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The Honourable Wayne Easter

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● (1105)

[*English*]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): We'll call the meeting to order. We're dealing with Bill C-97, An Act to implement certain provisions of the budget tabled in Parliament on March 19, 2019 and other measures.

We have four organizations as witnesses before us.

We'll start with the Canadian Labour Congress, Mr. Roberts, national director.

Mr. Roberts, the floor is yours.

Mr. Chris Roberts (National Director, Social and Economic Policy Department, Canadian Labour Congress): Thank you very much, Chair, and good morning, committee members. Thank you for the opportunity to be here today.

The Canadian Labour Congress is Canada's largest central labour body advocating on behalf of three million workers across Canada. In the brief time I have, I will focus on divisions 5, 6 and 7 of part 4 touching on the guaranteed income supplement, the Canada pension plan, changes to insolvency rules and amendments to the Canada Business Corporations Act. I will also touch on the Canada training credit.

I want to begin, however, by commending the government for a budget measure that is not contained in Bill C-97, namely its initial steps toward the implementation of a national pharmacare plan for Canada. Canada's unions are eager to see a universal single-payer system introduced in this country to address significant coverage gaps and the drug affordability crisis facing Canadians.

Turning to retirement benefits, Bill C-97 allows the proactive enrolment of CPP contributors aged 70 and over. The CLC welcomes this initiative as a very positive step. The bill also amends the Old Age Security Act to make improvements to the guaranteed income supplement and allowance for low-income seniors.

Extending the GIS earnings exemption to self-employment income, increasing the full exemption and introducing an additional partial exemption are important improvements that will make a meaningful difference in the lives of low-paid working seniors.

However, the GIS clawback will continue to apply to the first dollar of CPP and pension income, RRSP income, EI benefits and other income in retirement. On these income sources, a 75% or higher effective marginal tax rate continues to apply. For this reason, the CLC urges the government to undertake a comprehensive review of the GIS clawback in the context of all income sources in retirement.

With respect to changes to insolvency rules, in our view, Bill C-97's amendments to the Bankruptcy and Insolvency Act and Companies' Creditors Arrangements Act are inadequate and represent a missed opportunity to prevent the injustice of defined benefit plan members and retirees suffering benefit cuts when sponsors enter insolvency.

Bill C-97 will amend the Bankruptcy and Insolvency Act to allow a bankruptcy court to determine whether a share redemption or a payment of dividends in the year prior to the date of bankruptcy was made by an insolvent company or had the effect of making the corporation insolvent. If so, the court can now allow the trustee to recover these amounts. However, this would not have prevented the $1.4 billion in dividend payments approved by the directors of Sears Canada in the years prior to entering insolvency and liquidation in 2017, despite the windup deficit in the pension plan.

There is still no requirement for corporations to notify the pension regulator, much less seek the regulator's authorization if a sponsor with a pension deficit makes a dividend payment or engages in a share repurchase that represents a risk to benefit security.

To address this risk, Ontario introduced the disclosable event regime last year, and regulators in the United States and the United Kingdom have similar powers. The federal government can and must do far more to protect plan members in insolvency. Labour movement has been urging the government to either grant pension claims superpriority status in bankruptcy or introduce mandatory pension insurance in conjunction with provinces and territories.

Turning to continuous learning, Bill C-97 enacts the Canada training credit, part of the new Canada training benefit. The CLC welcomes this lifelong learning benefit; however, we are concerned that the four-week limit on training programs, the 600-hour eligibility requirement and low replacement rates of the EI training support benefit and the fact that the training credit can cover no more than half of tuition and training fees will limit the benefit's effectiveness and reach for low-paid precariously employed workers who most need training opportunities.

With respect to pay transparency, Bill C-97 amends the Canada Business Corporations Act to require federally registered public companies to disclose prescribed information regarding the well-being of employees, retirees and pensioners and the diversity of directors and senior management.

The CLC believes that this information should include the ratio between director and senior management compensation and median employee earnings. It should also include total employee compensation and median pensions and pay received by pensioners as well as the funded status of the pension plan.

● (1110)

Thank you, Chair. My time is up. I welcome any questions the committee might have.

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

We're now turning to Chief Marlowe, of the Lutsel K'e Dene First Nation, and Mr. Nitah, lead negotiator. Welcome.

Chief Darryl Marlowe (Lutsel K'e Dene First Nation): Good morning.

I'd like to thank you, Mr. Chair, and the committee, for giving us the opportunity to speak today, regarding Bill C-97.

I'd like to mention that this has been Lutsel K'e's main objective and mission. We have a mandate set by our elders to create and protect our traditional territory around our community within the Northwest Territories.

The first time the government invited the former chief and elder, Pierre Catholique, to come here to do a presentation like the one I'm doing today.... It's been well over 40 years. At that time, the community and the elders weren't ready to pursue a park. Now, after educating ourselves, doing due diligence on behalf of our community and our people and creating a partnership with Canada and GNWT, we're willing to create a national park reserve on our traditional territory. That's why we are here today.

Lutsel K'e Dene First Nation has been working to protect Thaidene Nëné for over 40 years.

Lutsel K'e Dene First Nation has the following objectives with respect to Thaidene Nëné: to recognize and affirm indigenous rights, responsibilities and our treaty relationship with the governments of Canada and Northwest Territories; to protect the natural and cultural landscape of Thaidene Nëné for all time, and for future generations; to share the stewardship and management authority with Canada, using a leading model in the country and in the world; and to foster a sustainable economy, based and rooted in conservation, culture and tourism.

The main reason we want to protect our land is that we want our children's children to have, and to continue to practice, our Dene way of life. This gives them certainty that they are going to be protected in that way, for our culture and our identity

We have done everything that needs to be done on our end to establish Thaidene Nëné, and achieve these objectives. We have concluded establishment agreements with Canada and the GNWT, grown our own management capacity, started local community tourism planning and obtained public and private commitments for long-term sustainable funding for our stewardship responsibilities, including guardianship.

Recently, we had a ratification vote to determine whether our community supported us to go ahead. We had a very high voter turnout. On February 18, 2019, 88% of our membership voted in favour of the establishment of Thaidene Nëné.

We want to get Thaidene Nëné established now, so we can sustain our forward momentum, and fulfill our shared objectives. Bill C-97 is consistent with our vision and objectives, and we encourage smooth passage of this bill, to enshrine Thaidene Nëné in law in advance of the uncertainty of the coming election. LKDFN's long-term funding commitments and the creation of long-term jobs and economic opportunities associated with Thaidene Nëné are dependent upon it.

I want to thank Steven Nitah, our chief negotiator, and our negotiation team, as well. They've been at this for quite some time—over 10 years, or maybe it's closer to 17 years. I want to congratulate him and the team on all the hard work they're doing on behalf of our community members. I'm speaking on behalf of my community, Lutsel K'e Dene First Nation in the Northwest Territories.

I would like to give Steven the opportunity to say a few words.

● (1115)

The Chair: Steven, the floor is yours.

Mr. Steven Nitah: *Mahsi cho*, Mr. Chairman, and *mahsi cho*, Chief and committee members.

I also would like to thank you for giving us the time to share the good news that is Thaidene Nëné. As Chief Marlowe indicated, we have been diligently working with both levels of Crown governments over a number of years to create Thaidene Nëné together. Thaidene Nëné was a mandate and vision given to us by the elders, most of whom have passed on since that mandate was given to us. As chief negotiator, I was mandated to take the leadership role on behalf of the community over all these years.

We first started the work in earnest in 2000, once we initialled the Akaitcho lands, resources and governance agreement on July 25, 2000. The elders at that time asked us to move forward to protect the heart of our homeland—not the entire territory of our homeland, but the heart of our homeland. At that time, they identified 55,000 square kilometres as an area of interest.

In 2006 then chief Addie Jonasson signed an MOU with then minister of the environment Rona Ambrose of the Conservative Party. That allowed us to do further research and due diligence on best practices at the global level and down into Canada. We could have chosen different partners in our relationship in the creation of Thaidene Nëné, but we chose Canada because we have a treaty with Canada. We agreed to share the lands and resources and the responsibility to share them and to benefit from them. In 2010, when I was the chief, I signed the framework agreement with the late Jim Prentice, who was then minister of the environment, to start formal negotiations. In our culture we've never really had a political structure that would have a grand chief, per se. Leaders are chosen for specific purposes. At that time, the elders and the community appointed me to take the leadership role to usher in the negotiations and build the relationship requirement to create Thaidene Nëné.

Thaidene Nëné today is a model of conservation. It's a model of reconciliation between indigenous and Crown governments, collectively between us and the land, and as a form of economic reconciliation. Significant investment will go into our community, where 18 full-time jobs will be created. We will work alongside Parks Canada in the management and operations of Thaidene Nëné equally, as a shared responsibility. An amount of $32 million will go into that area for the first 12 years, and approximately $3 million annually after that for the operations and management of Thaidene Nëné.

Thaidene Nëné is a great example of reconciliation in this country. In fact, Thaidene Nëné has been used by Canada and by many indigenous nations across the country as an example of how to develop their relationships with Crown governments. Together we've created a model of a relationship that's been utilized and emulated by many right across the country. In fact, it's helping speed up the relationship building between indigenous governments and Crown governments and the creation of marine and terrestrial protected areas to help Canada reach its Aichi targets of 17%.

With Thaidene Nëné we're ready to go. The conditions are good. We're in a position to sign and establish Thaidene Nëné in July this summer. As the chief indicated, we have secured funding to allow LKDFN their independence and to be a true partner in the management, operations and governance of Thaidene Nëné. We have the capacity to move forward and diversify our economy. We are in a place in the Northwest Territories where our traditional territory is 280,000 square kilometres. A national park of 14,000 square kilometres, with an additional 12,000 for a protected area, is just a small piece of our territory.

● (1120)

We are not anti-development. We have a relationship with all the mining industries in our territory. We have agreements with Diavik, BHP and De Beers.

Thaidene Nëné went through an extensive HMIRA assessment that informed the final boundaries that we see today. All the highly prospective mineral potential has been taken out of the area of interest. Areas that are unknown geologically have been excluded from Thaidene Nëné as well. We've taken great care to ensure that Lutsel K'e has positioned itself to participate in both the non-renewable and the renewable resource economy.

Thaidene Nëné will provide a long-term, stable, consistent economic base for the community and at the same time create certainty for investment outside of Thaidene Nëné within our territory.

It's a great model for reconciliation in this country, and it's a great model for conservation relationships among indigenous governments and Crown governments, whether at the federal or the provincial level. We have an establishment agreement with the Government of Northwest Territories, and we've helped develop the legislative proposal that has been reviewed by the people of the Northwest Territories through public hearings by the Northwest Territories Standing Committee on Economic Development and Environment. They're doing that as we speak. We hope they will turn that legislative proposal into law in their next legislative session in May so we can all sign off on the establishment agreement and celebrate the creation and establishment of Thaidene Nëné.

With that, I will answer any questions you may have.

Mahsi cho.

● (1125)

The Chair: Thank you, both. I know you submitted a brief. It's only in English, and will be distributed when it's translated. It has a lot of the history in it, so it will be valuable information for members.

We'll turn to MNP LLP, Ms. Lidder, senior vice-president, taxation services, and Ms. Drever, regional tax leader. Go ahead.

Ms. Amanjit Lidder (Senior Vice-President, Taxation Services, MNP LLP): Good morning, Chairman, and members of the finance committee.

The fall economic statement and budget introduces measures to address competitiveness and affordability and signals that the government has taken first steps to addressing taxpayer concerns. We believe, however, that Canada must do more.

For over 60 years, MNP has been dedicated to our clients' success. Today we proudly serve more than 180,000 businesses and 19,000 farms throughout Canada. We are the third-largest tax filer in the country.

Our clients are concerned with how their businesses can stay competitive. In addition, they struggle to cope with the increasing complexity and administrative burden of the tax system. They're worried about how affordable Canada will be, especially for the next generation.

In terms of competitiveness, we note that the budget and Bill C-97 contain several improvements to capital cost allowance, scientific research and experimental development, legislative changes to section 143 that promote tax fairness, and small business deduction relief for farming and fishing businesses. These are important changes and initiatives on competitiveness. Of note, however, is the fact that the new accelerated capital cost allowance lacks parity with the recent tax reform in the United States. It does not go far enough to provide Canadian businesses with a competitive advantage.

Further, we continue to recommend lowering the combined corporate tax rate to a more modest 20%, and a combined personal tax rate below 50%. With a top marginal tax rate of 53.5%, Canada's is the fourth highest among OECD countries, which hurts our competitiveness.

In terms of the small business deduction, we are pleased that the government corrected the unintended consequences to the agriculture and fishing industries related to the 2016 legislative changes. However, there are other industry groups that were also inadvertently affected. We urge the government to ensure that Canadian start-ups and private enterprises are not subject to the proposed employee stock option cap. These businesses rely on stock options to attract and retain talent in their formative years, and removing access to stock options would severely impact their ability to compete in the global marketplace.

Affordability is clearly a growing concern for Canadians. It's an issue that dominates the daily headlines. MNP has a quarterly national study on affordability that shows that just under half of Canadian families are within $200 of financial insolvency every month. To try to address this issue, the budget and Bill C-97 include the following: targeted support for first-time homebuyers, a Canada training credit and an incentive to make zero-emission vehicles more affordable.

We commend the government for focusing on these areas and believe measures could be further enhanced. We find that many first-time homebuyers rely on their parents to help them with their down payments. Parents often take a tax hit in order to do so. We suggest that further incentives be contemplated to provide relief for parents, such as using their RRSPs for their children's homebuyers' plan. Alternatively, the government could consider simplifying related party loans specifically tied to the purchase of a home.

Governments are striving to make education affordable. The Canada training credit helps build our future workforce and ensures workers get the training they need. However, education costs remain a burden to many families. We recommend full tuition credit transfers, rather than the current $5,000 annual cap.

Regarding zero-emission vehicles, the incentive helps businesses but could inadvertently impact their employees. These vehicles are generally more expensive, and the standby charge for employees who drive them could become an affordability issue.

We are pleased with the government's commitment to consult on intergenerational transfers of businesses while protecting the integrity and fairness of the tax system. In our practice many families struggle with how to transition their business. In our brief we've shared Tracy and Marc's dilemma of selling their bakery to their daughter versus a third party. The tax system unfairly penalizes them if they sell their business to their daughter.

In summary, we ask that the government commit to introducing policies and tax measures to make Canadian businesses more competitive and improve affordability for Canadians. At the same time, we need to ensure that these measures are simple and do not increase the cost of doing business in Canada.

● (1130)

Tax policy should be fair, certain and predictable.

Together, we have much work to do and we look forward to working with you to ensure Canadian competitiveness and affordability.

Thank you.

The Chair: Thank you very much, Ms. Lidder.

We turn now to Vivian Krause, researcher and writer, who is appearing as an individual.

The floor is yours.

Ms. Vivian Krause (Researcher and Writer, As an Individual): Thank you, Mr. Chairman. Thank you, members of the committee and fellow panellists.

My name is Vivian Krause and I am here as a citizen.

I would like to speak to the changes in the legislation that specifically affect registered charities.

For most of my work life, I have been involved in charity, a decade with the United Nations and more than a decade with registered charities here in Canada. I have also done extensive research on the funding of environmental charities and their campaigns. It is my personal experience in the charitable sector and my research that inform my comments today.

In the 2019 budget, several changes are introduced to the law regarding the conduct and privileges of registered charities. The main changes are the removal of restrictions on the extent to which charities are allowed to engage in political activity, and the introduction of a new category of organizations that will now have the privileges of charities—journalism organizations.

I would like to offer some context to the discussion of these changes. To sum up in a few words, the main point that I would like to make is that these changes tinker at the edges of minor issues, meanwhile major issues are not addressed. It's to those major issues that I would like to speak.

Several years ago I first testified to a House of Commons committee on the U.S. funding that environmental organizations were receiving, and continue to receive, for their participation in a well-funded, anti-pipeline initiative called the Tar Sands Campaign. In response, the federal government allocated several million dollars in the 2012 budget to enable the charities directorate to conduct audits and education to improve compliance with regard to the conduct of political activities by registered charities.

What initially concerned me wasn't the anti-pipeline activism. It was what I saw as “garden variety” corruption. In one case, the president of a charity had paid more than a million dollars into his personal company.

As part of my first testimony in 2012, I urged that changes be made to the Income Tax Act to increase the disclosure requirements with regard to the revenue and expenditures of registered charities.

Over the past seven years I have continued to keep an eye on what is going on in the charitable sector. I am now even more concerned that changes need to be made to our charitable system to make it more robust to fraud. I've come to this conclusion based on my analysis of the grant making going on in a network of charities run by a lawyer in Vancouver. This individual claims publicly at his website that he has created 650 charities and executed more than two billion dollars' worth of charitable giving.

During 2017 and 2018, I went through the Canadian tax returns on about 130 of these charities. The revenues of these charities totalled $1.1 billion. By my analysis, less than 10% of that was actually spent on charity. Of the $1.1 billion, $600 million was tax-receipted donations. As far as I can tell, the amount of charity that has actually been conducted falls short of that by about a half a billion dollars.

In the fall of 2017, I provided my research on this file to the Globe and Mail. One of their investigative journalists, Kathy Tomlinson, reviewed my work and did further research of her own. Her findings were reported in a front-page story that ran in the Globe and Mail in October 2017.

As the Globe and Mail reported, the charity that is at the centre of this monkey business is the CHIMP foundation. My analysis of CHIMP's tax returns finds that CHIMP has granted roughly $100 million to a network of charities. If that money had been spent on charity, that would have been good, but that's not what happened. Instead, those charities regranted most of the $100 million amongst themselves and back to CHIMP.

If I may, I just want to illustrate this because it's hard to understand. CHIMP gave $100 million to a bunch of charities, and that's fine, except that what then happened is that those charities regranted the money, road-tripped it around and around, and then the money went back to CHIMP.

I found another example of this. In fact, the first one I found was actually just $3 million. It was with Tides Canada, a charity in Mississauga that I would characterize as a fake charity because all it did was receive money from another charity in Pawtucket, Rhode Island, road-trip the money to Vancouver, then to Tides Foundation in San Francisco and back to Pawtucket. In the process, this charity in Mississauga issued tax returns for three million dollars' worth of charity in Canada that never happened.

Our whole charitable sector is subject to this type of abuse because of what I would call shell charities. When charities are audited just on a one-on-one basis, this goes undetected, basically. You have to look at the bigger picture to see what's really going on.

● (1135)

I would like to suggest that increasing the disclosure requirements and transparency would be a cost-effective way to reduce the risk and to discourage this type of abuse within the charitable sector.

Another cost-effective measure to discourage fraud would be an online searchable database accessible to the public. In fact, several of these already exist, notably one provided by Mark Blumberg and another by a company called Ajah. Blumberg's is free, while Ajah's is not. While it's very good, it's quite costly and accessible for a fee that most Canadians would find cost-prohibitive. A combination of increased disclosure requirements and a publicly available searchable online database would go a long way to preventing the type of tax fraud scam that, under our current system, is all too easy.

Last, I just want to take a few moments, if I may, to flag for the committee that there are some significant issues with regard to the ultimate outcome of the controversial audits of political activity, which were initiated in 2012 under the previous government, and how these have been handled subsequently by the current government.

In 2016, the CRA reported that 42 charities were audited as part of the so-called political activity audits. In its report the CRA reported that, out of those 42 charities, 41 were not fully compliant. I have a reproduction of the CRA's own diagram. In only one case no problem was found.

When the current government came to office, the Prime Minister characterized these audits as "political harassment" in his mandate letter to the national revenue minister, and the finalization of the political activity audits was suspended. The law regarding limits on political activity has since been changed retroactively. As I understand it, the audits have been or are being finalized under the new law.

In practice, what this means is that some of the charities that would have had their status revoked will be off the hook because the law was changed retroactively. Back in 2012, when the fuss first broke out over the foreign funding of anti-pipeline activism, the charity in the hot seat was Tides Canada, based in Vancouver. Tides Canada has repeatedly denied any wrongdoing, but according to its own financial statements, the CRA audit of the Tides Canada Initiatives Society is still unresolved seven years since it began in 2011. This suggests to me that the CRA did not give Tides Canada an all-clear, as it has suggested. Furthermore, according to Tides Canada's financial statements, it was only audited for 2008 and 2009. This raises questions in my mind about why the charity at the centre of the fuss was apparently not audited for any of the relevant years.

One of the findings the CRA reported was "serious non-compliance" unrelated to political activity, including "undue benefit". This was what I was concerned about with regard to a payment of roughly $400,000 to the president of an environmental charity. Subsequently, the individual who received this payment, Mr. Gerald Butts, became the principal secretary to Prime Minister Justin Trudeau. Mr. Butts has confirmed via Twitter that he did receive this payment as severance after he voluntarily resigned.

If the political activity audits were carried out as a form of "political harassment," as the Prime Minister has characterized them, then of course it would have been correct for the Prime Minister to characterize these audits as such. But as we now know from the results of these audits, as reported by the CRA, this was not the case. This raises questions about why the Prime Minister characterized these audits as something that they were not and why the audits were suspended until the law was rewritten retroactively. From the way these audits were handled, some charities and individuals may have benefited. Some of these charities and individuals have very close involvement with the Office of the Prime Minister and his former principal secretary. Therefore, I believe the handling of these audits raises serious questions that merit answers.

Thank you, Mr. Chairman.

● (1140)

The Chair: Thank you.

Thank you all for your presentations.

We'll start with a seven-minute round, and Mr. McLeod, is up first.

Mike.

Mr. Michael McLeod (Northwest Territories, Lib.): Thank you, Mr. Chair.

Thank you all who came here to present to us today.

I wanted to, first of all, mention the members who are here from my riding, presenting on Thaidene Nëné.

This has been a park that's been in the making for quite a long time. My involvement through former chief Felix Lockhart was many, many years ago. It's always been amazing to see the number of players who were involved, but the number of governments that had to come together has been really amazing, even from the time of Rona Ambrose's involvement, as the Conservative government representative of the day, to Jim Prentice, and I think John Baird was also involved.

My first question is to ask about how you were able to bring everybody together. We have so many other issues that this model could work on. If this is something that is well supported, it should be able to work in other areas. We have many other things we're working on with indigenous governments, the federal government and the territorial government.

Maybe just in a short answer you could tell me how you were able to bring the interests of everybody in line to get this done.

Mr. Steven Nitah: Thank you, Mr. McLeod.

A good thing always brings people together and Thaidene Nëné is a good thing. Thaidene Nëné has certainly brought, from the indigenous side anyway, the descendants of the ancestors together to pursue the protection of the land of the ancestors. Thaidene Nëné means land of the ancestors.

The process has brought people together, not only for Thaidene Nëné and what we're doing with Thaidene Nëné. We're going to create Thaidene Nëné together and we're all going to benefit from Thaidene Nëné and create a conservation economy around that.

This relationship also translated into a working relationship between the Government of Northwest Territories, the Government of Canada, the Akaitcho Territory—of which Thaidene Nëné is a side table—and the NWT Métis Nation. We are currently in the process of developing the land use plan for the southeast of the Northwest Territories collectively.

We're very close to finalizing the terms of reference for a public planning process, which will build on a draft plan that will be developed by both Akaitcho Territory Government and the NWT Métis Nation. We're developing and building on Thaidene Nëné on what I like to call a land relationship plan for the southeast of the Northwest Territories that will create certainty for all: certainty for investors and certainty for the indigenous governments and their roles and responsibilities. There will be the creation of a management board under the Mackenzie Valley to make decisions on behalf of all in that region.

We are hoping to have a finalized land use plan that's going to contribute to both the finalization of the Akaitcho lands and resources government agreement and the NWT Métis Nation lands and resources government agreement.

Thank you.

Mr. Michael McLeod: Thank you.

I have one more quick question. I'm very supportive of the work that Minister McKenna has been doing on this file.

I know that the Akaitcho people have been under a lot of pressure over many years through the potential hydro expansion project on the Taltson, and with the many diamond and gold mines in the area. It has brought a lot of employment. It has brought an economic boom into that area and has created actually the backbone of our economy.

Do you feel that with this Thaidene Nëné now—and I think it's the only project of its kind in Akaitcho territory—we are now at somewhat of a balance between economics and conservation areas?

● (1145)

Mr. Steven Nitah: In the Northwest Territories, we don't export anything. We are small in population. We are a resource-based economy that's dependent on the world's economic cycles. Boom and bust is an issue.

Thaidene Nëné will stabilize that boom and bust environment. It will create a stable economic environment for not only Lutsel K'e, but for the region around Great Slave Lake. It's going to be designed as a tourist destination, so that a tourist economy can be built around it. It will benefit the city of Yellowknife, the businesses that support tourism, and not only the traditional tourist providers. We are looking at providing opportunities for exchanges between our youth and the youth from the inner cities across the country, where we're going to create space inside Thaidene Nëné for them to experience nature in its glory.

For that, you need support from logistical companies. You need support from airline companies that provide the same type of support for the exploration type of work, so that it's not only stabilizing the economy for Lutsel K'e, but it's stabilizing the economy for the region in those years like we see today where there's very little investment in exploration in the Northwest Territories. Outside of the operating diamond mines, there has been no investment in the Northwest Territories from the exploration side of the economy. The mining industry, of which I've been a member, has been talking about creating certainty through the finalization of lands and resources and government agreements. We have four land claims from the Inuvialuit, the Gwich'in, the Sahtu and Tlicho. We don't see new investment in those areas from the mining industry.

We need to balance resource extraction and a conservation economy. I think we're creating that with Thaidene Nëné.

The Chair: Thank you.

Mr. Poilievre, you have seven minutes.

Hon. Pierre Poilievre (Carleton, CPC): Ms. Krause, you mentioned links between these phony charities and members of the Prime Minister's inner circle. Could you elaborate on those linkages?

The Chair: That would be former members, right?

Hon. Pierre Poilievre: We'll find out.

Ms. Vivian Krause: I wouldn't say they're between the charities and the Prime Minister's Office, but a number of individuals who were involved specifically with Tides Canada, for example, are now employed in the Prime Minister's Office.

I will emphasize that's not where the real mess is that I talked about: the monkey business at the CHIMP foundation. There are no linkages that I am aware of to the Prime Minister's Office.

Hon. Pierre Poilievre: At Tides, who are the members of the Prime Minister's Office who are linked to the—

The Chair: Mr. Poilievre, could we let Ms. Krause answer the question first before you try to drive the point home?

Ms. Vivian Krause: Do I need to name names, Mr. Chairman?

The Chair: Go ahead. The floor is yours.

Ms. Vivian Krause: Do I need to?

The Chair: Yes, finish your first response.

Ms. Vivian Krause: I was just saying that I want to be clear that it wasn't with regard to the monkey business at the CHIMP foundation that I saw ties to the Prime Minister's Office.

The concerns I have with the Prime Minister's decisions are the way he handled the political activity audits of charities. That's because his principal secretary was the president at one and—

Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.): Point of order, Chair.

Ms. Vivian Krause: —also because all of these charities that were subject to audits—

The Chair: I'll have to interrupt—

Ms. Vivian Krause: —played a significant role in the 2015 federal election.

The Chair: I'll have to interrupt you. I have a point of order from Mr. Sorbara.

Mr. Francesco Sorbara: The questions and the innuendo on this have nothing to do with the BIA legislation, Chair.

The Chair: Thank you.

Ask your question.

Hon. Pierre Poilievre: What role did they play in the election campaign?

Ms. Vivian Krause: This is an important issue, because we now know from official documents of the Rockefeller-funded organization called OPEN that it claims credit, in writing, under the name of the executive director of the association, for having, and I quote, “contributed greatly to ousting the Conservative Party of Canada”.

● (1150)

The Chair: I'm going to have to have you stick to the budget implementation act. We're not going down a political road here in terms of this discussion. There is a lot of information in the budget implementation act, so you're going to have to keep your discussion related to the BIA.

Ms. Vivian Krause: I was just trying to answer the question, Mr. Chairman. I apologize.

Hon. Pierre Poilievre: I hope your comments don't come off my time, Chair.

The Chair: No, I guess they won't. Go ahead and ask your questions.

Hon. Pierre Poilievre: We'll add that time back on.

You mentioned that Mr. Butts received a $400,000 payment from one of the organizations. Which organization was that?

Mr. Francesco Sorbara: Chair, point of order.

The Chair: That is not on the budget implementation act, Mr. Poilievre, and you know that. We're—

Hon. Pierre Poilievre: Point of order, Mr. Chair.

The Chair: We'll allow you a point of order.

Hon. Pierre Poilievre: Point of order, Mr. Chair.

The Chair: Just hold on. I was ruling on your question. It's not on the budget implementation act. We're not going down a political attack road in this discussion.

What is your point of order?

Hon. Pierre Poilievre: The point of order is that everything that Ms. Krause has testified to relates to tax credits for charities, to CRA, which is an agency that reports to this committee; this is the CRA committee. Also, what she's talking about is political interference in matters of economic competitiveness, which are also related to the budget. We know there is an overlap between politics and economics, particularly with this government.

I have a certain amount of time here to ask questions. Viewers who see the camera will be able to watch this later on and determine if I am being relevant or not, and they can vote accordingly.

You don't get to decide what people get to say, so I am going to continue with my questioning.

The Chair: I do get to decide whether you're on the topic or not, Mr. Poilievre, and that's the point, and that's why I'm chair. If you stick to the topic we'll allow your questions, or we'll move on to the next questioner. It's that simple.

Hon. Pierre Poilievre: You won't be moving on. I can assure you of that, Mr. Chair.

The Chair: Ask your question.

Hon. Pierre Poilievre: Thank you.

The question, then, is, have you reported any of these matters to law enforcement, Ms. Krause?

Ms. Vivian Krause: What do you mean by “law enforcement”?

Hon. Pierre Poilievre: Any body that has the job of investigating whether statutes of Canada have been violated.

Ms. Vivian Krause: I have reported this to Elections Canada, yes.

Hon. Pierre Poilievre: Did they investigate?

Ms. Vivian Krause: Yes.

Hon. Pierre Poilievre: What conclusion did they find?

Ms. Vivian Krause: I'm very disappointed with their conclusion. They ignored the key evidence that I think they should have considered.

Hon. Pierre Poilievre: That's not surprising.

The Chair: I'll not take your time. We'll shut the clock off for a minute.

I wonder, Ms. Krause, if you could forward to us the report that you got back from Elections Canada on this investigation.

Ms. Vivian Krause: Yes, I will do so.

The Chair: Thank you.

Mr. Poilievre.

Hon. Pierre Poilievre: The economic policy of the government has largely been driven by Mr. Butts. You said he had received a $400,000 payment, which he claimed was severance.

Have you ever heard of someone getting $400,000 for severance when they quit their job?

The Chair: I'm afraid that question is out of order.

Mr. Poilievre, I said that we're not going down a political attack road when we're dealing with the budget implementation act unless it relates to the act, and this doesn't.

Go ahead. Rephrase your question.

Hon. Pierre Poilievre: Thank you very much.

Do you think that Mr. Butts, who received this payment, may have influenced economic policy as a result of the payment in manners that relate to budgets, or anything else?

Ms. Vivian Krause: All I wanted to do in this testimony today was to flag this issue for this committee.

I recognize that it's a complicated issue and there's not enough time to get into the details of it. However, what concerns me is that there are big issues with regard to the charities directorate and the charitable system which are not addressed at all. Meanwhile, some very minor issues are.

That's the point I wanted to make. It is simply that there is some tinkering at the edges with some minor issues. Meanwhile, as I've shown, there are some very big problems, and the budget does nothing to address them. That's simply the point I wanted to make.

As for the details of the political activity audits, it's clear to me, from my more than 20 years' experience in the charitable sector, that there were some violations of the law and that those are going on with impunity.

I just want to flag that for your knowledge and for this committee's consideration going forward.

● (1155)

Hon. Pierre Poilievre: The government claims that the budget is giving half a billion dollars to media organizations to avoid having distortionary interference in our elections.

Do you believe the kinds of foreign interference that happened in the last election will be solved by this half a billion dollar subsidy to media outlets?

Ms. Vivian Krause: No.

From my extensive dealings with Elections Canada, I have learned an important lesson. As they told me after a four-hour interview, the problem needs to be resolved not with Elections Canada but in the charities directorate.

They said that if the CRA allows Canadian charities to Canadianize money from outside of Canada, then in the eyes of Elections Canada, it's Canadian. There's nothing Elections Canada can do if the money originated from outside of Canada, goes through Canadian charities and then is used in elections-related activism. It is really up to the CRA.

This is my broader, bigger concern. The charities directorate is not enforcing the law. I have shown many examples of this.

In one case, I found one charity where it took 13 years to complete the audit. Some of the transactions that were deemed illegal occurred more than 15 years ago. We clearly have a charities directorate that is not able to enforce the Income Tax Act.

The Chair: Okay—

Hon. Pierre Poilievre: How much time do I have left?

The Chair: You have time for a very, very quick question.

Hon. Pierre Poilievre: We talked about Mr. Butts getting this $400,000.

I want to very quickly move on to the issue of electoral interference by outside and foreign groups.

Would you say it's possible that these same groups will interfere in the next election the way they did in the last?

Ms. Vivian Krause: I wouldn't speculate on that. But I can tell you that they had quite an influence, I would say, in the previous election, and that was their first crack at it.

The Chair: Okay. Thank you very much for your questions and answers.

Yes?

Mr. Michael McLeod: On a point of order just quickly, based on Mr. Poilievre's comment about being televised, I want to get clarity on it. I don't believe, at least it wasn't my understanding, that we are televised today.

Can we get clarity on that for our witnesses, so they know?

The Chair: No, we are not televised.

Mr. Dusseault.

[*Translation*]

Mr. Pierre-Luc Dusseault (Sherbrooke, NDP): Thank you, Mr. Chair.

I'm going to shift gears, although the discussion is interesting.

First of all, I would like to thank Mr. Roberts and all the other witnesses who are testifying before us.

Mr. Roberts, my first question is related to what you mentioned. I would have liked you to have provided some clarification on the issue of the proposed amendments to the Bankruptcy and Insolvency Act and the Companies' Creditors Arrangement Act.

You said that the proposed amendments would not have changed the way Sears' bankruptcy was settled. We know that many pensioners of this company have been penalized. This includes pensioners from Canada, and even from my region in Sherbrooke.

Can you clarify this statement that the new provisions of the act wouldn't have changed anything at all? That's sort of the argument of the government, which is saying that these amendments are being proposed in response to what happened at Sears.

[*English*]

Mr. Chris Roberts: The relatively modest amendments in Bill C-97 with respect to the CCAA and the Bankruptcy and Insolvency Act would have had little impact in the case of Sears.

The problem in the Sears Canada fiasco was that despite the pension plan having a funding deficit since 2007, the directors of that company authorized a series of very significant dividend payments. While the company was within the requirements of solvency funding rules with respect to its pension plan deficit, there were no other restrictions, and indeed, no requirement on supervisors, that is, pension regulatory and superintendent bodies, to track what was occurring and intervene, despite the fact that the company was clearly being put at risk and the ability of the sponsor to make good on the pension deficit was being placed in question.

That's a long answer, but the short answer is no, I don't think any of the very modest amendments being proposed in this bill would have addressed that situation.

● (1200)

[*Translation*]

Mr. Pierre-Luc Dusseault: What would have really changed the situation in a significant way would have been a change in the order of priority of creditors.

A large majority of the people and experts consulted, including those from the union movement, like you, supported this measure. Are you disappointed that it isn't part of the provisions of Bill C-97 that amend the Companies' Creditors Arrangement Act?

[*English*]

Mr. Chris Roberts: That's certainly the position of the CLC and many unions, that this was a missed opportunity. Even if the government had been unwilling to grant straight-out superpriority status for the pension deficit claim, there are many ways in which the government could have entertained an evidence-based discussion about what changes to the order of priorities, the hierarchy of claims in bankruptcy and insolvency, might have been sufficient in future cases to have a meaningful impact on pensioners and plan members.

Given that there are private members' bills on this, namely Bill C-384 and Bill C-372, and a bill from the Senate as well, there's an opportunity to get the evidence on the table to really understand what opportunities exist within the existing statute, even short of superpriority, but we haven't seen that debate occurring.

[*Translation*]

Mr. Pierre-Luc Dusseault: Indeed. I'm disappointed, too.

In its last budget implementation bill before the next election, the government did not address intergenerational business transfers, a problem it has had for the past four years. It dedicated only one paragraph in its budget speech to this to say that it would study the issue further.

I commend the accounting firm MNP for clearly explaining in its brief the tax penalties faced by Canadian business owners when they transfer the business to a family member. The Liberal government has been saying for four years that it wants to address this tax unfairness, but it has not, which is another big disappointment.

Ms. Lidder and Ms. Drever, what do you think about this other missed opportunity? Why would it be important to address this issue without further delay, given all the demographic concerns and the number of companies that come to you for consultation regarding a transfer to the next generation?

[*English*]

Ms. Jennifer Kim Drever (Regional Tax Leader, MNP LLP): Thank you for the question.

The transition of a business from one generation to the next is something that's very near and dear to our hearts at MNP, because we deal with owner-managed businesses quite frequently. This is one of the things they struggle with all the time. How do they transfer the business to the next generation?

In our brief, we have given the example of Marc and Tracy and their bakery. They're trying to transfer this business, which is worth $2.7 million, to their daughter. A lot of unwary people in this situation are going to walk into a tax bill for mom and dad and another tax bill for the daughter. There's going to be double tax on that transition. On a business worth $2.7 million, they could be paying $1.8 million in tax, at Ontario rates, which is very punitive. If they sell to a large consolidator, they are going to have a tax bill of under 10%, because they can get their capital gains exemption, and it could be funded with corporate dollars.

We have been advocating and asking for quite some time for the ability to put intergenerational transfers on an even footing with arm's-length, third party transfers. It is not fair that within a business, we cannot transfer to the next generation without a very punitive tax rate. The very best we can do, with proper planning, is get it to about a 27% tax rate, but that still leaves a lot less money in mom's and dad's hands for retirement than if they had sold to the arm's-length party.

We do know that the government is looking at this, and we applaud that. We think this is very important. It's important to get it right. We don't want to see a situation where we have such stringent, severe requirements that we can't get any businesses to meet the requirements.

We want to make sure that this is flexible enough that businesses can transition to the next generation in an effective manner. It helps keep businesses private, grow the middle class and make jobs for working-class Canadians.

Do you have anything to add to that?

● (1205)

Ms. Amanjit Lidder: No. I would agree that we need to spend some time making sure that we come up with a solution that allows most transactions to fit within the criteria, and has hallmarks for a bona fide transition of family business. Also, when there might not be a full and complete transition, but a plan is in place, it should at least be treated as a capital gain, and be taxed not at a punitive rate, but the same as it would be for a sale to a third party.

The Chair: Thank you.

In the budget, you've noted that the government is continuing to look at that. It says, “continue its outreach”.

Has MNP been contacted on any of these consultations?

Ms. Jennifer Kim Drever: Yes. I attended a round table last summer with the Department of Finance. They did four round tables across Canada, and we attended them. We would love to be more involved in the developing of the framework and hallmarks, because it is very important to get it right for Canadian business. We need it for our competitiveness.

The Chair: We will pass that on.

Am I right on these numbers? You're saying that if they sold that bakery, they could pay $1.8 million in taxes, out of a $2.7-million sale to family. If they sold at arm's-length, with my calculations, it would be $270,000.

Ms. Jennifer Kim Drever: Yes. That's correct.

I would like to point out that on the very right, where it says “2007 draft legislation”, this is what was originally proposed, and then got rolled back. These were the changes proposed to section 84 (1) that the tax community was very concerned with. We said it was —for lack of a better word—killing the ability to transfer a business within a family.

We applaud the government for stepping back from that, and taking the time to do it right.

The Chair: Thank you. We'll pass that on to whoever we should pass it on to. We'll figure that out too.

Thank you, all three.

Mr. Fragiskatos.

Mr. Peter Fragiskatos (London North Centre, Lib.): Thank you, Mr. Chair.

Thank you to the witnesses for today's testimony.

Mr. Roberts, you mentioned pharmacare. I'll be very to the point. Where does pharmacare rank for your workers—for the people you represent—in terms of priorities and hopes for the future?

Mr. Chris Roberts: I think it ranks very high. Although many of our members have workplace drug coverage plans, many of those plans are under pressure, as you know, from high drug costs, and employers not wanting to offer them to retired employees, constantly restricting the availability of drugs under those plans and introducing co-pays, deductibles and limits of all sorts.

Even among our members, as well as many non-unionized workers who don't have workplace drug plans, this is a major concern. I would say it is close to the top, if not the top concern.

Mr. Peter Fragiskatos: Okay.

It echoes testimony we've heard from others as well, whether here in Ottawa or in the consultations that I participated in with colleagues in eastern Canada. I know other colleagues participated in western Canada. It's a universal view, I believe. The devil is in the details, though, in how we get there. I'm very happy to see that budget 2019 advances the conversation in important ways, as you've made clear this morning.

Does the CLC have in mind a specific example of a country that has done it well and done it right which Canada could learn from? I hate to put you on the spot. That's a big question, I know. We can talk about pharmacare but we also need to talk about models and examples and what Canada can learn from those.

Do you have any thoughts on that?

● (1210)

Mr. Chris Roberts: I think that the comparative context for understanding the deficiencies in Canada's model is vitally important, because when one looks at the rich countries in the OECD zone, one finds that for most countries that have universal health insurance, they also have a universal drug insurance plan as part of that. Canada is a bit of an outlier in that regard, and because of that Canada has some of the highest drug prices in the rich industrialized world.

While there may not be a single country's model that one would simply adopt wholesale in reforming the Canadian model, there are very many components in many countries that are comparators for Canada that are worth looking at closely. There's New Zealand among small countries but also larger, wealthier countries as well.

I think what we know is that the principles involved, which involve universality, a single buyer, a national comprehensive formulary and the like, are the tenets, the principles, that one wants to adopt from different models rather than simply hunting for a single country that has the perfect drug insurance plan.

Mr. Peter Fragiskatos: That's a fair point.

I'll move on to the Canada training benefit, which I know the CLC has a favourable view of. Of your workers, are there particular workers you envision will be very interested in taking advantage of the benefit? I'm thinking of workers in sectors that are perhaps jeopardized by automation, either currently or in the future. Do you see those workers in particular demanding it more than others, so to speak?

Mr. Chris Roberts: Absolutely. Certainly, technological change and automation are not restricted to a single industry or sector. They're increasingly transforming work in occupations across a whole range of different sectors and industries. I would say there are very many unions, private sector but also public sector unions, that are intending to take advantage of this lifelong learning opportunity. In particular, the construction trades that operate union training centres, I think, will want to look closely at making this available to members.

What we find in other countries is that when there's an intermediary, a union in particular, that can make working people aware of the benefit, the opportunity, and help assist in taking advantage of that opportunity, the take-up rates go up and there's more efficient utilization of those credits and those opportunities. So we think unions have a critical role to play in expanding digital skills, in expanding new capacities to deal with automation across a whole range of occupations and industries.

Mr. Peter Fragiskatos: Mr. Roberts, I'm going to assume that many, if not all, of your workers are supported by the Canada child benefit. You will have seen just yesterday it was announced that the Canada child benefit is going up $30 a month, or $360 a year. As you know, the CCB is tax-free. Would you support that it continue to be tax-free?

Mr. Chris Roberts: Yes, I think it's a very important social policy innovation, absolutely.

Mr. Peter Fragiskatos: I only put that on the record because we've seen in the past that the CCB is not the first child benefit we've had in Canada. We've had previous approaches to the policy, but there's been a tax applied, so I worry sometimes that we might get back into that. Putting that on the record is important.

MNP, on that, since you have a tax focus—although I know child benefits are not your prime focus—would you support that the CCB remain tax-free?

Ms. Amanjit Lidder: Yes, that's a great initiative.

I understand it is going to be indexed and adjusted annually. When you look at that, there are other items in the Income Tax Act that aren't indexed, and we would suggest that be looked at by the government. An example would be the tuition credit transfer we referred to in our presentation and submission. Families struggle to fund education. Parents usually help the children pay for the tuition, yet they're only allowed to receive $5,000 of a tuition transfer from the child and the rest remains with the child. Once the children start working and they're earning income, they could use it at that point. We feel it would help affordability.

● (1215)

Mr. Peter Fragiskatos: Thank you very much.

The Chair: Thank you.

We'll go to Mr. Richards, back to Ms. Rudd, and then we'll split the last two.

Mr. Blake Richards (Banff—Airdrie, CPC): Thanks, Mr. Chair.

I have a few questions for MNP.

One of them has already been touched on which was regarding intergenerational transfers. I might come back to it if there's time, but because it's been touched on already, I'll go to the other two things I wanted to ask you about.

In your opening remarks, I believe you mentioned that Canada had one of the highest tax regimes in the G20. Could you elaborate on what the effects of that is on our ability to attract new businesses and to retain the ones we already have here? What do you recommend the government might do to make taxes more competitive?

Ms. Jennifer Kim Drever: When we were here last September, we brought a 10-point plan to improve Canada's competitiveness. Number one on our plan was tax rate reductions. We currently have a 27% corporate rate. We have an over 50% personal rate in most provinces or close to it.

Within the OECD, we are the fourth highest on personal tax rates. This impacts our competitiveness, because businesses look for places where they can develop their business, where they can employ workers, and where they can be competitive on a worldwide scale as things cost more in Canada, as they do.

Taxes are not just the income tax. There are all levels put out by all governments and it's not just the federal government we're talking about. It costs more to do business in Canada. It costs more to live in Canada. This impacts where people want to do business and where people want to live. We have clients asking us all the time about whether they should continue to operate in Canada or whether they should look at other places in the world to carry on their business.

We believe that if we were to have a lower corporate tax rate, it would improve productivity. There would be more jobs and we would have a more competitive, economic, situation for our country.

Mr. Blake Richards: When I do round table meetings and meet with business owners across the country, just about always the two biggest issues that come up are the complexity of filing a tax return and the issues in dealing with Revenue Canada.

With the thousands of people who work at Revenue Canada, when you try to give them a call, good luck getting anyone on the phone. That's what I always hear. Then they say that if you ever get someone on the phone, if you were to ask, say, four Revenue Canada agents for an opinion on a tax matter, you'll get about six or seven different opinions. It makes it very difficult. If Revenue Canada agents themselves can't even understand the tax code, how are the rest of us supposed to understand it. That's the comment I often hear.

Do you have any thoughts around the complexity of filing a tax return? Do you have any suggestions on what the government could do to make that easier and simpler, particularly for small businesses and individuals?

Ms. Jennifer Kim Drever: Filing tax returns in Canada has become increasingly complex over time. It's not just the existing government but it's also prior governments that have made things a lot more complex in Canada, and we can see this going back to, say, 2015. There were changes to section 55 that were very complex and it makes it very difficult for many businesses to structure their affairs and look at the best overall corporate structure for their business because there is so much ambiguity in what they do.

There's complexity in structuring, in filing and for individuals. The specified corporate income changed in 2016. We've made a correction for farmers and fishers this year but a lot of other businesses are still impacted by that. There probably were unintended consequences to it. I will touch on one of those in a minute, if that's possible.

We also have complexity even with respect to something as simple as selling a house in Canada. With the changes that have been made to combat some of the issues going on with houses and principal residences in Vancouver, for instance, or in Toronto, those now have to be reported. Essentially, it is very difficult for an individual to file their personal tax return on their own and get it right, with the complexity of today's system.

For instance, I had an email from some person I've never met who found my name on the Internet around the 29th of April asking a big, convoluted question about selling their house. They were asking what to put on their tax return and how to file it. I gave them a recommendation to find an accountant who would help them at that point because it was beyond their being able to do it on their own.

Going back to the specified corporate income, for instance, there are businesses in Canada that are also caught up in these changes that we believe were unintended. Those changes were meant to capture multiplication of the small business deduction.

If a computer sales business, for instance, happens to have a client that is a marketing firm and that marketing firm has, let's say, three business owners, one of whom is related to the owner of the computer company, that computer company could lose access to their small business deduction, and they don't even know it. That's not multiplication of the small business deduction but they've been caught in these rules.

I think there are problems with the complexity and the compliance because it is so complex.

● (1220)

The Chair: Thank you.

We're well over but I take it you would be in favour of a comprehensive review of the tax system.

Ms. Jennifer Kim Drever: If we do a comprehensive review—we've always been advocating that—we must do it correctly. It shouldn't be picking and choosing, picking winners and losers. A comprehensive review would be about building, creating, looking at all interested parties, building a system that works for today's economy and for Canada as it is today.

We shouldn't go into comprehensive reform saying we are going to, number one, get rid of the capital gains exemption, or the small business deduction. It should be about the best policy framework to capture what we're trying to create for Canada. All interested parties should be there: finance, parliamentarians, tax specialists, labour and first nations to look at all the different aspects.

The Chair: It could start off with a white paper.

Ms. Rudd.

Ms. Kim Rudd (Northumberland—Peterborough South, Lib.): Thank you, everyone, for being here.

Before I get into questions, I want to congratulate you on the establishment of the Thaidene Nëné.

I know it has been a long time coming and it has been a process and not something that you as a first nation have given up on. It takes perseverance and a lot of hard work, so congratulations, Steven, on your negotiation and on its formation. It couldn't have been easy.

One of the things you mentioned was the work you continue to do with mining companies and the importance of mining exploration in NWT specifically, but generally in the north. The extension of the mineral exploration tax credit to the junior miners, to the explorers, if you will, has been very important. I was speaking with some of them last week and heard how important that is to them as they try to find those deposits of the very rich minerals there as we move further and further north.

One of the things that I think is important to point out is that we don't get to our green economy, to the innovation and technology of a low-carbon economy, without that mineral exploration because minerals are so important to that economy. So thank you for the work you're doing and congratulations.

There are many things I want to talk about and I'm not sure about my time. Do I have five minutes or seven?

The Chair: You have five minutes.

Ms. Kim Rudd: Okay. This will be fast.

Kim, we've chatted with each other before, and there were a couple of things in your remarks I just want to come back to.

I must say, I like the format of the MNP submission, acknowledging the good work that has been done and recommending some thoughts about where we could take it further.

On the Canada training credit and your paragraph as to what can we do better, the post-secondary education piece, the other things I would note in there are the interest-free six-month period that was added in budget 2019 for students, which also helps parents, and the lowering of the interest rate.

You've used a couple of examples, including a business here in Ontario. I would just note that as we've moved forward with our interest-free period, Ontario has pulled its back. There is sometimes non-alignment between the provinces and the federal government. Where we take a step forward and a province such as Ontario has taken one back, it makes it hard for parents and students to figure out where their opportunities are. I want to mention that.

You also mentioned the housing affordability measures. You made a comment about parents and how parents often help with buying the first home. I'm thinking back to 15 years ago when we helped our daughter buy her first condo in downtown Toronto. She had some RRSP room from the work she had done as a student. We actually lent her the $15,000 to put in her RRSP so she could borrow it back and pay it over the nine years. It sometimes takes a bit of creative thinking, but that is a vehicle for parents to assist, which provides advantage to both the young person or first-time homebuyer gaining that advantage of being able to use the RRSPs.

● (1225)

Ms. Jennifer Kim Drever: Can I add to that? What we see with a lot of families is that they don't necessarily have $15,000 of tax-paid money sitting vacant. They might have their money sitting within a registered vehicle themselves.

If you'd had your money sitting inside an RRSP and did that, you would have had to pull closer to $30,000 out of your RRSP to give your daughter $15,000 for her to put into hers. There would have been a tax hit of $15,000, and you would have also lost that room forever within your RRSP.

What we are saying is that it would be great if, while we're looking at the first-time homebuyers plan, we actually allow parents and grandparents to access their RRSPs to help their children and grandchildren, because we know that the cost of buying a house is very significant.

Ms. Kim Rudd: I take your point. I guess that discussion has happened. I've heard it from others, and there were two things. One, if someone is already retired, their tax hit is not 50%, but probably closer to 17% or 20%. However, your point is taken. The other piece is that RRSPs are about retirement and not putting that at risk.

The Chair: Sorry, Kim, we're out of time.

Mr. Poilievre, you have about three or four minutes.

Hon. Pierre Poilievre: Yes.

Thank you to the witnesses here from MNP. You serve a lot of small businesses. I understand your firm is, if not the biggest, one of the biggest tax accounting firms serving small business in this country.

Have any of your clients seen an impact as a result of the 2017 changes to the tax treatment of Canadian-controlled private corporations? If so, can you describe those impacts?

Ms. Jennifer Kim Drever: You're referring to some of the tax on split income changes.

Hon. Pierre Poilievre: I'm referring to tax on split income and the grind-down of the small business tax deduction for those who have so-called passive income of over $50,000.

Ms. Jennifer Kim Drever: With respect to the passive income, 2019 will be the first year we start to see that. They haven't necessarily seen it yet, but we are seeing what businesses are doing in order to ensure that they would be below the threshold for their passive income in the future.

There's definitely planning and there is concern among our clients about losing their small business deduction. It is something that they are very concerned about.

Hon. Pierre Poilievre: I'm sorry to interrupt. I just want to make sure I understand.

The passive income provisions come in during the 2019 year.

Ms. Jennifer Kim Drever: That's right.

Hon. Pierre Poilievre: Right. Are you witnessing tax planning right now?

Ms. Jennifer Kim Drever: Absolutely.

Hon. Pierre Poilievre: What types of steps are small businesses taking to avoid losing their small business tax deduction?

Ms. Jennifer Kim Drever: Some businesses are looking at the small business reduction and saying, “I guess I'm going to lose it.” Other businesses are saying, “What are we going to do to protect it?” They might be changing their investments to take assets off their balance sheet so that there is no passive income on an ongoing basis —taking it off their balance sheet, whether it's buying IPPs or buying other sheltered vehicles, or they could be actually removing it out, if we can, in a tax-effective manner.

Hon. Pierre Poilievre: Some are actually moving their money out of the company altogether.

Ms. Jennifer Kim Drever: Yes, out of the company altogether.

Once it's been moved out, from a policy perspective, the cash is out of the business. Now it might be in the individual's personal RSP or it might be somewhere else, and it's now hard to bring it back into the business, if need be.

For the tax on split income, we just went through probably one of the most complex tax seasons of our lives because of the tax rules on split income. Those are in place for the first time in 2018, and the number of clients now, and even our partners who are not tax specialists, who are concerned with how those are impacting their clients....

There is a lot of complexity around the reporting of whether it is tax on split income. There's still a lot of ambiguity. There is uncertainty for taxpayers, and uncertainty for every business owner, as to whether tax on split income will apply or not. It's changing how we implement matrimonial asset split-ups for divorces, because we have to get specifically four-square into the new rules to make sure we implement the divorce in a way that will not attract tax on split income post-divorce.

● (1230)

The Chair: Okay. We are—

Hon. Pierre Poilievre: Can I ask one final question, Chair?

The Chair: Yes, but just hold on before you do. We'll let you ask one more.

Chief, I know you have to go. I want to thank you for coming all this distance to appear before the committee.

You can ask a fairly short question, Mr. Poilievre, and then we're done.

Hon. Pierre Poilievre: Thank you, Chair.

When a divorce is finalized, and all that dirty, difficult paperwork is out of the way, can divorced couples split income? In other words, does the recipient of spousal support pay the tax on that income, or is it taxed in the hands of the original earner?

Ms. Jennifer Kim Drever: Are you looking at the spousal support or the matrimonial split?

Hon. Pierre Poilievre: I mean the spousal support.

Ms. Jennifer Kim Drever: The spousal support is taxed in the hands of the recipient.

Hon. Pierre Poilievre: That's kind of like income splitting.

The Chair: That's it.

You can answer that question if you want.

Ms. Jennifer Kim Drever: I would prefer not to answer that question.

The Chair: He can talk to you off-line and get some of those answers.

I want to thank all of you for your presentations and for answering the questions that committee members had today.

With that, we will suspend and bring up panel two.

Thank you very much.

● (1230)

(Pause)

● (1235)

The Chair: We will start with the Canadian Electricity Association, Francis Bradley, chief operating officer.

Go ahead, Mr. Bradley.

[*Translation*]

Mr. Francis Bradley (Chief Operating Officer, Canadian Electricity Association): Thank you, Mr. Chair.

My name is Francis Bradley, and I am the chief operating officer of the Canadian Electricity Association, or CEA.

CEA is the national voice of electricity. Our members include generation, transmission and distribution companies, as well as technology and service providers from across the country.

The sector employs 81,000 Canadians and contributes $30 billion to Canada's GDP. Over 80% of Canada's electricity generation is non-emitting, making it one of the cleanest in the world. In fact, the Canadian electricity sector has already reduced GHG emissions by 30% since 2005.

[*English*]

Electricity will play an essential role as Canada transitions to a low-carbon economy. The electricity sector is uniquely positioned to help advance Canada's clean energy future, and the measures in Bill C-97 help this.

[*Translation*]

The 2019 federal budget and 2018 fall economic statement included a number of significant measures for the electricity sector.

[*English*]

The budget's measures to encourage the purchase and use of electric vehicles will help electrify the transportation sector—a low-hanging fruit for significant GHG reductions. These come at a time when EVs are increasingly a consumer expectation, including for reasons beyond environmental benefits.

Consumer purchase incentives and business writeoffs will help to get more EVs on the road, and funding to install charging infrastructure in workplaces, apartments and public parking garages will make sure that everyone has a place to charge them.

The budget's investment in energy efficiency measures in buildings, which will be administered through the Federation of Canadian Municipalities, is a significant step forward. Our sector is always very happy when customers can find new ways to use less of our product and use it more efficiently. Doing so has real advantages for the users of the building, but it also reduces the need and the pressure for expansion of electricity grids. A kilowatt not used is cheaper than producing a new one.

Our industry was also pleased to see the budget include the creation of a new Canadian centre for energy information, a central repository for national energy data that will compile various sources into a single, easy-to-use website.

In total, almost $1.5 billion was included in new spending on these important initiatives.

Cybersecurity, though, is also receiving significant funding in the budget. There's an ever-increasing threat from cyber-attacks. We're seeing that in our sector, and this helps us keep pace.

Beyond the budget, the CEA is very pleased to see the government move forward with its first piece of regulatory modernization legislation, particularly given that it includes amendments to the Electricity and Gas Inspection Act that will facilitate the expansion of new technologies such as EV fast chargers and adaptive streetlights.

It's no secret that technology often moves much faster than legislation, and electricity meters are an example of this.

● (1240)

[*Translation*]

The CEA is eager to work with Innovation, Science and Economic Development Canada and Measurement Canada to prioritize some early areas of focus in order to enable technologies such as EV DC fast charging that are essential to Canada's clean energy future. This will help Canadians to make the clean energy choices they want to make.

In summation, Bill C-97 takes steps forward that allow Canadians to make choices that are more sustainable, take advantage of new technologies, and can help reduce costs and increase convenience. Central to all of these is Canada's safe, sustainable and reliable electricity system. We look forward to working with government to continue to leverage these advantages.

Thank you.

[*English*]

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

Turning to the Federation of Canadian Municipalities, we have Ms. Saab, executive director, and Mr. Boivin, managing director.

The floor is yours, Ms. Saab.

Ms. Carole Saab (Executive Director, Policy and Public Affairs, Federation of Canadian Municipalities): Thank you very much, Mr. Chair.

Thank you, all.

[*Translation*]

We are pleased to have this opportunity to explore budget 2019, especially the tools that it provides to municipal governments to help them build a better life for families and workers in Canada.

[*English*]

I'm Carole Saab. I'm the head of policy and public affairs for the Federation of Canadian Municipalities. I am joined today by my colleague, Chris Boivin, who is the managing director of FCM's green municipal fund.

FCM's 2,000 municipal members represent more than 90% of all Canadians. These are the governments that are closest to people's everyday needs and challenges. When the federal government works with them directly, municipalities deliver cost-effective solutions that work. That's why successive governments have taken steps that empower municipalities to do more for Canadians, steps like allocation-based public transit funding. That's already empowering cities to lead major system expansions.

Even so, budget 2019 stands out as a turning point. The budget takes our federal-municipal partnership and fundamentally elevates it to build better lives.

[*Translation*]

This budget strengthens our federal-municipal partnership because it's the surest way to improve the living conditions of our fellow Canadians.

[*English*]

For instance, there is this budget's unprecedented investment in rural broadband infrastructure. This implements the urgent, front-line advice of FCM and our rural members.

I'll note that Bill C-97 enacts legislation for the national housing strategy, a generational priority for our communities.

This budget also builds on the gas tax fund, or GTF, transfer. FCM worked with successive governments to launch the GTF, then make it permanent and ultimately index it with a 2% escalator. It's our most reliable infrastructure funding tool. Municipalities can turn every dollar into real outcomes, such as better roads, bridges and public transit; better water, waste and energy systems, and better places to live, work and raise our families.

In Ontario's Clearview township, GTF funds powered a new affordable transit service linking residents to grocery stores, parks, retirement homes, schools and clinics.

In Granisle, B.C., a new biomass boiler is reducing emissions and saving money by heating the village office, arena, elementary school, curling rink, fire hall, public works office and tourist information centre.

● (1245)

[*Translation*]

The City of Terrebonne, Quebec, is building a modern and safe pedestrian and cycling trail next to a busy street, thanks to predictable long-term gas tax funding.

[*English*]

The gas tax fund is proof that when you put tools directly in local hands, we build better lives for Canadians.

The GTF's one Achilles heel is its scale. Every year it leaves key projects unfunded. Budget 2019 recognizes this by doubling this year's GTF transfer to move more local projects forward. In short, this budget doubles down on working directly with municipalities to achieve national economic and quality-of-life objectives. There are no delays or roadblocks. This is direct fuel for projects that build better lives for Canadians.

[*Translation*]

This same principle, which underlies the objective of providing tools directly to Canadians, is at the heart of a second element of budget 2019. Over the past two decades, the Federation of Canadian Municipalities' Green Municipal Fund, or GMF, has funded 1,250 local sustainable development projects. These projects have eliminated 2.5 million tons of greenhouse gas emissions and have enabled the citizens of our country to enjoy a safer and more affordable life.

I should also point out that we have achieved these GMF results while preserving every dollar received from the federal government.

[*English*]

Budget 2019 substantially scales up FCM's mission to drive cost-saving energy efficiency across Canada through the green municipal fund, and it extends FCM programming that boosts local asset management capacity. Practically, this means greener community buildings that cost less to run, from social housing to libraries to local arenas. It also means making it more affordable for hard-working families to retrofit their own homes through smart local financing programs that will also reduce their energy bills. It means good jobs in communities across Canada. Once again, it means working directly with municipalities to get things done for Canadians.

Naturally, we want to see the budget implementation act move forward so that important work can move forward, but we want to see the principle that this budget implements continue to guide Canada's federal government moving forward. That's the principle of working together directly as orders of government to build better lives.

On behalf of our president, Vicki-May Hamm, and FCM's 2,000 members, I thank you very much for the opportunity and look forward to taking your questions.

The Chair: Thank you for your presentation.

Turning to the Mining Association of Canada, we have Mr. Marshall, vice-president, economic and northern affairs.

Welcome.

Mr. Brendan Marshall (Vice-President, Economic and Northern Affairs, Mining Association of Canada): I'm Brendan Marshall, vice-president, economic and northern affairs.

I used to work for an MP so I appreciate the work that you do. Sometimes this can be a misunderstood place, but rest assured, I think the work that you're doing is very important for our country.

Thank you for the opportunity to appear before the committee and participate in this important pre-budget consultation process.

The Mining Association of Canada, or MAC, is the national voice of Canada's mining and mineral processing industry, representing more than 40 members engaged in exploration, mining, smelting and semi-fabrication across a host of commodities.

In 2017, mining contributed $97 billion to Canada's GDP, employed 630,000 workers and accounted for 20%, or $97 billion, of Canada's overall export value. Proportionally, mining is the largest private sector employer of indigenous peoples. Canada leads global mining finance, with the majority of the world's public mining companies listed on the TSX.

Historically, the sector has helped build Canada, both literally and figuratively, as it holds an important space in our cultural fabric. Canadian mining is broadly recognized internationally for best practice, and our knowledge and expertise are widely sought.

In recent years, however, the sector has faced challenges in attracting investment. The value of total projects planned and under construction from 2018 to 2028 has reduced by 55% since 2014, from a total of $160 billion down to $72 billion. Only four new mining projects were submitted for federal environmental assessment review in 2018. They were all gold mines.

Over the last five years, Canada has lost more ground than it has gained in the commodities for which it is the top five global producer. In 2017, capital spending in the Canadian mining industry accounted for 4.4% of Canada's total. That's a value of $11.7 billion. That's down 0.5% year over year, and it's the fifth consecutive year that capital spending has fallen.

At a time when global mining investment is increasing, Canada is not keeping pace. While much work remains to be done, budget 2019, building off measures in the 2018 fall economic statement, proposes several measures to begin to address the challenges our sector is facing.

In Canada's north, mining is the largest private sector driver, directly employing 8% of the total territorial population. However, it is much more expensive to operate. It costs two to 2.5 times more to build the same precious or base metal mine in the north than in a centrally located region, and 70% of this cost differential derives from the infrastructure deficit.

The future of Canada's mining industry lies increasingly in remote and northern regions but will remain unrealized unless we close the infrastructure gap. Commitment to renew the allocation of the national trade corridors fund to arctic and northern regions by $400 million is good news and a direct response to a MAC recommendation.

Further, the creation of a universal broadband fund, capitalized at $1.7 billion and further leveraging more than $3 billion through the Canada Infrastructure Bank, is also welcome. Enabling universal high-speed Internet access in rural, remote and northern communities and industries helps to improve operational efficiencies at mine sites and reduce costs.

On the innovation front, the proposed immediate tax deductibility of certain zero-emission vehicles is a positive first step to further enabling electrification in the mining industry. Looking forward, MAC commits to working with Finance Canada and Environment and Climate Change Canada decision-makers to broaden the provision to include all vehicles deployed at mining operations, including above-ground and below-ground heavy equipment.

Further, $100 million to the strategic innovation fund in support of the activities of the Clean Resource Innovation Network, or CRIN, is welcome. This investment will support groundbreaking clean tech and emission-lowering solutions leading to cleaner energy production from source to end use.

On the investment competitiveness front, Canada's tax regime has fallen behind international competitors in recent years. Budgets 2012 and 2013 reduced or eliminated several direct and indirect mining-related tax credits. Most recently, the U.S. Tax Cuts and Jobs Act reforms significantly reduced Canada's mining tax competitiveness vis-à-vis the U.S.

The 2018 fall economic statement proposed several measures that will enhance the investment competitiveness of Canada's mining and metal manufacturing sectors. These included the accelerated investment incentive, which will enable miners to write off three times the eligible cost of newly acquired assets in the year the investment is made; extending the mineral exploration tax credit for a five-year term, bringing greater investment certainty for early-stage mineral exploration; and allowing businesses to immediately write off the full cost of clean energy equipment.

While MAC supports continued improvements to Canada's mining tax competitiveness, including bringing dividend withholding tax in line with our competitor jurisdictions, more than anything, the measures establish a positive platform to build from.

● (1250)

Thank you for the opportunity to speak. I look forward to answering any questions you may have.

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

Now we have Mr. Moody, director, Canadian tax advisory, with Moodys Gartner Tax Law.

The floor is yours, Mr. Moody.

Mr. Kim Moody (Director, Canadian Tax Advisory, Moodys Gartner Tax Law): Thank you, Mr. Chair.

Good afternoon, committee members. Thank you for the opportunity to appear before this committee. My name is Kim Moody. I'm a chartered professional accountant and director of Canadian tax advisory services at Moodys Gartner Tax Law in Calgary. I have a very long history of serving the Canadian tax profession, with a variety of leadership positions.

Bill C-97, as you know, is a 367-page bill that contains measures that are both tax and non-tax in subject matter. Accordingly, my brief comments will be restricted to my practice area, which is tax, and specifically to the tax content or lack thereof of Bill C-97 as it relates to the March 19 budget.

From a tax perspective, there was some content in the budget that was good, like the changes to the specified corporate income rules; amendments to the change of use rules in section 45 of the Income Tax Act; and positive changes to the registered disability savings plans, although much more work needs to be done in this area especially as it relates to the use of trust for people with disabilities.

However, I believe that the budget and Bill C-97 are noteworthy for two broad reasons: one, what the budget and Bill C-97 do not contain, and two, the journalism tax incentives. Accordingly, I'll restrict my comments to those.

What do the budget and Bill C-97 not contain? The first thing is targeted and broad measures to deal with competitive concerns. While some have argued vigorously that the accelerated tax depreciation numbers for M and P equipment and certain green equipment and accelerated first year depreciation claims introduced in the fall economic update have solved or gone a long way to competing with our U.S. friends who are benefiting from a massive package of tax reforms, I would argue strongly that is not the case.

I live and see it every day with Canadian private businesses scrambling to remain competitive. Many are expanding their businesses into the U.S. and bringing capital with them. After 11 months of the government saying it is not going to respond in a knee-jerk fashion to U.S. tax reform, the fall economic statement measures, which introduced accelerated depreciation measures, were disappointing.

As Jack Mintz and Philip Bazel wrote in the Canadian Tax Journal last month:

> Overall, a much deeper corporate and personal tax reform was needed to deal with the many competitiveness issues raised by the US tax reform for Canada. Accelerated depreciation focused only on a narrow set of issues, and not necessarily the right ones.

I agree. Many were waiting for additional measures in the March 19 budget, only to be disappointed again. There was nothing. To be clear, the package of tax reform measures released by the U.S. is historical in its breadth and in its impact to U.S. businesses. By any measure, including my anecdotal experience with my firm's clients, it is significantly impacting in a negative way Canadian businesses' ability to remain competitive.

Corporate and personal tax rate reductions should have been at the top of the list of considerations for competitiveness responses.

The second highlight-reel omission from the budget and Bill C-97 was the fact that there was no announcement with respect to the government taking the large initiative to undergo comprehensive tax review and reform.

As you know and I'm sure you've heard many times, numerous credible bodies like CPA Canada, the Canadian Chamber of Commerce and others have been requesting for a long period of time a fresh and comprehensive look at how Canada raises necessary revenues to provide good government. I agree. The last time Canada had a comprehensive review of its tax systems was the Royal Commission on Taxation, which released its landmark six volume report with recommendations in 1966 after approximately four years of studies.

I'm sure some of you were not even born when that commission released its report. I certainly wasn't. Such recommendations were studied and debated for a lengthy period following its release, and it ultimately was the impetus for many of the foundational changes introduced in 1972 tax reform.

While limited form studies—and an embarrassing attempt at reform that arose from the July 18, 2017, private corporation tax proposals—have been completed since 1972, nothing comprehensive has been undertaken since the royal commission. Accordingly, since 1972, our Income Tax Act has become a patchwork quilt of changes. However, a patchwork quilt can quickly become busy and complex, and there is no doubt that our current income tax statute is just that: overly complex and busy. It's time for a fresh quilt.

To those who say to be careful what we wish for or, worse yet, Canada is not ready for comprehensive tax review or reform, I say this: Canadians are a lot smarter and well-intentioned than you are giving them credit for. The average Canadian simply wants a tax system that works for all. It's time that this important initiative be undertaken and it was extremely disappointing that the budget did not address this.

Number two is the journalism tax incentives. As you know—and I won't repeat the budget measures because you all know them—these measures are horrible and a threat to our country's free press, given the likelihood that some of our country's media will likely be incentivized to receive these tax goodies and perhaps cater to big so-called donors.

● (1255)

As respected journalist Andrew Coyne stated in his March 20, 2019, article in the Financial Post about these measures, “There are any number of objections to the government getting into the game of propping up failing news organizations: that taking money from the people we cover will place us in a permanent and inescapable conflict of interest”, and he goes on to criticize. I very much agree.

Can you not see how dangerous this is and how littered with problems these so-called incentives are, as are having a so-called independent panel to pick winners and losers and using an overly complex tax system to administer these indoctrination instruments? Our charitable sector already has significant tax issues, as we heard from the first panel this morning, and is long overdue for a thorough review and rethink. These incentives will add a new class of charity that will no doubt compound these problems.

While I acknowledge that our country's journalism industry is certainly struggling and that Canadians need to have unbiased and truthful news articles provided to them, perhaps a thorough review of what other countries around the world are doing to try to protect, support and preserve this crucial industry should be done before these poorly thought-out proposals are implemented. It seems to me that the crucial aspect that has harmed our country's journalism industry tremendously is the fact that Internet giants such as Google and Facebook have sucked away tremendous advertising dollars from our country's newspapers without producing original content.

Is it time to target these companies like France has? France has recently proposed a 3% tax on the French revenues of Internet giants. When the proposals were released, the French finance minister stated that the estimated tax will raise about 500 million euros, but that should increase quickly. He also said the tax will not affect companies that are directly selling their own products online. It will mostly affect companies that use consumers' data to sell online advertising.

The French finance minister stated, “This is about justice. These digital giants use our personal data, make huge profits out of these data...then transfer the money somewhere else without paying their fair amount of taxes.” It's hard to disagree that there is a problem with Internet giants using personal data to then deploy online advertising. Beyond the obvious privacy concerns, such methods greatly harm our Canadian journalists.

Will a tax like that introduced by France solve the problems facing our country's journalism industry? Likely not. A Wall Street Journal article from last weekend highlights how dire the situation of the newspaper industry is in the United States. It seems to me that the Canadian industry is in similar dire straits. Accordingly, a targeted response that deals with the root causes of the industry issues is a better response.

With respect to the current journalism tax incentives in Bill C-97, these so-called incentives should have no place in our democracy.

Thank you for your time. I'd be happy to answer any questions.

● (1300)

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

Turning now to the Prospectors and Developers Association of Canada, we have Ms. McDonald, executive director, and Ms. Williams, director.

Welcome.

Ms. Lisa McDonald (Executive Director, Prospectors and Developers Association of Canada): Good afternoon Chair and committee members.

I'd like to start by acknowledging that we are on the lands of the Algonquin people.

I'm Lisa McDonald, executive director of the Prospectors and Developers Association of Canada, otherwise known to many of you as PDAC. I'm joined here today by my colleague Lesley Williams, director of policy and programs.

Thank you for the opportunity to offer comments on behalf of the mineral industry. PDAC is the national voice of Canada's mineral exploration and development sector, representing nearly 8,000 members. Our work centres on supporting a responsible and competitive mineral industry.

Canada's mineral exploration and mining industry generates significant economic and social benefits in remote communities, indigenous communities and cities, employing over 600,000 workers and contributing $96.5 billion annually to the GDP. It is the largest private sector industrial employer on a proportional basis of indigenous peoples in Canada, and a key partner of indigenous businesses.

I'd like to provide a brief overview of mineral exploration in Canada. Mineral exploration is a staged process of information gathering with the hopes of discovering an economically viable mineral deposit. Junior exploration companies do the bulk of this high-risk, high-reward, grassroots exploration work in Canada, which leads to new discoveries. They find the new mines of the future. These companies are a key feature of the mining ecosystem, accounting for upwards of 70% of all discoveries made in Canada. Essentially, without new discoveries through exploration, there will be no new mines.

Junior exploration companies are small businesses. They operate projects on limited budgets and timelines. Most do not generate revenue, and fund their activities by raising financing from investors, primarily by issuing shares.

The Canadian mineral industry faces strong global competition for investment dollars. Sourcing investment to fund exploration activities has become increasingly challenging. Financing is quite volatile and difficult to come by due to increasing competition, and it has been in general decline for a number of years.

A variety of factors affect the decisions made by investors about where to invest in projects, and by companies about where to explore and mine among competing jurisdictions.

As an industry that operates across the country, generating significant economic impact and social benefits, it is critical that the mineral sector has the means to responsibly capitalize on Canada's natural resources while also being able to compete globally.

In conjunction with many other policy measures, effective fiscal policies in support of a strong mineral exploration and mining sector will help to support Canada's mineral industry competitiveness. One of these fiscal tools is the mineral exploration tax credit, METC. The inclusion of a five-year renewal in budget 2019 was widely celebrated by the mineral sector. As you may know, this is the first multi-year renewal of the METC since its inception in 2000, and something that PDAC has long championed and advocated for.

Five-year METC renewal will provide longer term stability for exploration companies, including multi-year exploration program funding and planning. Exploration companies and investors need certainty that they can finance not only the current year of their exploration programs but also any subsequent exploration necessary to fully scope the mineral potential of a particular property. It will also provide a sense of stability for suppliers and service providers, as well as for the cities and northern and indigenous communities across Canada that depend on exploration and mining for growth, employment opportunities and local trade.

Flow-through shares and the METC have proven to be effective tools in raising financing over the past 18 years, including during difficult times. We can see the manifestation of the success of these fiscal tools through the many exploration projects financed by flow-though financing that later became mines: the Éléonore mine in Quebec, the New Afton gold mine in British Columbia, and the Meadowbank mine in Nunavut, to name a few.

Furthermore, the future of Canada's mineral industry lies increasingly in remote and northern regions. These regions experience economic and geographic circumstances that impact their ability to harness the vast potential for mineral development in many ways, particularly with respect to costs.

Measures included in budget 2019 that are targeted towards northern Canada are important. We welcome additional funding for northern economic development programming, and measures to enhance skills training and education, particularly for indigenous peoples.

● (1305)

Also of interest is the inclusion of commitments in budget 2019 to invest in various types of infrastructure, for example, the national trade corridors fund and hydroelectricity in the Northwest Territories. Due to a significant infrastructure deficit, it can cost up to six times more to explore and 2.2 times more to build new mines in remote regions. As a result, a disproportionately high percentage of known mineral deposits also remain undeveloped in Canada's territories, compared to non-remote regions.

Challenges related to the high costs of operating in remote and northern Canada must be addressed to support mineral investment and project advancement and to enhance economic development opportunities for northern and indigenous communities. It will take a long-term, well-funded, coordinated infrastructure plan to address the lack of transportation and energy infrastructure in the north. This would truly unlock the potential of the region and enhance economic activity.

We would be remiss if we did not note that while fiscal policies can help to boost mineral industry competitiveness, getting other legislative and policy mechanisms right, such as the proposed impact assessment act and the Canadian ombudsperson for responsible enterprise, is absolutely critical for the success of our sector. These policy decisions must work in conjunction in order to ensure that Canada does not lose out on development opportunities and associated benefits to more competitive mining jurisdictions.

Finally, I would like to thank this committee for including the recommendation of a multi-year extension of the METC in your report to the Minister of Finance. No doubt the consideration by this committee went a long way to securing this multi-year renewal.

Thank you for the opportunity to appear here today. We'd be pleased to answer questions.

The Chair: Thank you, Ms. McDonald.

Thanks to everyone for their presentations.

We'll go to five-minute rounds. That way, we should be able to get eight questions in.

We'll start with Mr. Sorbara.

Mr. Francesco Sorbara: Thank you, Mr. Chair.

I'd like to begin with the Federation of Canadian Municipalities. Welcome.

Obviously, we've put in budget 2019 and the BIA the one-time top-up of the gas tax fund, nearly $2.2 billion. For the City of Vaughan—I am one of the three MPs who have the privilege of representing that city—it's about $9.2 million.

Just how important is it that we maintain this strong relationship we've built with FCM and all the cities across Canada?

Ms. Carole Saab: Certainly, all our members across the country, cities and communities across the country, really welcome this current budget and celebrate the one-time doubling of the federal gas tax fund. More to the point, as we were talking about in our comments here today, it really is a signal of a strengthened relationship between the federal and municipal governments. Having all levels of government work together is a key focal point for our members moving forward, because it is the most effective way to get projects moving and deliver results for Canadians to improve their lives.

To your question, we would, of course, say that it is critically important that we continue to work together as orders of government to continue to advance the relationship.

● (1310)

Mr. Francesco Sorbara: Absolutely. During one of the weeks that I was back in the riding, I was with the Minister of Infrastructure and the City of Toronto announcing funds for the disaster mitigation fund, of which the City of Vaughan received $16 million. We know climate change is real. We know we have to strengthen our infrastructure and mitigate the effects of climate change. It was a great announcement, well received. We had a number of mayors there, and we've had a great working relationship with them.

I'll move on to the mining sector and the Prospectors and Developers Association, PDAC.

We put flow-through shares in the budget. How important was that certainty for decision-making within the sector?

I think that's more important for PDAC. Then we'll switch to the Mining Association.

Ms. Lisa McDonald: Certainly, as noted in the remarks, this is something that we, as an organization, have advocated for since it was first implemented in 2000. As you're aware, it has been on a one-year renewal for that entire time. The five-year renewal really does provide that certainty for our members that there will be that type of investment and financing available to them for multi-year exploration programs.

As also noted, most of the exploration that is taking place now in Canada is in northern and remote regions. It's more challenging to do that exploration, and the time frame for planning in order to be successful has become longer, so that five-year horizon is certainly critical for our members.

Mr. Francesco Sorbara: Brendan, the Mining Association of Canada tends to deal with larger entities. There have been some mines approved. I believe Agnico Eagle had a mine approved up in northern Canada, I think in Nunavut, if I'm not mistaken. How could we strengthen the incentive for firms to continue to invest in Canada? I've heard from a lot of industry associations that it's not just the last three years, that it's been over a while that we've lost out to some of investment, and it's over a number of years under both Conservative and Liberal governments.

We introduced the accelerated investment incentive and accelerated capital cost depreciation for firms so manufacturing firms can invest or companies can buy equipment and write it off more quickly.

What else can we be doing? It's not a matter of just changing corporate tax rates. A.T. Kearney last year positioned us at number two for foreign direct investment in terms of attractiveness, so we are doing a lot of things right, but we could always be doing other things better.

Can you comment on that as well, please?

Mr. Brendan Marshall: To make a long story short, companies don't invest where they don't have confidence they can put in a project. If they have confidence they can put in a project, they don't invest where they don't think they can make money off building or operating one.

There are a number of points made about tax competitiveness here, and I think in many respects they're good points, but the nuance is really important.

My colleague and co-panellist, Kim, mentioned that we're at a significant disadvantage with respect to the U.S., and I think in some sectors that's very true. In the mining sector, we're not as much as a competitor with the United States of America as we are with other gold mining jurisdictions, so there's a limitation to the degree and extent to which that comment is directly applicable to us. It is applicable to oil and gas, absolutely. We also represent oil and gas members, so we're sensitive to that.

I think that the measures that were announced in the fall economic statement are welcome because for a long time there was so little attention given to improving the competitiveness of Canadian industry vis-à-vis the tax system.

In budgets 2012 and 2013, we saw the removal of indirect and direct mining tax credits. I think those measures that were put forward in the fall are a recognition that they need to do more. Are they enough? No, I would not suggest that in and of themselves they're enough to turn the tide of investment leakage out of this country in mining, oil and gas and other sectors as well, but I think it's a positive first step.

When we responded to that, and we did respond to that positively, we did so in the context that there's more work to be done, and we want to make sure that we do that with governments to make sure that our sectors remain competitive going forward. I don't think anybody sitting around this table, regardless of their political stripe, wants me to come back next year and say we've lost another $10 billion, $15 billion or $20 billion in projects, because I've done that year over year consecutively over the last five years.

Let's work together to avoid that happening going forward.

● (1315)

The Vice-Chair (Hon. Pierre Poilievre): It's all the time we have, Mr. Sorbara.

Mr. Richards.

Mr. Blake Richards: Thank you.

Mr. Moody, you mentioned our competitiveness when it comes to tax rates. I also have a blog post that you did, which I thought encapsulated it pretty well, where you said:

> [I]t is...disappointing given the fact that our country's personal and corporate tax rates...are not competitive when compared to the gorilla south of the border (the United States). Our firm continues to hold the strong view that tax rate reductions are needed to compete with the US given the strong magnetic pull that US tax reform has had on investment capital.

I wonder if you could elaborate on that a little bit and tell us a about the direction that we've seen in the United States, the direction that we're seeing here in Canada and what effects that has had, particularly when it comes to either attracting new businesses or to keeping businesses here that are currently here when we look at those differences in terms of competitiveness when it comes to tax rates.

Mr. Kim Moody: I think I'll answer that question from two different angles. First of all, recognize that our firm deals exclusively with private clients, so we're not dealing with the headline grabbers of all the large oil and gas companies that are fleeing, for example, the oil sands. That's just not our firm. What we're dealing with is private businesses, their wealth and their capital, which doesn't hit the news, and it will take a long time for statisticians to be able to keep up and figure out how much is left.

I can tell you there are two broad strokes. One is individuals leaving Canada, just saying goodbye to Canada. I can tell you that I've been doing this game for a long time, and in the last three and a half to four years, I have never had more assignments helping wealthy individuals leave Canada. It will never hit the headlines, but it's a tremendous amount of capital. That's the first thing.

Number two is much more common.

Mr. Blake Richards: Can I maybe interrupt you before you go to number two?

Mr. Kim Moody: Sure.

Mr. Blake Richards: Can you maybe speak to the effects that has for our economy?

Mr. Kim Moody: I think there are a whole bunch of effects. When wealthy individuals leave Canada, especially if they're job creators, the worst-case scenario is those jobs leave or just end. In many cases, the brains behind the operation are gone and that taxation on the investment income is gone as well.

Number two is much more common, especially with U.S. tax reform. It is the investment of capital in the United States by Canadian private businesses for a variety of reasons. One is that it's just a much more attractive business environment. My home province of Alberta, as you know, is in pretty rough shape. A lot of them are simply trying to survive. The United States looks pretty attractive and in many cases, it is.

Mr. Blake Richards: I want to maybe just turn to intergenerational transfers of family businesses. It came up in the first panel. I know you were there, so you had a chance to benefit from that discussion, but I'm sure you have some thoughts on this as well.

MNP used the example of, I think, a bakery in Waterloo. I can think of many examples, but the one that most sticks out for me is a small pharmacy. It's a family-run pharmacy in my riding. This family is a pillar of the community. They do all kinds of great things in the community. Their kids want to be able to take over. He's a pharmacist and he wants to take over the business, but he said to me that he can't do that to his parents. As much as he wants to take over the business, he just doesn't think it would be right to do that to his parents because of the effect it would have on them.

I wonder if you could speak to this issue of intergenerational transfers, the challenges there and what should be done to address that issue.

Mr. Kim Moody: It's a tricky issue. This issue has been around since 1985. This is not a new issue. When they introduced the capital gains deduction in 1985, this issue existed. I commend the current government for at least looking at it and, frankly, wanting to solve this decades-old problem.

I've sat on many private committees that have put forward submissions to the Department of Finance on how to solve this issue, and notwithstanding the showboating, as I call it—where they go across the country and do these hearings of what should be done—this is a very technical issue that cannot be solved by the average person.

The best submission that has been put forward by far is one by the Conference for Advanced Life Underwriting, CALU, which made a submission in September 2018. That submission has not received a ton of attention, unfortunately, but it needs to. I participated in that. There is a group of about six or seven of us who did what the government asked us to do, which was to spend a lot of time thinking about this issue. But no, instead we have more showboating across the country looking for submissions.

I think what needs to be done is, number one, look at that submission. There is some gold in that submission. Then act on it, because it's a real issue. It's important.

● (1320)

The Chair: Thank you. On that submission of the Conference for Advanced Life Underwriting. Can you send a link to that? We probably have it, but it will draw it to our attention. Send it to the clerk and he'll send it out to all the members, so that we have it top of mind.

Mr. Boulerice.

[*Translation*]

Mr. Alexandre Boulerice (Rosemont—La Petite-Patrie, NDP): Thank you very much, Mr. Chair.

I'm pleased to be here with all of you. I have to replace my colleague, the member for Sherbrooke, who was called upon to react to the Auditor General's report.

My first question is also for Mr. Moody.

What's interesting is that the Auditor General tells us that the shortcomings in the taxation of e-commerce mean that our companies are subject to unfair competition from foreign companies. This is also in the headlines of newspaper articles about the Auditor General's report.

I'd like to hear your opinion on this.

Are Quebec and Canadian companies, in fact, at a disadvantage because of the federal government's inaction when it comes to the taxation of e-commerce?

[*English*]

Mr. Kim Moody: If I understand the question correctly, I'll just paraphrase it in English: Do I think that Quebec and Canada have been harmed by Internet sales that ultimately have not been subject to both federal and provincial tax? Is that a fair summary?

I would suggest the answer is yes. Again, this is a very difficult issue that the OECD has spent a lot of time looking at and it has released some reports on this issue, but I would suggest that implementing that is much easier said than done.

Is it something that we should look at? Absolutely we should and, in my view, we should take action.

Mr. Alexandre Boulerice: From your point of view, do you see other countries in the OECD doing a better job than we are right now as a country?

Mr. Kim Moody: Better is subjective, right? Do I see other countries taking action? Yes, and in my opening remarks I gave one example, which is a recent proposal that France has come up with, which is to tax the French revenues of Google, Amazon, Facebook and all these Internet giants.

Do I think that's a step in the right direction? Maybe. The OECD doesn't like that proposal, but France struck out on its own. To make a long story short, do I think countries like Canada need to actually go it alone in certain cases? Yes, I do.

[*Translation*]

Mr. Alexandre Boulerice: Thank you.

My next question is for the representatives from the Federation of Canadian Municipalities.

We are almost out of a serious crisis, the flood crisis, which is affecting all regions of Quebec. Infrastructure will be increasingly affected by natural disasters and climate change, sometimes in the form of droughts and sometimes floods. Flooding also means mould and moisture problems later on.

Do you think the municipalities that you represent have the necessary means to be able to invest in what is called “climate change adaptation”?

[*English*]

Ms. Carole Saab: Obviously, these are timely and very critical questions you're asking.

The short answer is no. The cost to upgrade infrastructure to truly meet adaptation requirements is significant. It is monumental. Our infrastructure in this country is, for the most part, pretty old, and obviously, with increased climate events and the effects of climate change, municipalities are on the front lines of the impacts that are being felt.

The current climate change and disaster mitigation and adaptation fund is a start, certainly. We know that it was oversubscribed. We know from members there are many projects in the queue to get some support to adapt the infrastructure.

Your question is quite critical, because it isn't really a matter of will. Everybody's aware of the situation. Everybody's concerned about the situation. Cities and communities across the country are doing what they can to protect their residents. The costs are so significant, comparable to the revenues to which municipalities are entitled. It really is going to require a partnership, and significant partnership, from other orders of government.

● (1325)

[*Translation*]

Mr. Alexandre Boulerice: Would you like to have a federal fund that would allow you to work with municipalities fir several years, that is, to have a five-year or 10-year plan, and therefore work with municipalities on investments or work by project?

[*English*]

Ms. Carole Saab: Our current recommendation is that the current disaster adaptation fund be expanded in terms of the order of magnitude. Again, as with anything, the more long term and predictable funding is for municipalities, the easier it is to plan and use it.

The Chair: Ms. Rudd.

Ms. Kim Rudd: Thank you very much. I want to put a question to Lisa, from PDAC, and Francis, maybe you could chime in as well.

The Governor of the Bank of Canada was here earlier this week, and one of the things he talked about was foreign direct investment. I want to highlight that a couple of months ago, Bloomberg pointed out that FDI rose to $51.3 billion last year, as reported by StatsCan. That was the highest annual total since 2015.

Even as investment in the oil sands has somewhat levelled off, investment is coming in to other sectors of the economy. I'd like to talk a little bit about those sectors, one being relevant to both PDAC as well as the Canadian Electricity Association.

At PDAC, just a few months ago, there was, for the first time ever, a discussion between mining and the nuclear sector around the deployment of small, modular reactors as a form of energy, removing diesel from the mix. As we know, there are mines that have become electrified in Canada.

In your submission you spoke about the strategic innovation fund and how that will help move that along in terms of cleaner energy production for mining. There was a really interesting meeting attended by about 150 people, including lawyers, people from the finance sector, mining and nuclear, in a room, in Toronto, for the first time ever, talking about how we can electrify the mining sector.

Lisa, perhaps you could talk about how you see that helping the.... I know the METC was huge for the mining sector, but this is also a game-changing next step. Francis, you can talk about electrification.

Ms. Lisa McDonald: Sure. I can start, but then I'm going to pass it over to my colleague Brendan. He was at said meeting at the PDAC in Toronto, so he can speak to it further.

Certainly from a high level I can comment that, as we noted, one significant cost barrier to operating in the north is the dependence on diesel. There are no other options for energy in the north. Certainly our sector is looking increasingly to innovation to help us solve some of those problems. There is significant interest in small nuclear.

Maybe with that, Brendan, I'll throw it over to you to give a little more—

Ms. Kim Rudd: My apologies for calling you out, Brendan. I know you were at the meeting. We worked very closely together.

Mr. Brendan Marshall: Yes, we were on the panel together, Kim.

We used to be in a NIMBY space and then that moved to BANANA: build absolutely nothing anywhere near anything. MAC underscores again, unequivocally, we are agnostic about fuel type. We do not discriminate on the products extracted from this country. We think we need to have all solutions on the table. We have a world-class nuclear industry, from extraction in Saskatchewan through to refinement in Ontario, through to generation of power in a number of different jurisdictions.

The advent of small modular nuclear reactors presents a tremendous opportunity for current off-grid circumstances to have lower-cost clean power. The benefits from that are many because it is virtually emission-free. It is lower cost. You can bring that to parts of the country that, if we wait at current timelines, will probably not see a connection to a piece of energy infrastructure in my lifetime.

The potential is huge. It has to be managed appropriately. We support a strong role for the Government of Canada in that. I understand that, at this time, prototypes of this technology are slated to be pilot tested at Chalk River facilities. MAC will remain involved in that.

We've also strongly encouraged the government to make sure there is a significant indigenous engagement as part of that pilot project, and through the entire application of this endeavour, wherever it may lead.

● (1330)

Ms. Kim Rudd: Thank you. That was excellent.

Quickly, Francis. I know I'm probably out of time.

Mr. Francis Bradley: With respect to electrification, our interest of course is broader than simply a discussion of electrification of mining or, as I spoke earlier, about electric vehicles. If we're going to begin to take steps towards meeting some of our climate change commitments, we're going to have to decarbonize significantly and electrify the economy.

If you look at studies that have been done by Trottier Energy Futures, the Conference Board of Canada, and many others that try to quantify what that future would look like if we're going to move towards some of the climate targets we have, we're looking at a very significant increase in the need for electricity for transportation, certainly, and for industrial processes, for HVAC. As a result of that, every technology is going to have to be on the table.

We're very enthusiastic about what's taking place, certainly in the SMR space, but as we look even further to the future we're interested to see what's going to happen in the hydrogen space and how that will be part of our future. If you cast your mind more than 10 years into the future and try to figure out what it will look like if we're going to begin to make significant progress in reducing our GHG emissions, it is a future that is essentially going to be electric.

The Chair: Ms. Rudd, you're very substantially out of time.

We'll turn to Mr. Poilievre and then back to Mr. Fragiskatos.

Hon. Pierre Poilievre: Mr. Marshall or Mr. Bradley, what major nuclear projects are under way right now to power that electrification? Can either of you answer that?

Mr. Brendan Marshall: On the power generation side, I defer to Francis. I think refurbishment is going on at Bruce right now.

Hon. Pierre Poilievre: Is there any new supply from nuclear at this point in Canada?

Mr. Francis Bradley: Not at the moment, and of course that takes a fair amount of time to develop. Certainly things are being talked about, but the discussion is changing in the nuclear space. It is a discussion that isn't quite so much about the large systems in the future. It is about SMRs. It's about smaller increments that will be coming online.

Hon. Pierre Poilievre: Are there any planned investments in those in Canada right now?

Mr. Francis Bradley: There is certainly research, and dollars that are going into research in both Canada and the U.S that we're following very closely, in the micro and the SMR space.

Hon. Pierre Poilievre: But no projects.

Mr. Francis Bradley: In terms of commitments for projects, we're at the research and development stage; we're not yet at the rolling-out stage.

Hon. Pierre Poilievre: Excellent, thank you.

Mr. Brendan Marshall: I'm only aware of one SMR globally that is currently deployed. It's in northern Russia. It's on a barge floating on the water. It has a cable that moves to an industrial facility.

Other than that, this is very much a cutting-edge, directional technological movement at this time.

Hon. Pierre Poilievre: Excellent. That's very promising.

I know there was talk of using nuclear in the Peace River valley to power the oil sands processes many years ago, about 10 or 12 years ago, and for various reasons they didn't proceed with it. Here in Ontario, we've more or less replaced coal with increased nuclear, and a little bit of extra increase in natural gas and hydroelectric.

I think you're right that nuclear is definitely part of the solution to getting us off greenhouse gas-emitting sources of electricity, or at least reducing those emissions.

Mr. Moody, you mentioned that money is leaving the country.

What is the best way for us to quantify that exit? Can you give us an example of the questions we should ask of officials in order to isolate the effect of money leaving the country?

● (1335)

Mr. Kim Moody: Well, on the first pillar that I mentioned, individuals leaving Canada, you would be looking at deemed dispositions as they leave Canada. I've tried to get that information from the CRA, and the information that has come back has been rather lacking, you could say.

Whatever information you'll get out of that pillar will not display the planning that goes on behind the scenes. It's very difficult in my view, and believe me, I've thought very hard about how to get my hands on that information.

The job of a guy like me, or firms like ours, Meyers Norris Penny, or whatever else, is to minimize the amount of taxation when you leave Canada. You don't see that. You don't see the benefits of that planning.

On pillar number two, which is simply investment in the United States, for example, I actually don't know. I really don't know how you'd come up with that information. But I can tell you anecdotally that in my office, it's a very significant number.

Hon. Pierre Poilievre: Right.

By 2017, Canadian investment in the U.S. was up by two-thirds, and American investment in Canada was down by half.

Ms. Rudd celebrates the fact that we're starting to recover to 2015 levels. However, we're still down in terms of foreign direct investment since this government took office. There's no doubt that the obstacles the government has put in the way of development, and the taxes it has imposed on our entrepreneurs, are largely responsible for that decline.

Mr. Moody, would you agree that there is a causal relationship between the increased tax and regulation and the departure of investment in Canada?

Mr. Kim Moody: Without a doubt.

If any of you have studied basic economics, which I presume lots of you have, I think the Laffer curve is very real. When you look at the amount of personal tax that ultimately is imposed, there's a tipping point as to when that behavioural change....

In terms of the use of the phrase by Ms. Rudd about levelling off investment in the oil sands, as a proud Albertan, I'll take issue with that statement “levelling off”. How about a significant decline, which has resulted in significant job losses—over 100,000 jobs lost? That's not a levelling off of investment in the oil sands. That is a direct impact of regulation and policy implementation that loses jobs.

So, yes. The overall answer to your question is yes.

The Chair: Okay.

Mr. Fragiskatos.

Mr. Peter Fragiskatos: Thank you, Mr. Chair.

Well, we can go the way of trickle-down economics, or we can go the way of investing in people.

The managing director of the International Monetary Fund, as you know, is Christine Lagarde. Speaking favourably a few years ago, and this continues with the IMF's assessment of Canada, she said, “When you open a big construction site, you have people working, you have income being paid, you have income being consumed, so you enter into that virtuous cycle which can be net positive.”

My question is for the FCM. Thank you very much for being here and for the work that you do.

We are seeing delays by the provincial government of Ontario in rolling out infrastructure investments. We want to partner. We want to work with municipalities. Indeed, we want to work with the Ford government to fund infrastructure for Canadians. But, as I say, we see delay after delay in the assessment of projects that have come in from municipalities, and ultimately decisions on those applications.

How critical is it for the Ontario government, for all provincial governments—I'm from Ontario, so I'll focus on the Ontario government—to make these decisions and keep the ball rolling?

● (1340)

Ms. Carole Saab: Thank you for your question. I think that's a scenario being faced not just in Ontario but other provinces as well, where intake processes haven't opened up for even the current federal infrastructure programs.

It means nothing is happening. It means there is a stall, and that's very frustrating obviously for cities and communities across the country that are trying to make these investments in communities, and in Canadians in their communities. It's critically important that these programs and intake processes be opened, and that we move forward in a timely way so that the work can move forward, and that we don't miss construction seasons moving forward.

I'll use the opportunity of your question to again underline the merits of an approach like the gas tax fund: the difference between an allocation-based model and an application-based model, which is fraught with challenges that usually result in delays and get caught up in this kind of a dynamic. Again, there's a strong push from FCM and our members to continue to invest and double down on direct allocation models, because it's as direct as it gets, and we're able to move that and turn it around pretty quickly.

Mr. Peter Fragiskatos: That is very much appreciated. I wish we had longer to get into more nuances. As I say, I truly appreciate the work that FCM does.

Mr. Bradley, I've seen comments that you made shortly after budget 2019 speaking favourably about the $145-million investment towards cybersecurity and ensuring that critical infrastructure is secure. I know the committee on public safety and national security called for that for some time, and other voices. I'm glad to see that obviously go forward.

What else can we do on that front?

Mr. Francis Bradley: We've seen, I think, two years in a row of good news on the cybersecurity front, frankly, after a fairly long time of industry players and critical infrastructure players asking for significant action. We began seeing significant action with the budget the year before that established the Canadian Centre for Cyber Security. We're encouraged again this year that there was specific mention of additional funds.

I'm afraid to say I'll be coming back each year and talking about the concerns that we have with respect to cybersecurity and the need to continue to invest in this. The kinds of people that we're up against are increasingly well funded as well. The cyber-threats that we're facing are increasing in their complexity. In addition to that, not to get too technical on things, but when people talk about the Internet of things, the IoT, or as I like to call it the Internet of threats, what we're talking about is the increase of devices that are connected. We're talking about, at the same time, a massive increase of potential vectors for attack. That is only going to increase in the future.

Mr. Peter Fragiskatos: I have a point of clarification, Mr. Chair.

Mr. Moody, you paint a scenario whereby the Canadian government is somehow involved in propping up Canadian media organizations, and there's a threat to our democracy as a result. At least that's my understanding of your testimony.

I would just point to the fact—and these are facts—that countries can decide how to support their media. In Europe, countries offer corporate tax exemptions. They offer grants for start-up ventures in journalism. They offer grants for journalism research and training. In France, which you spoke of favourably, journalists in that country are in fact given a reduction on their personal income taxes. In the United States, there are reduced postal rates for media organizations. There are also state sales tax exemptions as well.

Canada has decided to go in a particular direction, but we're certainly not unique in this regard. I think that the record should reflect that, Mr. Chair.

Mr. Kim Moody: Can I respond?

The Chair: We'll give Mr. Moody a chance to respond, if he likes.

Mr. Kim Moody: First of all, don't put words in my mouth. I never said “favourably” to France. I'm just pointing out that there are many countries around the world, and I focused on France because it's recent. Do I think that those examples that you've listed are exhaustive? Not in the least, and you would have that from a quick search on Google. Much more research and much more thought needs to be done than quick Google searches.

Mr. Peter Fragiskatos: No—

Mr. Kim Moody: And the bottom line is that our industry—

The Chair: We'll give you a chance to—

Mr. Peter Fragiskatos: —the information that I cited, so that the record reflects it, comes from the Columbia Journalism Review. I respect that journal, Mr. Chair.

The Chair: We'll allow Mr. Moody to answer first, then we'll come back to you.

Mr. Kim Moody: All I was about to say, before I was interrupted, was we should be looking at a much more systemic review of what the root causes are, and I explained what I think the root causes are: the Internet giants sucking away advertising revenues. Instead of a knee-jerk response to these so-called incentives, we should be looking at something much more thorough.

● (1345)

The Chair: We'll let you close off the discussion, Mr. Fragiskatos, and then go over to Mr. Poilievre and then back to Mr. McLeod.

Mr. Peter Fragiskatos: Mr. Chair, I simply made the point that countries have pursued the objective of supporting journalism as a critical part of democracy and they've taken various measures, various approaches, to create a situation whereby media can thrive, certainly independently of government.

With all due respect, Mr. Moody, you pointed to the example of France. You talked about the French example in favourable terms. You advised that the government look at—

The Chair: We don't want to get into a debate on that, Peter.

Mr. Peter Fragiskatos: All right. No problem. Thanks.

The Chair: Each is on the record.

Mr. Poilievre.

Hon. Pierre Poilievre: I do think it's interesting that Mr. Fragiskatos, in the same breath, accuses others of trickle-down economics and then cites as his most favourable endorsement that of the head of the IMF, Christine Lagarde, who was found criminally guilty of negligence for giving $400 million to a business tycoon. That is exactly the kind of trickle-down economics we've seen from this government, to take from the working class, give to the super rich through hand-outs and bailouts, and then hope that a few pennies trickle back down to the people who earned it in the first place. It's called trickle-down government.

The Chair: We're having a few debates here.

Hon. Pierre Poilievre: I know, Chair, and there are certain debates you like and others you don't. This one wouldn't be the one you'd like. I wouldn't want to be running on it in P.E.I. if I were you, either. So I can understand why you'd like me to move on to something else.

Out of deference to you, still, I will ask a question—

The Chair: I'd welcome you in P.E.I.

Hon. Pierre Poilievre: I'll ask Mr. Moody a question.

When you look at the tax regime in Canada and you compare it to our competitor jurisdictions, do you believe that high taxes are driving money out of the country?

Mr. Kim Moody: Absolutely. No question.

Hon. Pierre Poilievre: What is the solution to that problem?

Mr. Kim Moody: I think the knee-jerk response would be to reduce tax rates, both corporate and personal, especially personal. Having said that, I think the more thorough and better response is what this committee has probably heard dozens and dozens of times, which is comprehensive tax review. I've been a big believer, like most tax practitioners, for at least a dozen years, at least. This is not a new issue. I think some government needs to have the courage to actually do it, because it's the right thing to do.

Hon. Pierre Poilievre: What would it look like to you? What would tax reform look like?

Mr. Kim Moody: You know what? I'm going in with an open mind. I would want to go in with an open mind. Everything is on the table.

Hon. Pierre Poilievre: What I'm hearing from my constituents is they feel like there's almost a war on work, when you consider how much a person loses out of a dollar that they earn. Right now, the average Canadian spends more on tax than on food, clothing and shelter combined. Let the record show that my Liberal colleagues snicker at these facts. Average people back home don't snicker at it.

When they earn the dollar, they pay, let's say, 40¢ in income tax and payroll tax. So they have 60¢ left. Then on every purchase they make with that remaining 60¢, they pay 13% or 14% in sales tax, depending on the jurisdiction in which they find themselves. Then they're paying gas tax and carbon tax and HST on both those taxes. If they're all taxed out and they need to have a drink, they're now paying higher taxes on beer, wine and spirits, a tax that rises automatically every single year. They know the government is supplying a future tax increase in the form of large, unnecessary deficits, which we know if they continue will metastasize into yet further tax increases.

Do you believe there is a disincentive to work and get ahead when the tax burden is as high as it is in Canada today?

Mr. Kim Moody: I would suggest that there is a disincentive to take risk, but is there a disincentive to stay home and not work? Probably not. But is there a disincentive to take risk? Yes.

I would add to your commentary. Do I think there's a war on the wealthy in Canada right now? Absolutely. One of the things that I spend a lot of time on is giving advice for the wealthy. Now, a lot of people say we should tax them more. I see how much they pay. It's easy.... For example, I do some professional athlete work in Canada. The amount of tax these people pay both in Canada and the United States is absolutely astounding. Do you want them to pay more? The average response from people who don't make that kind of money is “sure”. Really? You do, do you? That is a disincentive in many cases to ultimately wanting to perform, so—

● (1350)

The Chair: Pierre, you're out of time.

Mr. Marshall wants in as well. Then I'll go to Mr. McLeod, and Mr. Boulerice will have to wrap it up.

Mr. Marshall.

Mr. Brendan Marshall: You raised a question about what a comprehensive tax reform could look like. One element that could be included in that, which would be instructive, is what are the types of tax policies, both corporate and personal, that would be required to make Canada the leading choice for having a corporate head office?

What would be required to make an investor decide they want to move and put their head office in Toronto, Calgary, Vancouver, Montreal or any other jurisdiction in this country; and why aren't they choosing to do that now?

In the mining space, we've seen significant merger and acquisition activity over the last 15 years. What that has effectively resulted in is tantamount to a hollowing out of our corporate head offices. Taxation is a part of that. A strong openness to free trade is another part of it, and that's a bonus. How do you balance those things out?

Any holistic overview of Canada's tax system would be well served by rigorously holding up that question and trying to answer it as truthfully as we possibly could.

The Chair: Thank you, Mr. Marshall. Those are very valid points.

You should know, and Mr. Moody as well, that the finance committee has recommended that there be a comprehensive review of the taxation system. Certainly one of the big questions is, how do you do it? I'm of the line of thought that, first, you really need to have experts in the wide-ranging field do the review and come up with a white paper, and then at that point in time turn it over to a parliamentary committee.

One of the difficulties with that, though, is if you started it before an election, you'd be accused of doing it to raise taxes, and the other side of would be accusing you of something else. It's part of the difficulty in the realm of politics. However, we have recommended that there be a comprehensive tax review, and I certainly believe the way to start would be to develop a white paper and then go from there.

Mr. McLeod, and then Mr. Boulerice will wind up.

Mr. Michael McLeod: Thank you, Mr. Chair; and thank you to the witnesses for the presentations today.

On the point of the tax review, it would be interesting to see how the parties voted on the recommendation to do a tax review and analyze the results.

I don't think we talk about the north enough in this committee, and I want to go back to the presentations here today regarding the north.

For quite a few years now, for a good part of my life, I've advocated bringing attention to the north because of the potential there. As one of the presenters mentioned today, it is where the future lies. It's virtually untouched. It has huge potential in many areas, and it would be interesting to hear your points of view on how important the north is to our future.

We have big areas such as Grays Bay and different parts of the north where we could see much happening in the future. Some of those projects could be comparable to Ring of Fire, or even bigger.

Could I get both PDAC and the Mining Association to give us a quick snapshot of your opinion on the north?

● (1355)

Ms. Lisa McDonald: As mentioned earlier, we do agree that the future is in the north for Canada. We once again point to the challenges with the costs of operating in the north. It's not rocket science; it comes down to a lack of infrastructure, in terms of roads, from an energy perspective, from a communications perspective, and from the mining industry's perspective.

We're a willing partner, and I'm sure my colleague Brendan can elaborate on examples of our companies that are partnering on the types of infrastructure projects that are needed in the north. For us, this isn't just about building a road to a mine; this is about partnering and building infrastructure that will benefit all of the communities that are in the north.

Brendan, maybe you could talk about some more specifics.

Mr. Brendan Marshall: I think, to make a long story short, there is tremendous potential, and while infrastructure is a barrier, it's most certainly not the only one.

I think one of the barriers is giving northerners a greater level of autonomy to make decisions on what they want for their own future. Historically, when we looked at infrastructure funding programs, the north has been unduly limited through per capital allocation formulas.

One of the things that the current government should be commended on is the departure from that and having a per capita plus formula, and also specific northern carve-outs for infrastructure, allowing our region of the country to participate on a more level playing field in competition for limited pools of resources.

I think even beyond the policies and the programs—and we could talk about that for a long time today, which I am happy to do, not only as a professional but as a personal advocate for responsibly developing northern Canada—we need to move away from having this Garden of Eden mentality about the north in people's minds in southern Canada.

It is not a massive expanse of 3.4 million square kilometres of parkland. It's people's homes. It is a place where people are born and raised. It's where people's families are. It's where people raise their children. We cannot be continually unilaterally making decisions about what that part of the country means to us without elevating the perspectives of the people who live there to a level playing field.

I would say that is a really important piece of balance in this discussion—

Mr. Michael McLeod: I'm going to interrupt you because I want to bring up one more point.

The chamber of mines and chamber of commerce have said that if we were to deal with the infrastructure deficit, we wouldn't even have to talk about subsidies, tax credits or anything of that nature in the north.

I think we've done a pretty good job of putting infrastructure investment in transportation and we need to do a lot more. We're looking at energy costs as something we can start to tackle.

The one point that nobody has raised here is the resolution of land tenure with indigenous governments and self-government. If we're going to grow the economy, we have to resolve those issues. It's been on the table for a long time. With some indigenous governments, it has been 30 or 40 years. It creates uncertainty for industry, I'm sure, and I've heard it.

Maybe you could touch on how important it is for us to get—

Mr. Brendan Marshall: I'll defer to Lesley for that.

Ms. Lesley Williams (Director, Policy, Prospectors and Developers Association of Canada): Thanks.

It's absolutely critical. As an association, we've been working on advocating for the resolution of land claims and working together on those issues for many, many years now. We've seen success stories in the north, where land claims have been resolved, and there are quite excellent partnerships around that.

The Tlicho are an excellent example. Look at Nunavut and a number of the successful projects that have moved along as a result of having land claims and working through those land claims.

They're still kind of a work in progress in terms of their implementation and how we see those through, as well as the various processes that come along with them around the land management regimes, water, wildlife and whatnot. They help to provide that sense of certainty for explorers and for mining projects.

● (1400)

The Chair: We have time for one question.

Mr. Boulerice.

[*Translation*]

Mr. Alexandre Boulerice: I would like to ask Mr. Bradley my next question.

My political party advocates the electrification of transport, both individually and collectively. We have very little time, but I would like to know what you propose to the federal government in terms of an action plan that would allow it to electrify transportation.

[*English*]

Mr. Francis Bradley: Wow.

Mr. Alexandre Boulerice: In one minute.

Mr. Francis Bradley: I think we're taking some of the right steps already. There is a very active dialogue that's taking place right now among the key government departments, industry and civil society.

I think what we need to do is look at developing a comprehensive electrification strategy for Canada. It's something that we've been advocating for. It means we need to do some additional research so that we can understand, in fact, what the next steps are.

This is going to be too important, I think, for the future of our country and it's something that we collectively have to get on board with. We have to have a clear and well thought out, well reasoned strategy for moving forward, and moving forward fairly quickly with electrification if we actually want to have some kind of an impact on climate change.

Thank you for the questions.

The Chair: Thank you, witnesses, for your presentations and for answering our questions, and for the lively discussion, at times.

With that, colleagues, we'll meet tomorrow from 3:30 p.m. to 6:30 p.m. in room 125.

Thank you to all.

The meeting is adjourned.

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