding of what the first nation wants and the expectations of the company. It's easier to work through that. With the bureaucracy, you have to go and deal with some bureaucrat who's been sitting in an office and really doesn't understand the needs and expectations of the proposal going forward.

Mr. Pat Kelly: So having a set-aside for indigenous businesses doesn't really help an indigenous business, simply because it costs too much or the risk is too great to actually participate in a government RFP when you could perhaps have a better business opportunity elsewhere.

Would reducing complexity be the key recommendation to do requests for proposals from the federal government?

Regional Chief Marlene Poitras: Yes.

The Chair: On this point of dealing with the bureaucracy, do you deal with Ottawa or do you deal with someone local?

Regional Chief Marlene Poitras: We deal with both levels. When Ottawa has a pot of money it usually comes to the region, but it has a lot of expectations attached to it. When it comes to the region, even though they try to work with us to relieve some of those bureaucratic requirements, it still creates a lot of issues in terms of accessing the funding.

The Chair: I think what you're saying is the local people probably have an understanding of the project and want to move it forward, but they're dealing with a bureaucracy in Ottawa that just doesn't understand things on the ground.

Mr. Pat Kelly: A lot of the focus, it seems, is on indigenous communities that are in remote areas, or at least outside of the major centres, and yet many indigenous Canadians, perhaps the majority, now live in cities. Are there other ways besides the resource sector in remote communities that the federal government can see better participation of indigenous Canadians, perhaps in procurement in the cities or more procurement on the service side? Do you have any recommendations there?

● (1205)

Regional Chief Marlene Poitras: I think it would be better if the funding were to go directly to the nations or to the regions where there are institutions that actually provide resources, like Aboriginal Business Canada. A lot of first nations do access those institutions for funding. Of course, the funding that goes there is limited. If they were to increase the funding to that, and especially to the institutions in the region, it would make life easier for those trying to access it.

The Chair: Thank you all.

Ms. Rudd.

Ms. Kim Rudd: Thank you, and thank you all for coming and being with us this morning.

I just want to make a couple of comments.

David, on your support for Mitacs, I want to let you know that yesterday in Victoria we had an excellent presentation from them, and we certainly learned the scope of the work they do. It's important work, and I'm very glad to hear that there's a partnership and that you indeed are supporting the work they do. Thank you very much for that.

On Sport Matters, I did a little bit of research. You've been around since 2000, and you are still called the senior leader. I think that's very cool. It's a grassroots organization that has not gone into the corporate structure of not-for-profit organizations. You're to be commended for that. The amount of overhead in administrative compensation that comes out of your organization is very minimal compared to the overhead of a lot of others.

I have a very quick question for you. In terms of the funding allotment, you've said that some years it went down in some areas, and in some areas it went up. This $18 million you're requesting, is there a formula that would divide it among those categories? What's the process?

Ms. Lindsay Hugenholtz Sherk: Our recommendation is sector-wide. If you were to talk to Canada Soccer, Curling Canada and Bobsleigh Canada, you would find that we would prefer that the funding be injected into the program. The program is administered by Sport Canada. It has a sport funding and accountability framework to which each organization submits, and its formula then disburses the money. We're looking for an injection total into that program.

Ms. Kim Rudd: Good. That's very concise. That you very much.

I'll turn to the agricultural manufacturers. Thank you for your presentation, Richelle, and to Tyler for coming.

I come from an agriculture community. We talk about the accelerated capital cost allowance, which I was interested to see in here. The average person has no idea what a combine costs and how big they are, and the technological advances that have been made.

One of the notes you made was the recommendation that the government encourage Export Development Canada to continue to strengthen its support for Canadian exporters active in developing markets such as South America. As you know, there are ongoing conversations around the Mercosur agreement. I had the privilege of being in Argentina not that long ago, and the agriculture opportunities for Canada there specifically are quite large, so I was really happy that you put that in as one of your recommendations. Thank you very much.

Isabelle, it's good to see you. It's been a couple of weeks. I gave you a shout-out in the earlier group. Your organization did an excellent analysis of the capital cost allowance, and I very much enjoyed hearing about how that process transpired.

The first polypropylene plant in Canada is a big deal. Until that point, we have been importing all of the polypropylene Canada has been using. What is that number? How much are we using and what are we importing, in dollars, if you have that?

● (1210)

Ms. Isabelle Des Chênes: I don't have the specific dollar figure for the Inter Pipeline polypropylene plant.

One thing that is really interesting about that particular project is it's a $3.5-billion investment. It was announced at the beginning of the year here in Alberta. They've already injected over $650 million as part of the construction work so far. They've engaged 150 Alberta-based and almost 40 Canadian-based companies to participate in the conception, design, fabrication of the equipment and overall construction.

When we talk about ACCA and what that means for government, in particular, and for the companies, with the research we've done, we'll start seeing investments coming back and a return on their investment in terms of lifting the taxation in about six to eight years. In the long term, you're going to start getting those revenues coming in. If we look at the Inter Pipeline example, we see its construction is slated to be completed in 2021, and during that process it will be employing 13,000 people. Its labour income is over $2 billion and the GDP impact is about $3 billion. The federal coffers will be enriched by about $508 million in that time.

When it moves to the actual operation phase, it's more than 1,000 jobs; it's $131 million in government revenues every year, $44 million of which will go to the federal government; it's labour income of $141 million; and an annual GDP impact of $650 million.

From our perspective, allowing ACCA to move forward ensures that we will receive investment in Canada, because if there is no investment, you're not getting any of these benefits.

Ms. Kim Rudd: As Canadians, the fact is that we've been importing that product forever, and this will be the first production in Canada, with another plant about to be started as well.

Ms. Isabelle Des Chênes: It's about to be started—

Ms. Kim Rudd: Exactly. Thank you.

The Chair: Thank you.

That investment is a good one, but you do mention in your submission that we're only getting a handful of investments to what we should be getting. Why is that? What's the reason, and what needs to be done to solve that problem?

Ms. Isabelle Des Chênes: It's an interesting problem. Actually, a number of our members are about to make final decisions on fairly large investments. You have Dow Chemical, which is looking at a $6-billion U.S. investment. It's a competition, really. They're looking at Argentina, they're looking at the U.S. Gulf coast, and they're looking here in Canada.

One of the things that makes the U.S. Gulf coast attractive is the recent changes in the tax structures. Certainly we have similar advantages in terms of low-cost feedstock, and natural gas liquids are fairly inexpensive. It's primarily that competitiveness piece. They like to do business in Canada.

We have a number of other companies, like CKPC, that are in the process of applying for SIF funding. They'll be making their investment decision in January 2019, I believe.

Those are significant opportunities for the Canadian economy, and it's really a matter of incentives, as Alberta's Industrial Heartland Association mentioned earlier. Incentives are par for the course in this day and age, and certainly when we're competing with the United States.

The Chair: Okay. Thank you.

We'll take one question from Matt, one from Peter and one from whoever wants to go over here.

Matt.

Mr. Matt Jeneroux: Thank you, Mr. Chair.

On that point, you have on your website an article entitled “Canada to lose 635,000 jobs, petrochemical industry at ‘serious risk’ due to U.S. tax reform”. That's quite significant, and thank you for sharing that in your recommendations, as well.

The question I want to ask you, Mr. Roy, concerns the security costs you indicated. We're seeing that our neighbours to the south in Calgary are applying for the Olympics. I imagine this is of interest to you here from Sport Matters Group, as well. I'm curious as to exactly what type of support you're looking at.

I was talking earlier about the Edmonton Heritage Festival. It's a festival that is the scope of a major park in our city, and part of the attraction is the accessibility of it. People ride their bikes. They rollerblade there. It's encouraged, in fact. Policing something like that, or adding adequate security to that, is a significant challenge. A festival like the Heritage Festival encourages a lot of young families to come, but we don't want to make the cost so prohibitive that we can't have the festival.

I'd like your perspective on where that sweet spot is and what we need to do to ensure that there is adequate security but at the same time it is also made as accessible as possible.

● (1215)

Mr. Martin Roy: As I said, the security costs have increased by 60% over the past five years across the FAME membership. I talked with Jim a bit earlier, and he told me that the cost of security at the Edmonton Heritage Festival went from $4,000 to $240,000. It was multiplied by 60, which is just amazing when you think about it.

Another example I can give you is that last summer in Quebec City, for the Festival d'été de Québec, they had to have drone detectors, because now people are flying drones over the crowds. You can think of anything. Of course there are trucks. There's all that. We need to face modern threats with modern technologies, and that's what we are looking for, actually. We need to buy metal detectors. We need to have drone detectors. We need to have everything possible.

Of course, we also need to hire more security agents, and that's also costly. There's no way you can sponsor security. I mean, you don't want metal detectors to have the TD Bank logo on them. It doesn't make sense. It's really a matter of having more revenue. Of course, if you get a bit more revenue you can't just use it all for security. Other expenses increase as well.

As I said, there's a program right now at Public Safety. The security infrastructure program for communities at risk really helps communities at risk, like schools, churches and others, to buy the sort of stuff I just talked about—metal detectors, cameras and all that. We're basically looking to have access to this existing program and to have more funds within the program.

The Chair: Thank you both.

It actually might be appropriate if they had their logos on the scanners. Banks are pretty good at scanning everything we do, or at least I find that when I go to them for a loan.

Mr. Julian.

Mr. Peter Julian: Thanks very much, Mr. Chair.

Madam Des Chênes, you spoke in your brief about the partnership with the federal government on recycling of plastics. It's very interesting.

I'm wondering to what extent that is being developed now. You reference working currently with Environment and Climate Change Canada to recover the value of waste plastics as potential feedstocks for recycling and redevelopment.

As you know, of course, it's an important area internationally. More and more people are concerned about plastic pollution.

Before I worked in an oil refinery, I worked in a plastic factory. I know plastics first-hand, and I share that concern.

This could be quite a dynamic program, where Canada could be a world leader. Where is that now in terms of development, and what would be the resources that would be required so Canada could be a world leader?

Ms. Isabelle Des Chênes: We've been working closely with Environment and Climate Change Canada, through the G7 process and helping to support the development of the ocean plastics charter and the plastic innovation challenge.

A lot of the work that has gone into the innovation challenge is interesting and can be applied to the work that Environment and Climate Change Canada and the Canadian Council of Ministers of the Environment are about to undertake in developing a national framework for a zero plastic waste strategy. We met with the deputy ministers last week, and they invited a number of members of the plastics value chain.

One of the areas that we know government can really help is around regulation and policy. From an industry perspective, we're there to innovate. We have a lot of the technologies in place. There is a lot of interesting work being done around chemical recycling. It's a matter of working with government and ensuring that we can get the necessary supports to do that commercialization in many instances, but also to ensure that the regulations allow companies to treat that diversion as diversion, as opposed to waste and applying sort of waste management regulations to it.

It's a whole-of-society approach really, but there are some interesting levers. The federal government can work through provincial engagement and with municipalities to deliver some best-in-class collection and recovery opportunities for plastics.

● (1220)

The Chair: Thank you both.

The last question will be to Mr. Fergus.

[*Translation*]

Mr. Greg Fergus: Thank you very much, Mr. Chair.

I would like to return to Mr. Kennedy. Actually I completely forgot to tell him that, while I was at high school in Montreal, I was the curling skip. We won the silver medal for the Montreal area. It was not at the national level, but it was quite good. I think I was a natural for curling with my curly hair. There were 16 teams at the time.

Mr. Malloy, my youngest daughter is a student at one of your member universities. We know how important research universities are. They are a bit smaller, but they do research on a whole range of subjects. It is extremely important. She had a fantastic experience as a student. She went to Bishop's University and enjoyed very strong ties with the professors there. Now she is studying abroad, in Mexico. It is her term abroad.

There are of course the big universities such as the University of Toronto, McGill and UQAM, but we must also recognize the importance of the universities that your alliance represents, because they offer the majority of students right across Canada a great experience.

In your third recommendation, you call on the government to support the recommendations of the Naylor report. What are the objectives of the universities you represent? This is your opportunity to tell us.

[*English*]

Mr. David Malloy: Thank you for your question. I want to recruit you to be a supporter for ACCRU. You speak very passionately.

The ACCRU alliance wants to have increased funding. If we follow the Naylor report, and if we were able to match or increase the amount based on inflation, this would essentially raise all votes. This would enhance U of T's capacity, as well as Bishop's capacity, to enhance the research agenda.

Yes, we would certainly love to see this increase. It would provide us with much better capacity to not only support the research we have now, but engage in more research, whether it's peer or applied.

I think the RSF is a very important issue for us, but so is the funding for undergraduate research awards. As I mentioned, currently it's NSERC only, but to provide that kind of research opportunity for social sciences and humanities students, as well as for students in the health research world, I think, is very important.

These are skills not just in the typical sense of research. This isn't about being a lab student. This is research writ large. This is students interacting with businesses, with community and with government. These are experiential research opportunities for all of our students that would be enhanced not only by the undergraduate research awards, but also by Mitacs.

● (1225)

The Chair: Thank you again to all the witnesses for their presentations, for their briefs and for answering our questions.

We do have five audience remarks coming up in our open-mike session. If members want to chat with any of the witnesses, I would suggest that we suspend for five minutes and then come back for the audience remarks.

●

(Pause)

●

● (1230)

The Chair: We'll reconvene; and we shall start with Chantell Gosh.

Welcome and I think you know the procedure. Please hold it to about a minute, and just know that there won't be questions from members, but your comments go on the record as part of our pre-budget consultations, and they will be considered in the same way as all the rest.

● (1235)

Ms. Chantell Ghosh (As an Individual): Absolutely. Thank you.

My name is Chantell Ghosh. I am the executive director of the Citadel Theatre, which you'd see if you were to walk out into the lobby and look through the window. I'm also on the board of directors for the Edmonton Economic Development Council.

Today, I'm here to speak to assist my colleagues in Ottawa at the Canadian Arts Coalition. They have asked me to come and provide some supporting comments for our ask for an increase in funding. Welcome to Edmonton. Welcome to the heart of Treaty No. 6 territory. We're happy to have you all here.

I was here earlier this morning and was just listening. I know that there are a number of very valuable demands on the resources of our government. I know that there is a lot of competing interest and a lot of very laudable causes that you're constantly balancing. Thank you for the work you do. I do know it is difficult. I do know you're constantly making compromises and choices.

I'm here to talk to you about why I would like you to make a compromise and choice in favour of the arts in Canada. We of course have that social support for why the arts are important. We are part of making people feel they are part of a community, welcoming new Canadians, including indigenous people into conversations that they have previously been locked out of—all of those kinds of things.

When we're talking about budget, when we're talking about investments, I know that the Canadian Arts Coalition has asked for $30 million over three years toward our presentation and festival fund. I thought I would zero in directly on why that is important.

The cultural industry in Canada is responsible for $54 billion of our GDP. That is bigger than forestry. That is bigger than oil. That is bigger than hunting and tourism. In some spaces, there is definitely a financial case to be made for supporting presentations and festivals and specifically in that value chain of the arts.

We have wonderful support from the Canada Council in terms of creating new works. We have supports for producing those new works. But we have a weakness when it comes to presentations and festivals. That is how you amplify the value of those works. If you look, for example, at *Come from Away*, you'll see it started out as a small production at Sheridan College, was workshopped and now is one of the highest grossing Broadway plays. I can't even get a ticket.

These are ways we can create the value that then brings dollars back into the Canadian economy. Right now when I present a show that's been produced elsewhere, I am paying royalties to the U.S. I would really like to be able to chose wonderful, spectacular successful pieces that have been built and grown in Canada and now have a life beyond, like *Hadestown*, which we just produced in November and is now opening in London's west end and going to Broadway in the spring.

These are successes that are happening. With small amounts of investment, we can have great amplified financial benefit to this country and to the creative arts, not to mention that we are place-making. I don't know of a town that I want to visit as a tourist that doesn't have amazing art. This is how we bring tourism dollars. This is how we bring investment dollars.

I don't know of a head office of a company that wants to move its people to a city that doesn't have great quality of life. A great job is wonderful. Good schools are great. Affordable real estate, yes, but if I don't have anywhere to take my kids after school and on the weekends in the winter, I am not going to be a very happy person. That's part of that overall investment.

I wanted to reiterate that ask. It is important to us as an economy. It is important to us as Canadians. It is part of why I have chosen to return to Canada after 10 years living in the U.S., because of the investments that are being made in our country that I'm so proud of.

Thank you.

The Chair: Thank you very much, Chantell.

Jim Gibbon, go ahead.

Mr. Jim Gibbon (As an Individual): Thank you, Mr. Chair. Thank you to the committee. Thank you, Mr. Jeneroux, for pointing out a few wonderful things about our event.

Welcome to Edmonton. It's always 20 degrees here, even in December, because the Oilers won yesterday, so it gets warmer.

My name is Jim Gibbon. I'm the executive director of the Edmonton Heritage Festival Association. You've heard a little bit about our event. We are the world's largest cultural event. Between 350,000 and a half a million people visit our river valley over three days. We've been recently recognized by the United Nations as an intangible cultural asset because of our size and longevity. Our 46th year is coming up this year. We are a member of FAME, Festivals and Major Events Edmonton, and we're working together with them to try to get some help with the biggest issue we're facing right now.

I want to emphasize the importance of security for the people who come to our river valley to support multiculturalism. We had over 100 representative cultural groups last year in 300 tents, and again, last year, 340,000 people came down to see it.

Our security costs have, indeed, gone from $4,000 a year, where it was almost marginal in our budget, to an estimated $240,000 this year. Our cash budget is $1.1 million, and that hasn't changed in 20 years. We've taken 25% of our budget now and moved it directly into festival costs in the form of security. When you see what's going on in the world, you kind of understand why we've had to do that. You don't want those sorts of things to happen here. We spoke for a few moments about some of the risks that we worry about at this point in time.

All I want to say is, this is moving money from the event itself, where people come down and celebrate multiculturalism and, again, we have the world's largest here. If you get a chance, come visit it. It's an astonishing event, and there's nothing of its scale anywhere else in North America. You have to see it to believe it. I'm so proud to be a part of it, because we're telling the world that Canada is the way the rest of the world should be. We're not perfect yet, but we sure try to get there, and we have this amazing multicultural society that we're so happy to share and to celebrate with the rest of the world.

It's getting to the point where we're risking these. I want to point out, again, we are a not-for-profit. I know there's concern about helping for-profit companies. We had, last year, 72 not-for-profit cultural groups provide the pavilions that people come down to see. There's no for-profit businesses on site.

We're also a charity. We rely on charitable donations just to help us survive in today's society. That money that is potentially on the table right now is of enormous importance. It's not just for us, but for all the other groups like us out there that celebrate Canada, and it's just getting to the point where all we're doing now is paying security. We're not really using that money to celebrate our own country.

● (1240)

The Chair: Thank you very much, Jim.

We'll turn to Mr. Paul Lucas.

Mr. Paul Lucas (As an Individual): Good morning and welcome to Edmonton. Thank you for the opportunity to speak today.

My name is Paul Lucas, and I represent the festival consortium here in Edmonton. We have 44 festivals. We meet monthly. We're an advocacy group.

I'm going to be speaking a little bit about Taste of Edmonton, which is one of the festivals I produce here in Edmonton. I'd like to address Mr. Peter Julian's question about economic impact and numbers for Quebec.

I have some statistics for you. We attract over 2.8 million people to our festivals. There are about 44 of them. We generate 254 event days with 54 full-time staff. We have over 100,000 hours of volunteer time. We're kind of the backbone of the community in terms of contributing back and getting a lot out of the community. With close to 100,000 hours invested, we feel that we're well-entrenched in this community.

My own festival, as an example, attracts 378,000 people over 10 days. It's the largest outdoor food festival in Canada. As for our economic impact, we generate about $10 million to the economic impact of Canada. Our tax bill is $1.6 million. Of that, $850,000 goes to the federal government, $449,000 goes to the provincial government and $134,000 goes to the municipal government. We have an investment given back to us through the Edmonton Arts Council of $100,000. I'd say that's a pretty good investment in terms of what we return to the community.

As many of our festivals are struggling—and we do struggle—funding has not gone up very significantly. I know it's the way of the world. We try to be as lean and mean as we possibly can, but when you're running on 54 people putting those kinds of numbers together you're the sponsor, you're the cleanup boy, you're doing everything possible. We run these things on shoestrings.

The added problems we're facing now with security are tremendous. It's putting a lot of pressure on the ability to grow our festivals.

One last thing I'd like to bring to your attention is that my colleagues in the festival industry generate, on average, 19% of tourism created right here in Edmonton. We would really love to see that number grow. We're a northern region. We struggle for every dollar we can get. We would like to see a growth strategy within our festival community, particularly as Edmonton is such a northern city.

Thank you for the opportunity to speak.

The Chair: Thank you very much, Paul.

We'll turn now to Ms. Hyu Lee. Welcome.

Ms. Min Hyu Lee (As an Individual): Hello. I'm grateful for the opportunity to speak here today.

My name is Min Hyu, and I volunteer with Engineers Without Borders Canada. In budget 2019, I'm asking that the Canadian government commit to a 10-year timetable of predictable and annual increases of 15% to the international assistance envelope. This refers to recommendation 85 that the committee made last year on its support in pre-budget consultations, as well as the OECD report on Canada released mid-September.

Last year, we were encouraged to see Canada increasing its ODA in budget 2018, but despite that increase, Canada's ODA spending is still near a historical low, and well below many of our global peers.

ODA is fundamental in shaping global prosperity. These investments support vital services such as health care and education in some of the least-developed countries in the world. We're not asking the Canadian government to suddenly jump from 0.26 GNI to 0.7% right away. We're asking that the ODA be increased through a predicable timetable in budget 2019 that would show Canada is a committed global leader helping create a better world for everyone.

Thank you again for the opportunity. If you have any questions, I will be sticking around.

Thank you.

● (1245)

The Chair: Thank you very much, Min.

Our last presenter will be Ms. Kyria Wood.

Go ahead, Ms. Wood. Welcome.

Ms. Kyria Wood (As an Individual): Thank you. I'll be reiterating a little bit of what was just said.

Honourable members, I would like to begin to acknowledging that we are in Treaty No. 6 territory.

By now, you probably recognize the T-shirt I'm wearing. My name is Kyria Wood. I'm a member of the ONE Campaign.

I'm here on behalf of 132 million girls who did not go to school today. I'm here on behalf of 2.7 million infants who die every year at birth. I'm here on behalf of the adolescent girls who account for 74% of all new HIV infections.

I'm proud to live in Canada, but I know that our country can do more to help people around the world.

Your committee has already recommended that Canada establish a path to investing 0.7% of Canada's gross national income in official development assistance by 2030. I'm here today to call on the Government of Canada to act on this recommendation in budget 2019 by increasing Canada's spending on global development and humanitarian assistance over 10 years through predictable 15% annual increases to the international assistance envelope, starting in fiscal year 2019.

The Chair: Thanks very much, Kyria, and thanks to all of you.

This will end our Edmonton session.

The meeting is adjourned.

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