HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

Standing Committee on Finance

FINA • NUMBER 006 • 1st SESSION • 42nd PARLIAMENT

EVIDENCE

Thursday, February 18, 2016

Chair

The Honourable Wayne Easter

Standing Committee on Finance

Thursday, February 18, 2016

● (1530)

[*English*]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): This afternoon's session is meeting number six of the Standing Committee on Finance. Pursuant to Standing Order 108(2) we are continuing our pre-budget hearings for budget 2016.

I welcome the witnesses here this afternoon. I certainly thank you for putting your presentations together on substantially short notice. We've been having a lot of good information brought forward to the committee this week and we appreciate your doing your part.

We'll start with Mr. Brault from the Canada Council for the Arts.

[*Translation*]

Mr. Simon Brault (Director and Chief Executive Officer, Director's Office, Canada Council for the Arts): Good afternoon.

I thank you for having invited the Canada Council for the Arts to take part in your consultations.

As you know, the council is an autonomous arm's length Crown corporation whose mandate is to foster and promote the study and enjoyment of, and the production of works in, the arts. It is active regionally, nationally and internationally.

There is no need today to list all of our achievements of the past 60 years. The vitality and diversity of the Canadian artistic scene bears witness to that, as does the recognition it has garnered. The Canada Council for the Arts has a proactive attitude and is committed to innovating to respond to demographic, economic, technological and social change. This means that we choose to direct our investments toward the two great natural and inexhaustible resources of innovation and creation.

[*English*]

Eighteen months ago, the council began a major transformation. We made the decision to scale up our impact for artists, arts organizations, the general public, and our current and potential partners to better fulfill our mandate.

Our transformation is designed to be results-based. Over the past year, the council has undertaken numerous consultations and it puts us in a position today to deliver a strong and effective model for funding and supporting the arts.

The first steps in the ongoing transformation are to implement: first, an overall way of operating that focuses on maximizing our impact; second, a new model for program and service delivery; third, improved productivity in the workforce and improved knowledge sharing; and fourth, a new five-year strategic plan. The core of this transformation, our new funding model with its six programs, is simple, flexible, responsive to change, and results-based. Our strategic plan will be released in April 2016. All of the components of the transformation will be operational as of April 2017.

We have been transparent in sharing our improvements on traditional and social media, and reaction has been overwhelmingly positive. We are looking to increase our impact immediately and for the future, and we are acting quickly and strategically in several ways.

For example, our new program dedicated to indigenous arts and cultures is designed with an entirely indigenous perspective. This long-standing priority has been made a policy instrument.

Our new funding model gives the organizations we support the responsibility for reflecting the diversity of their community, practising equity, and supporting linguistic duality. The flexibility of the model responds to the realities of new generations and youth. Our new program dedicated to international activities will consolidate the cultural presence of Canada on international markets.

[*Translation*]

The economy is difficult to predict, because of globalization in particular. Innovation and creation are essential resources to create a solid and ever-renewed economy. Internationally, many countries have placed culture and the arts at the heart of their economic development. The benefits of that choice are many—financial, social, educational and human.

The cultural sector provides 624,500 jobs. That represents 3.7% of all jobs in Canada. Culture and the arts contribute $47.7 billion to our gross domestic product, according to the Canadian Culture Satellite Account of 2015.

The arts sector, which we support directly, is an essential driver of our cultural industries and of the broad cultural sector, since that is where the talents, knowledge, innovation and content without which the cultural economy would be idle, are largely developed.

[*English*]

The arts and artists must be included in the discussions that determine our present and future since they stimulate the imagination, creation, and innovation that are necessary to our well-being and our sustainable development.

The Canada Council is ready to invest in the economy of the future, an economy based on rich diversity and creativity, an economy supported by the intelligence, skills, and engagement of Canada's artists and all citizens.

Thank you.

The Chair: Thank you very much for being a little ahead of time.

Turning to the Canadian Council for Public-Private Partnerships, we have Mr. Bain.

Mr. Mark Bain (Vice-Chair, Canadian Council for Public-Private Partnerships): Thank you, Mr. Chair, the clerk, members of the committee, and staff.

Established in 1993, the Canadian Council for Public-Private Partnerships is a national, not-for-profit, non-partisan, member-based organization with broad representation from across the public and private sectors. We're not a lobby group. We have government as our members and as our partners.

Our mission is to promote innovative approaches to infrastructure development and service delivery through P3s with all levels of government.

On behalf of the council, I'm pleased to appear before this committee for pre-budget consultations.

We have submitted a fulsome brief to the committee with our recommendations. Given the tight schedule, I'll just touch on a few high-level points and look forward to your questions later.

When we talk about P3s, we're generally referring to a single, fixed-price contract where the private sector designs, builds, finances, maintains, and sometimes operates infrastructure on behalf of the public sector over a long-term contract, typically 25 to 35 years.

It's important to note in these contracts that the ownership and control of the asset always remains with the public sector. P3s tend to be most suitable for complex projects that carry a significant risk and are of a large size, greater than $50 million or $100 million.

We will be the first to say that P3s are not a panacea. At present they account for approximately 10% to 15% of public infrastructure projects, but when the right project is done for the right reasons, P3s are proven to lead to higher quality infrastructure that is delivered on time, on budget, with savings to taxpayers. The transfer of risk to the private sector, putting private capital skin in the game, and taking a life-cycle view of an asset leads to significantly better results.

The Canadian P3 sector has been active and continues to grow and is now recognized as a best-in-class model worldwide. We now have 236 projects under way in Canada, either in operation, under construction, or in procurement, and the value of projects reaching a financial close is now over $93 billion. An independent economic impact assessment completed by InterVISTAS demonstrated that in the last decade, P3s created over 290,000 direct jobs, added over $25 billion to direct GDP, and saved governments $9.9 billion in measurable results.

Looking to this budget, we know, as you know, that the economy is in need of a boost, and we know that all levels of government are facing large infrastructure deficits. We support the need for short-term stimulus, and we believe a focus on infrastructure will be your best investment, even if that means running modest deficits. Our recent public opinion research confirms the vast majority of Canadians support this position.

It is likely that P3s will only play a role in short-term stimulus spending where major infrastructure projects are already in the P3 procurement pipeline. Those projects should continue moving ahead under the P3 model.

The council is primarily focused not on the short term, though, but on how the government can benefit from P3s under its long-term infrastructure plan. To that end, we support the government's focus on economic, social, and green infrastructure. I believe you'll find that P3s do have a strong track record of success in each of those sectors. Public transit, broadband, social housing, first nations infrastructure, and water and waste-water facilities are just some of the priority areas within those three categories. Our submission goes into greater detail with examples of P3 success stories across those sectors.

We believe there is an opportunity with this budget to set out a long-term infrastructure plan that addresses the needs of municipalities, provinces, territories, indigenous governments, and of course, the federal government.

With decision-making on projects moving to the local level, our preference is to keep the P3 screening for projects over $100 million, but in lieu of that, if decision-making is going to a local level, the federal government ought to ensure that due diligence is happening within other levels of government, and assisting with resources of that capacity does not currently exist.

It is important that communities have the capacity to make fact-based decision-making around procurement options as time delays and cost overruns can have a significant operational impact on local governments. One needs to look no further than the traditionally procured York to Spadina subway in Toronto, which is now delayed and running $400 million over budget, leaving York Region and the City of Toronto to make up that shortfall.

We know that P3s will be one of the critical tools at the government's disposal to ensure its infrastructure plan is successful, and we know Canadians understand the importance.

● (1540)

Just last month we commissioned a study by Nanos Research which found that two-thirds of Canadians support P3s, more than a 5% increase from our last study in late 2013. The results are not surprising. Increasingly, the successful track record of the P3 model is recognized.

Our council looks forward to working with the government over the coming years to help maximize its returns on its long-term infrastructure plans.

Thank you.

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

Turning to the Canadian Housing and Renewal Association, we have Mr. Morrison.

Mr. Jeff Morrison (Executive Director, Canadian Housing and Renewal Association): Good afternoon, Mr. Chair. Thank you for the invitation to appear. By the way, congratulations on your election as chair.

For those of you unfamiliar with the Canadian Housing and Renewal Association, CHRA is the voice of the affordable housing sector in Canada. Our members range from large and small social housing providers, all 13 provincial and territorial housing departments, municipalities, housing organizations, and supportive individuals.

During last year's election campaign, members of this committee may have heard of and even participated in, our Housing For All campaign, where CHRA and supporters from across the country made an impassioned plea for greater federal investment in social housing. We were very pleased to see that our messages did not fall on deaf ears, and that as demonstrated by the deliverables contained in the Prime Minister's ministerial mandate letters, the current federal government has made investing in social housing a top budgetary priority.

To be clear, Mr. Chair, the needs are great. Over 235,000 Canadians will experience homelessness at some point this year. One in four Canadian families cannot afford the housing they are currently in. In the past 25 years, federal investment in affordable housing has decreased by 46%. Most current social housing stock is 40, 50, 60, and in some cases, even 100 years old, and there has not been the investment necessary to renovate that existing stock. We are now at the point where the federal operating agreements are already expiring. Over 800 agreements have already expired, and by 2040, the federal investment in social housing is set to reach zero, putting over 300,000 households at risk of eviction.

[*Translation*]

Consequently, there is an immediate need for federal leadership in the renewal of social housing.

Within a well-thought-out, long-term strategic framework, it is clear that investment in social housing contributes to reaching government policy objectives in several related areas, including meeting the challenges faced by off-reserve aboriginal peoples, stimulating the economy, reducing poverty and greenhouse gases, and helping with the settlement of refugees.

[*English*]

Two weeks ago, a coalition of seven national and provincial housing associations released a paper identifying our recommendations for the three areas of focus for new federal investment. These three areas include: first, retrofit and rehabilitate existing social housing assets that currently provide safe and affordable homes to over 600,000 households in Canada; second, commit to building 100,000 new social and affordable homes to reduce core housing needs and homelessness; third, support innovation in social housing by allowing such things as refinancing of housing provider mortgages, expanding the homelessness partnering strategy, and encouraging social entrepreneurship. By using this new federal funding to invest in these key areas, the federal government would go a long way toward addressing the deficiencies that have built up in the sector.

In addition to these three areas of focus, I'd add just three policy principles that CHRA feels should guide policy-making when investing in social housing.

[*Translation*]

Firstly, although the federal government should establish key principles and guidelines, funding decisions have to be made at the local level. Social housing policy is not a one-way street. Investment has to take local needs into account.

[*English*]

Second, we've heard a lot of talk from the Minister of Finance about funding for "social infrastructure" under which housing is generally included. The catch is this term has come to mean many things to many people. We're concerned that if the federal government does not provide dedicated housing funding for social infrastructure within the broader envelope, funding will be split so many ways that its impact on social housing may be negligible. We're therefore looking for a commitment to dedicated social housing funding in the budget.

Last, a long-term housing investment framework must be developed in a collaborative fashion. Social housing is a big tent. A long-term policy framework must be developed with the participation of all stakeholders at the table. This is where our association, CHRA, is ready and willing to work with the federal government in playing a bit of a convenor role across the breadth of the social housing sector so that we can develop a collaborative, sector-wide, long-term policy approach.

We hope this committee will support this need for a multi-stakeholder forum to flesh out a responsible, effective, long-term housing policy.

● (1545)

[*Translation*]

Mr. Chair, social housing policy in Canada is at a crossroads. By working together and investing judiciously and comprehensively, we can make a positive difference in the lives of millions of Canadians who depend on social housing.

Once again, thank you for this opportunity to testify before you today.

[*English*]

The Chair: Thank you, Mr. Morrison.

I turn now to Mr. Lavoie of the Canadian Manufacturers & Exporters.

[*Translation*]

Mr. Martin Lavoie (Director, Business Tax and Innovation, Canadian Manufacturers & Exporters): Mr. Chair and members of the committee, it was with great pleasure that I accepted your invitation, on behalf of the Canadian Manufacturers & Exporters, to submit our recommendations to you in the context of your 2016 pre-budget consultations. I want to wish all of you an excellent first parliamentary session.

First of all, may I express our appreciation to all of the political parties and all of the members of the committee for the support they expressed for the manufacturing sector during the last electoral campaign. It was very clear, and it was appreciated by everyone.

I will take a few minutes to introduce our association and the Canadian manufacturing sector.

Our association represents more than 10,000 manufacturing and exporting companies in Canada. For those who remember, it was created in 1971 and was the first industrial association. In the 1990s we merged with the Canadian Exporters Association because manufacturing companies were responsible for the majority of exports, and that is still the case today.

What is the manufacturing sector and why is it important?

The manufacturing sector comprises a variety of subsectors, from natural resources to aeronautics, the automobile sector and food processing, and accounts for 10% of the Canadian gross national product. Canadian-manufactured products make up two-thirds of Canadian exports.

The Canadian manufacturing sector is responsible for approximately 42% of the private sector's total investment in research and development. The manufacturing sector employs 1.7 million people throughout Canada. They earn an average yearly salary of $72,500, as compared to the average for all industries, which currently stands at $57,900. The sector has a positive impact on a multitude of other sectors, including logistics, transportation, finance, services, and more.

Over the next few years, we will be facing many socioeconomic challenges. We formulated our pre-budget recommendations with those challenges in mind.

The first major challenge is the aging of the population, combined with the decline of the workforce in certain Canadian provinces, including Quebec. These factors will exacerbate the skilled labour shortage. This is already being felt in several manufacturing sectors.

The second challenge involves investment in research and development, which is decreasing, especially since the last severe global financial crisis. This decline is due, among other things, to the large cuts in the research and development tax credit program, in the wake of the Jenkins report released a few years ago.

The third challenge is poor productivity, which affects the competitiveness of our businesses, especially when it comes to exports to countries that have a better productivity rate than ours.

The fourth challenge is the slow rate of adoption of cutting-edge technology, in particular automation, robotics, additive technologies, 3D printing, and many more.

[*English*]

We are proposing solutions to overcome these challenges.

Implement a national advanced manufacturing network of excellence in the fields of automation robotics and additive manufacturing similar to the United States' National Network for Manufacturing Innovation.

Simplify and extend the tax credits and investment incentives to reduce risk and accelerate the adoption of new technologies. This would have a positive impact on productivity and economic growth, including the reinclusion of capital expenditures under the scientific research and experimental development tax credit.

We think it's time for Canada to look at the potential implementation of a patent box tax regime which would improve commercialization of technologies developed in Canada. As we say, Canada is very strong at turning money into knowledge, but weak at turning knowledge into money.

We strongly recommend the government task a parliamentary committee to undertake a full review of Canada's research and development framework with particular focus on the modernization of the SR and ED legislation with its scientific research and experimental development tax credit.

Finally, we urge the federal government to adopt a strategic procurement policy for all federally funded infrastructure projects, which would emphasize the need to maximize domestic economic benefits for the manufacturing sector—in particular, I'm thinking about fabricated steel products—while respecting our current international trade obligations.

I would be happy to respond to your questions. Thank you.

● (1550)

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

Next is Mr. Calver from the Centre for the Study of Living Standards. The floor is yours for five minutes.

Mr. Matthew Calver (Economist, Centre for the Study of Living Standards): Good afternoon. I thank the committee for inviting me to speak today on behalf of the Centre for the Study of Living Standards.

Our organization researches trends in living standards and their determinants. We advocate policies which we think will improve the quality of life of Canadians.

We believe that economic growth is essential to improving aggregate well-being. Unfortunately, economic growth has been slowing in Canada. Between 1961 and 2000, Canada's real GDP grew at a rate of about 3.7% annually. From 2000 to 2014, it grew at a rate of only 2.3%. Over the next two decades, we project that growth will proceed at an average rate of just 1.6%, based on Canada's dismal productivity performance in recent history and slowing employment growth as the population ages.

It is critical to raise labour productivity and employment in Canada if we are to maintain the growth in our standard of living to which we have become accustomed.

Last September, the Centre for the Study of Living Standards released a report offering a series of recommendations for governments to promote economic growth in Canada. I will briefly discuss the three central themes of our proposed growth agenda.

First, growth should be inclusive. By this we mean that living standards should rise for all Canadians and not only for a select few. Governments should take action to ensure that as the cake gets larger, everybody gets a bigger slice. We believe that inclusivity is not only a desirable policy goal, but also a potential driver of growth.

Segments of the population which are currently underutilized in the labour market represent opportunities to increase output. In particular, the government can take action to remove barriers to the successful economic participation of women, older workers, aboriginal people, persons with disabilities, and recent immigrants.

For example, policies such as boosting the flexibility of parental leave, subsidizing child care expenditures, neutral taxation of second income earners, and encouraging young women to pursue careers in science, technology, engineering, and mathematics could raise female employment rates. Similarly, attacking the social issues plaguing aboriginal communities, closing the aboriginal education gap, and assisting firms in engaging the aboriginal workforce would strengthen aboriginal labour market performance.

Our second theme is that growth should be environmentally sustainable. Economic growth is important, but we shouldn't forget that it is a means to an end, and not the end itself. We must satisfy our material desires in a way that protects our environment for future generations.

Fortunately, there are green ways to achieve growth. We endorse Canada's Ecofiscal Commission's recommendations for introducing carbon pricing throughout Canada. Substituting taxes on fossil fuel consumption for growth-retarding corporate and personal income taxes would promote economic activity while simultaneously addressing an obvious market failure.

The budget should offer incentives for Canadian firms to develop and adopt green technologies, and support the development of emerging green technology manufacturing industries in Canada. Investments should be made in green infrastructure projects, such as clean energy generation, interprovincial energy grids, public transit, and waste-water treatment facilities.

Our third theme is that the government should take on a more active role in the economy.

Over the last several decades, governments in Canada have implemented a series of market-oriented reforms. Barriers to trade have been reduced, regulations slashed, tax rates on capital and corporate income lowered, and government ownership reduced. Most economists agreed that these reforms would generate economic growth in Canada, but the results have been disappointing. This is not to say that the reforms were ineffective, or that similar efforts along these lines are not worth pursuing. In fact, we endorse further market-oriented reforms, particularly with regard to improving taxation and lowering internal and external barriers to trade.

However, the weak growth in recent years suggests that it's insufficient for the government to create a level playing field and passively wait for growth to happen. To foster growth, the government may need to augment markets by supporting individuals and firms in making optimal decisions. For example, the government has an important role to play in providing timely, accurate, and high-quality labour market information to students, workers, and firms.

The government can also serve a mentorship role to small and medium-sized businesses by providing advice on investment and technological adoption, or by assisting businesses in navigating complex international trade rules, and securing deals with foreign firms and clients.

In conclusion, encouraging growth which is inclusive and sustainable should be a priority for the 2016 budget. I thank all of you who are present for your attention and look forward to any questions you may have.

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

Next we have Ms. Ballantyne from the Child Care Advocacy Association of Canada.

● (1555)

Ms. Morna Ballantyne (Member of the Board of Directors, Child Care Advocacy Association of Canada):

Thank you very much for the invitation to be here. We will be forwarding a written submission in French and English early next week to expand on my brief remarks this afternoon.

For 30 years our association has called on our Parliament to commit federal funds to build a comprehensive, high-quality, universal, and inclusive child care system. We're appearing once again before you, this time with renewed hope that this newly reconstituted House will answer our call.

For 2016-17, we're looking for a modest federal investment in child care.

We're looking for $100 million for indigenous communities to design, deliver, and govern early childhood education that meets their needs and that's consistent with related recommendations from the Truth and Reconciliation Commission.

Also, we're requesting $500 million as a federal transfer to provinces and territories for targeted child care initiatives. In future years, and in order to meet the government's election platform commitments, federal transfers will have to increase. All federal transfers, whether they're short term or long term, must be spent in ways that are evidence-based and publicly accountable. We distinguish between short-term funding and increased funding over the longer term because we want the federal government to move along two tracks simultaneously.

We want the government to take immediate steps to address urgent child care priorities, such as affordability, developing the child care workforce and meeting the needs of harder-to-serve populations, such as rural communities. At the same time, the federal government must collaborate with other levels of government, indigenous organizations, and child care organizations to develop and implement a robust shared policy framework that would guide increased public investments over time.

The Prime Minister has mandated the Minister of Families, Children and Social Development and the Minister of Indigenous and Northern Affairs to develop such a national early learning and child care framework. Our organization and three other important national organizations have developed a vision for this framework, a vision that has already received widespread support and endorsement in the child care sector. It's our proposed framework that guides our thinking about federal child care investments. We have given copies of this shared framework to this committee for your consideration.

There's no time now to elaborate on our proposed framework. I'll just say that if our proposed approach is adopted, Canada can achieve within one decade an ECE, early childhood education, system that provides affordable access to a high-quality space for every child whose parents choose such an option.

I'll use my remaining time to highlight three reasons for prioritizing child care funding in this year's budget.

First, taking action in child care is broadly supported. In the 2015 federal election, most political parties made child care commitments in their platforms. The Truth and Reconciliation Commission recommends culturally appropriate early childhood education programs for indigenous families as part of healing and reconciliation. The recent meeting of the federal, provincial and territorial ministers responsible for child care has also created important momentum. It's clear that new federal child care transfers will be welcomed.

Second, action in child care is urgently needed. Families across the country, and by extension their employers and also their communities, are struggling. Parent fees are unaffordable, and they're increasing at rates that outpace inflation. Child care is not available. More than 70% of mothers are employed, but only 24% of children in the ages up to five years have access to spaces in centres. The quality of care is inconsistent, and there's limited integration of care and education.

Full schoolday kindergarten in several provinces has important benefits. All children in those provinces have the legislated right to participate. They're taught by teachers who are educated at post-secondary levels and who earn decent wages. Also, there are no direct parent fees.

But a full-day kindergarten does not address child care needs outside of school hours or those of children under the age of five. We also have the problem of low public funding. Canada's public spending on child care expressed as a percentage of GDP is extremely low by OECD and other international standards.

● (1600)

Finally, action on child care has important social and economic benefits. Child care promotes social inclusion, combats child and family poverty, and promotes women's equality. But child care spending also provides important economic stimulus by creating jobs, allowing parents, particularly women, to work, and supporting local economies through local spending.

Importantly, the failure to address families' child care struggles will limit the reach of other federal economic initiatives. For example, job creation initiatives will be hampered if workers don't also have access to affordable child care.

The urgency of acting decisively on early childhood education and care cannot be overstated. We urge you to recommend that the federal government take action in the next budget.

Thank you.

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

We'll have a seven-minute round.

Mr. Grewal.

Mr. Raj Grewal (Brampton East, Lib.): Thank you, Mr. Chair, and thank you to all the panellists for your testimony today.

I'm going to start with Mr. Bain. I really appreciated your testimony.

Concerning the focus on public-private partnership, it's been said that many of the Fortune 500 companies in Canada are sitting on a lot of cash and are not spending it. Can I get your perspective on how we can get that money into financing more infrastructure projects as the government is set to announce this massive infrastructure investment this year?

Mr. Mark Bain: Thank you for the question.

You're right. There is a lot of private capital available. The Fortune 500 companies, of course, have a lot of it. I think they are likely more inclined to reinvest in their own enterprises, but there are many natural infrastructure investors, and those would include the major Canadian pension funds as well as the specialty equity investors. I think they are really just looking for an opportunity to invest. They like the asset class; they like dealing with government, and they particularly enjoy the long-term, stable cash flow that is associated with these projects. So it may come from different sources, but I think we are not currently short of capital; we're just short of meaningful opportunities into which it can be deployed.

Mr. Raj Grewal: This committee has heard a lot about shovel-ready and shovel-worthy projects, and there is a debate going on about how important infrastructure investment is and the impact it will have on the economy in the long term. It is other people's opinion that infrastructure investment is a very short-term-oriented stimulus to the economy.

What's your perspective on that?

Mr. Mark Bain: Well, of the three priorities that you have for economic, green, and social infrastructure, clearly all have short-term economic benefits in terms of construction activity and other activity to get the infrastructure prepared.

The long-term benefits, I think, are proven as well, certainly in the case of the economic infrastructure bringing goods, ideas, and people to market. It really is an incredibly important economic activity, and it is beyond stimulus, that is, long-term economic health.

Mr. Raj Grewal: Thank you.

Mr. Morrison, concerning affordable housing, and so again, on infrastructure and the government's commitment on social infrastructure in particular, the Minister of Infrastructure has made a point of saying that this year, retrofit projects such as affordable housing will be the number one priority. I know that in the GTA there's a big shortage, and the minister has been down there to talk to the local mayors to ensure that they are applying for the funding and that we're getting these projects in time for the 2016 construction season.

What is your perspective on how that will alleviate some of the pressures in that area?

Mr. Jeff Morrison: Let me first of all say on the question of shovel-worthy, shovel-ready projects that we've been asked whether the social housing sector has those types of projects ready to go. Let me state unequivocally, absolutely yes, *si*, *oui*, *ja*—however you want to say it.

The social housing sector is ready to retrofit. They are ready to rehabilitate. We understand there is possibly going to be an angle regarding green infrastructure and energy retrofits. Absolutely, we are ready to work with governments in that area.

Regarding that stimulus impact, you mentioned the GTA. Just in the city of Toronto right now, there is a waiting list for affordable housing approaching 90,000 households—not individuals, but households—so clearly, the need is great. And that's for new builds.

There are still 600,000 households in Canada that live in the existing social housing sectors. As I said, many of those buildings are more than 50 or 60 years old. I toured one building here in Ottawa that's over 100 years old. There has simply not been the level of retrofit investment necessary to keep those buildings up to code. Frankly, I would just ask anyone here, for example, who own their own homes, what if they went 50 years without putting any money into the rehabilitation of that home. It wouldn't be a very good place to live.

Clearly, that's money that is necessary. It will have a stimulus effect. The projects are ready to go. Again, we look forward to working with government to make them happen.

● (1605)

Mr. Raj Grewal: Thank you, Mr. Morrison.

As a follow-up, given the short supply of affordable housing across the nation, from your perspective, what are the macro effects on the economy that flow from that if the government doesn't make this investment?

Mr. Jeff Morrison: There have been all kinds of socio-economic studies showing the impact on the economy, on individuals, and on families of a lack of affordable housing. It goes to the heart of the inability to have an education, the inability to hold a job, family breakups, obviously, impacts on poverty, and so forth.

When we look at the waiting list by municipality—Toronto 90,000, Montreal approximately 25,000—these are people who are either living in substandard housing or who simply do not have housing whatsoever.

It's pretty hard to get a job, or to train for a job, or to get an education when you're, frankly, just worried about where you're going to be sleeping that night.

The impacts are very clear and measurable. We would be happy to provide the committee with some of those examples, but as I said, the return on investment of housing goes well beyond the bricks and mortar. It goes to the very heart of the economy and social benefits.

Mr. Raj Grewal: Thank you, Mr. Morrison.

Flipping right back to Mr. Bain, from your perspective how can the P3 formula be improved?

Mr. Mark Bain: It's a good question. We're very happy with the success we have had. In order to achieve dramatic expansion, meaning, if to improve is to get more infrastructure delivered, I think we need more private capital at work. That probably means increasing the role of the active repeat members in the community, such as Infrastructure Ontario, Partnerships BC, and the equivalents in Saskatchewan, New Brunswick and Quebec, to get them moving. That probably means a more predictable deal flow.

For the sectors that are quite under-represented, for example, the indigenous communities, I think that means establishing a stable, long-term funding flow, which to date has been piecemeal, intermittent, and short term. Long-term commitment to these projects will be met with long-term delivery of infrastructure.

Mr. Raj Grewal: Thank you very much.

The Chair: Thank you, Mr. Grewal.

Turning to you, Ms. Raitt.

Hon. Lisa Raitt (Milton, CPC): Mr. Bain, we'll go back to you on P3s.

As you know, one of the projects I was involved in is the Gordie Howe bridge. Can you give me an update on what effect the lower Canadian dollar has had on the costs associated with the Gordie Howe bridge? Are you aware of the currency exchange having had an effect on project cost?

Mr. Mark Bain: I'm not, to tell you the truth. Clearly there is a Canada-U.S. aspect to it, but the project is at an early stage. A shortlist has been announced ,so I really have not heard recent cost updates.

Hon. Lisa Raitt: Okay. Good.

One thing I heard from the Canadian Pension Plan Investment Board when I asked the same question about infrastructure and investment to find out why they don't invest more in Canada is that it's because the projects are too small, and there's an encouragement to bundle up to a level of their floor. Their floor is over $100 million. They look at big projects, and they do it all over the world.

Are you encountering that in terms of the uptake, and should the government be encouraged to bundle up waste-water treatment or to make more sense of these projects so that we can get some private investment in there?

Mr. Mark Bain: It's a great conundrum because, of course, we see some of our leading Canadian infrastructure investors, CPPIB, OMERS, OTPP, and the Caisse de dépôt investing huge sums of money overseas and not domestically.

You're quite right that part of the reason is they just can't get the bite size. That's a consequence of two things. The individual projects tend to be smaller in Canada than in developing nations or nations with a great concentration. Another factor is that we have optimized the way in which we deliver P3s so that they are highly leveraged, so there's a significant amount of debt capital rather than equity capital in them. That makes the equity bites relatively small.

Bundling is one idea. Looking at a different way of financing the project so there is either a larger equity component or a larger pension fund contribution to the debt component is another way of going at it.

Hon. Lisa Raitt: Yes.

Mr. Mark Bain: I do feel the small project issue is compounded by the fact that only a small component of the project size is equity.

● (1610)

Hon. Lisa Raitt: Good point. Thank you very much.

Mr. Brault, thank you very much for coming here, and thank you for all the work you have been doing with the Canada Council for the Arts.

I'm curious. I have two questions for you. The first one has to do with the currency. Do you see with the Canadian dollar being lower that it's helping the arts community? I'm thinking about film and television production. Do you see that happening right now?

Mr. Simon Brault: Actually, it's playing both ways. If you are going international, or if you have artists coming in, if you are an opera company and you're signing international artists.... In general terms, there's some kind of new equilibrium happening. Depending which sector you're talking about, it has different impacts.

I think it's clear that now there's a big demand all over the world for artistic products, artistic performers, and it's a good time to export more. For cultural exports, it's really a good time now.

Hon. Lisa Raitt: You represent the government's public support for it.

Mr. Simon Brault: Yes.

Hon. Lisa Raitt: Is there private investment out there that does arts support as well, and what does it look like as a sector?

Mr. Simon Brault: I'm sorry?

Hon. Lisa Raitt: Are there private donations, private investment in the arts?

Mr. Simon Brault: Private donations in the arts are quite stable. What we see now as a trend is that donations are coming more and more from individuals and less from corporations, because there is a shift in terms of corporations going more towards other kinds of charities. But clearly, there's strong support from individual donors.

Hon. Lisa Raitt: Okay. Thank you very much.

Mr. Lavoie, I'm wondering how important the oil and gas sector is to your membership. Is that a big piece of what manufacturers and exporters do in Canada?

Mr. Martin Lavoie: It's a big piece. With the drop in the oil price and the drop in activity, we've seen an impact on domestic sales in manufacturing. It does impact us. Many of our member companies, especially in southern Ontario, had started to look at becoming suppliers to oil and gas. Now they're stuck into maybe going back to something more traditional. It's very difficult to know right now what's going to happen.

Hon. Lisa Raitt: Yes, I appreciate that.

Mr. Calver, what would be your organization's opinion on a guaranteed annual income as a concept in Canada?

Mr. Matthew Calver: We're open-minded about it. I personally think it's something we should be looking into, but we don't have an official stance on it.

Hon. Lisa Raitt: Right. There was someone this morning who suggested that the government should put aside some money to do a study, some pilot projects across the country on the topic. Would your organization be interested in something like that?

Mr. Matthew Calver: I think that would be a fantastic idea. I think it's something that merits looking into.

Hon. Lisa Raitt: Do I still have time?

The Chair: You have time for one quick question.

Hon. Lisa Raitt: Fantastic.

The last question is for the Canadian Housing and Renewal Association.

Maybe you can help me with something. I had a great discussion with my regional council with respect to affordable housing and seniors housing. We did a lot of building in the past together when we funded some seniors units. They told me that they would prefer just to have funds, rather than funds dedicated and telling them to build affordable housing.

Is that something that's happening just in my region, or is the more preferable method of delivery just to give the money and let the decisions be made whether or not to build new stock? Or is there something else going on out there?

I'm trying to figure out whether this is across municipalities or just specific to our region.

Mr. Jeff Morrison: The needs are so great in social housing right now, as I said in my remarks—in rehabilitation and renewal of existing stock, the need for new incremental units, the need to look at some socially innovative ways to get out of operating agreements once they expire—that at this point, most housing providers in Canada would be happy taking “any of the above” by way of funding. Whether it were dedicated in one of those areas or were a more global fund, I don't think there would be any opposition to it. But if there were strings attached, in one of those specific areas identified, there has been no housing provider whom I've talked to who has any concerns with that.

Hon. Lisa Raitt: Excellent. Thank you very much.

Thank you, Mr. Chair.

The Chair: Thank you, Ms. Raitt.

Ms. Boutin-Sweet, you have seven minutes.

[*Translation*]

Ms. Marjolaine Boutin-Sweet (Hochelaga, NDP): Thank you, Mr. Chair.

Ladies and gentlemen, thank you for being here with us today.

Since I am my party's housing critic, I am going to address my questions to Mr. Morrison. I will save a few minutes at the end for my colleague Pierre Nantel.

We have talked about building social housing. You said that there was a crying need for new social housing. The waiting lists are very long. In Toronto, 90,000 units are needed, and in Montreal, the figure is 25,000. You also talked about the end of agreements between the CMHC and housing associations.

In the riding of Hochelaga alone, the riding I represent, 57 housing projects are affected by the end of these agreements. As you know, this means the loss of rent subsidies. I am told that in Quebec, there will be an average rent increase of $250. This means that overnight, people will have to pay $250 more in rent.

If the funding of the agreements is not renewed, what will happen, in the short and long term, in these households that are usually the poorest?

● (1615)

Mr. Jeff Morrison: Ms. Boutin-Sweet, thank you for your question and for your support of our sector. I will reply to you in English.

[*English*]

When operating agreements expire, and as I've said, that has already begun—we've already seen approximately 800 agreements expire just in the past year or so—providers are essentially scratching their heads and figuring what they do now. A lot of work has been undertaken by individual providers, hopefully trying to scale that up to look at some innovative solutions to diversify the operations of social housing units such that they can continue to operate subsidized housing for their tenants.

For example, we're seeing greater use of mixed income units, possibly commercial space. I should add that this ties back to the conversation that was just had regarding the private equity funds and the private market. Some proposals are now starting to be developed, including a proposal that will be going to the gouvernement du Québec to use, or to try to leverage private equity to essentially bring that into the social housing sphere, in other words, to use some of that private money for social infrastructure. Quebec is going to be recommending a proposal in that area.

Innovative solutions are occurring on a more local and grassroots level. More are being looked at as providers are looking into the future and realizing their expiries are coming up, but what we need, and this goes to our third recommendation, is essentially an ability and some capacity to scale up some of those innovative solutions. For example, one of the deliverables from the mandate letters was the concept of an infrastructure bank and could that potentially be another source to diversify the operation of social housing.

Several options are being implemented, being considered, being studied, but essentially we need to scale them up. We need to leverage them so they are not just grassroots initiatives. They can be copied. Their best practices can be shared across the country.

[*Translation*]

Ms. Marjolaine Boutin-Sweet: Personally, I saw the loss of certain units when the Sudbury agreements ended. I remember that two units were completely lost a year or two ago because people could not continue to pay the bills. Is this the sort of thing you foresee happening?

Mr. Jeff Morrison: We have to find new, innovative solutions.

[*English*]

The other option is they close, and when that happens we start seeing evictions. We see increases in homelessness. We see people who really have no other choice, and clearly, that's a last resort. That's the last thing we want to see, but it is happening. Clearly, for this government, for any government that understands the value of housing as an enabler for education, for job creation, etc., that's not a solution we want to see pursued.

[*Translation*]

Ms. Marjolaine Boutin-Sweet: Thank you, Mr. Morrison.

I will now give the floor to my colleague.

Mr. Pierre Nantel (Longueuil—Saint-Hubert, NDP): I thank my colleague. I also thank all of the witnesses for their presence here with us today.

It is really fascinating, after an election, to see people from the community come and claim their due following the great election campaign and the fine election promises made by everyone. I thank all of you for being here and contributing to the debate.

Mr. Morrison, as Ms. Boutin-Sweet said, these are very important issues. Even in Longueuil, there was an event this morning attended by some members of my staff. An announcement was made that a Longueuil delegate will be in Geneva on February 24 and 25 for the famous convention where Canada is going to have to defend its position on social housing. That is very important.

I am here especially to speak to Mr. Brault, whom I would like to commend.

I want to congratulate you. If anyone has garnered the unanimous support of all parties, it is you, because of the quality of your management, your enthusiasm and your perseverance. Here is my question.

What will be the concrete impact of the additional funds—and this was, in fact, one of those fine promises—that will be allocated to you, we hope? You had already begun to revamp the structure and model of your organization. Concretely speaking, what will you add to your program?

Mr. Simon Brault: Like everyone, we are waiting. We will look at the budget carefully to see exactly what is there and what is not. The mandate letter says that the Minister of Canadian Heritage has the mandate to double the budget of the Canada Council for the Arts. We will see under what conditions that will be done.

I have always said that new investments will be made in keeping with our new funding model. So it is clear to us that we must not repeat what has been done in the past ad infinitum. We need new funding models that, for example, would make it possible to welcome the new generation. We need business models that are different from those created in the past. They must be much more collaborative and not really force young artists to constantly keep creating new non-profit structures and organizations. The way art is created, disseminated and presented today is different from how it was done 60 years ago.

Today, we are talking about a $47.7-billion economy. Some 130,000 artists are at the heart of that economy, about 100,000 of whom are directly affected by the Canada Council for the Arts. Those artists have a key role because they develop content. They are currently poorly paid. The digital developments have brought along many pay-related issues. We need much better adapted models in that area.

If new investments are made in the Canada Council for the Arts, we really want to have a positive impact for at least one generation by changing the way to support creators and being much closer to their needs and their ways to create.

● (1620)

[*English*]

The Chair: We'll have to cut you off there, Pierre. Thank you.

Before I turn to Steven, Jeff, on these 800 agreements that have expired, are you talking co-op housing agreements? What specific agreements are you talking about?

Mr. Jeff Morrison: Principally co-op housing, but there is somewhat of a mix. The vast majority of those 800 are co-ops, yes.

The Chair: What is the reason they're expiring?

Mr. Jeff Morrison: Most operating agreements would have been negotiated between CMHC and individual providers in the sixties, seventies, eighties, generally for a long-term commitment. The time is up for these agreements without a renewal of them. Between now and 2040, we're seeing that long-term date of expiration.

The Chair: Okay.

Mr. MacKinnon, you have a point of order. What's on your mind?

Mr. Phil McColeman (Brantford—Brant, CPC): I'd like to clarify that point because I worked on this file.

The Chair: Okay, we'll give you 30 seconds. Go ahead.

Mr. Phil McColeman: The reason they're expiring is that the mortgages have been paid off.

The Chair: Okay. Thank you.

Mr. MacKinnon.

[*Translation*]

Mr. Steven MacKinnon (Gatineau, Lib.): Thank you, Mr. Chair.

Mr. Nantel may like this because I want to continue in the same vein with a question for Mr. Brault. Like my colleagues around the table, I also want to congratulate you.

This is a meeting of the Standing Committee on Finance. Therefore, we are focusing on the economic contribution, opportunities for growth, and so on. I also want to take this opportunity to commend the Canada Council for the Arts not only for its economic contribution, but also for its cultural contribution.

In your presentation, you eloquently said that the two could go hand in hand. In this digital era, the two go hand in hand more often than not. You talked about the strategic transformation of your organization—which is also our organization because it belongs to all Canadians—and the possibilities for increased investments in the next budget. Can you briefly tell us about the tangible economic and cultural contribution that can have on the sector? Would you like to highlight other potential contributions?

Mr. Simon Brault: When it comes to economic and cultural contributions, you are absolutely right to say that the two are intrinsically linked.

In this digital era, many people think that things can be created and disseminated very quickly, and that success is easy. However, we see that true success on the Internet involves very solid and convincing quality of production.

We are convinced that the future hinges upon the refinement and excellence of creation, rather than upon the proliferation of supported artists or arts organizations. So it is very important to provide our organizations and artists with means.

Artists need more time. They need more time to create and to achieve truly accomplished levels of production that are internationally competitive. A number of our organizations have drastically reduced their artistic staff, as well as their level of production over the past few years. They are less competitive internationally. For us, it's important to invest in quality and to encourage the sector to adopt the digital world and to adapt to it. The arts sector is far behind in that regard.

Ten years ago, England adopted a strategy so that the arts sector would adopt the digital universe and adapt to it. In Canada, we have sort of missed that opportunity. I think it is very important to have that capacity. It will mean easier discovery and the adoption of new ways of interacting with the public, with Canadians, and changing the methods of international dissemination. So we have a lot of work to do. The opportunities are numerous.

The good news is that, with often insufficient means, Canada has managed to shine on the international stage in terms of arts and culture. We think that the potential is there for us to shine even brighter, and that will lead to more significant economic, social and human benefits.

Thank you.

● (1625)

Mr. Steven MacKinnon: Thank you, Mr. Brault.

I have a quick second question.

Let's talk about the economic impact an investment in the cultural sector has on young people. Is it reasonable to think that investments in culture can significantly help reduce unemployment among young Canadians or have a positive economic impact on them?

Mr. Simon Brault: I think so. When we invest in the arts sector, the money flows quickly. In fact, it's a sector where no savings are made and it is impossible to save money. People lack means, so they spend the money quickly. All economic models show that arts production is always done locally and takes place in the local economy. Material is consumed, jobs are created, and so on.

There is often a commitment to creating those jobs. Artists or young people who are involved the arts community are extremely committed and want to do that work. So I believe that an investment in the arts will create jobs directly for artists and, indirectly, for service providers.

I am also thinking of the cultural, book, film and other industries. Those industries will perform well as long as they have original content to present. I think that has significant economic impacts in terms of employment.

Mr. Steven MacKinnon: I would like to move on from cultural production to production in general and direct my questions to Mr. Lavoie.

We often hear that the track records of our Canadian companies—be they exporters, manufacturers or others—are pretty good and that those companies are fairly healthy. However, investments do not necessarily follow.

I would like you to clarify your organization's position on that. Is it true? Do you think that there has been an investment increase, be it in terms of capital, export capacity or innovation capacity? Are you seeing any improvements in that area? What are your views on the topic?

Mr. Martin Lavoie: There were ups and downs in terms of capital investment when the accelerated capital cost allowance measure was implemented by the previous government. Normally, in economics, when the rate of industrial capacity exceeds 80%, we expect to start seeing more significant investments, especially for modernizing plants and increasing their capacity. At this time, the industrial capacity is generally 84%, but there has not been as much investment as there should have been. I should point out that many of our manufacturing companies belong to U.S. firms. Many firms invest that money outside Canada.

Some aerospace companies, for example, have invested in new plants in the United States even though the rates of capacity in Canada have been below 60%. This means that, in many sectors, the environment in Canada does not seem to be very attractive for investments.

A second factor has been identified by the Institute for Competitiveness & Prosperity. That Ontario organization said that, for many foreign companies that receive funding in Canada, the money from global profits is in Canada because of taxation rates that have been lower than elsewhere. So that factor can also play a role.

[*English*]

The Chair: Thank you, both of you.

It's five minutes per round. Mr. McColeman.

● (1630)

Mr. Phil McColeman: Chair, I'd like to start out my time by clarifying the record on an exchange I had this morning with Jeannie Baldwin from the Public Service Alliance of Canada. In that discussion I asked a question about sick leave days, public versus private.

I did a bit of research since that time we spoke. There's quite a bit of data out there, but probably the data that is the most reliable would be from the Treasury Board and the labour force survey data. That data show the public service takes off 12.4 days a year versus the private sector at 8.3 days. That's a spread of 4.1 days. The other one, which I think weighs in a little heavier, is the non-partisan research organization, the Macdonald-Laurier Institute, because they have no political allegiances. They said their analysis shows the public service took 10.5 days a year and the private sector 6.4. That's a similar spread.

I want to put that on the record, if you don't mind, Chair, because the answer to the question is that there is no difference between the two. These are two respected bodies that serve us here in Ottawa, and they both say there is a significant spread.

I just wanted to clarify that.

The Chair: I don't hear any point of order not to let you put it there, so it is a matter of debate and it is on the record.

Mr. Phil McColeman: It's on the record. Thank you.

Moving to Mr. Morrison, on social housing or public housing, I'm curious to know how much the ask of the government is for the program that you're outlining. What's the total ask?

Mr. Jeff Morrison: Mr. Chair, the ask regarding renewal and rehabilitation of existing stock is approximately $1.7 billion per year. The ask regarding the 100,000 new homes is approximately $1.5 billion per year. What we call sector transformation or sector innovation to diversify, sort of a post-operating agreement, is roughly $200 million.

Part of this would be taking from the existing envelope. This is not necessarily new money, but given what the government has spoken of regarding the size of the social infrastructure pot, we think this is reasonable.

Mr. Phil McColeman: You made a comment that I want to be sure I'm clear on. Are you saying there's already an envelope that includes this money, and it's not new money?

Mr. Jeff Morrison: At present the government funds through its operating agreements approximately $1.6 billion in social housing. As we've talked about, those agreements are set to expire over the next 20-some years.

Rather than see that money disappear, we're asking for a continuation and reinvestment in both renewable and rehabilitation, and in building up new stock. There would be significant new money that we're also seeking.

Mr. Phil McColeman: When I studied the agreements, they were between the CMHC and the government for a co-operative or a public housing provider to provide for the operational costs of the project, or the development was to provide the money to pay the mortgage and to provide for maintenance of the property.

All of those things were in the line items of those agreements. So when you talk about—and I've talked to many social housing providers about this—how they're governed by a governance body for that development, let's say a board of directors for XYZ co-op, they had money in each of those years to maintain the properties in good shape and to spend capital expenditures on things like roofs and such. All the while the mortgage was being paid down and that was all funded in the operating agreement.

Am I mistaken or am I correct?

Mr. Jeff Morrison: Mr. Chair, it would be important to note there's no one standard operating agreement. There's no template agreement. Every operating agreement has a different approach and a different mix of what is covered.

To your point earlier, you are correct in saying that essentially agreements would pay the mortgage, but I should add that's at what today would be considered extremely high interest rates. Most long-term mortgages that providers are paying are at an 8% interest rate. I think anybody here who would pay 8% for a home mortgage would be crazy.

There are in some agreements lines for some operational items and some for, although very little, maintenance renewal and rehabilitation. Those are areas that have been flagged as needing some significant reinvestment.

We should add that when the federal government got out of the business of constructing new units, back in the early 1990s, we saw no new additions at least from the federal perspective to the existing stock. We all know needs have grown. That's why we're seeking those new units to be built to the existing stock.

● (1635)

The Chair: Mr. Sorbara.

Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.): Thank you, Mr. Chair.

I think we'll do a trio here.

First, on P3s, in Ontario we have achieved great success through the P3 programs. I want to add that in Vaughan and next to my riding, about 100 metres away, the request for proposals for the new Mackenzie Vaughan Hospital is out now and we hope to see construction started this year. It will obviously be done through P3 financing.

It's a great financing vehicle. It's been proven to come in on time and on budget. I wanted to make that plug because I think it's very important to point out.

I come from a riding where we have many successful manufacturers. In fact, FedDev was in my riding last week and we presented one of the manufacturers with a grant and so forth.

I can look to two entities in my riding, a company called Micron Group of companies and Vision Group. Both are Canadian success stories. Both export over 50% of their products to the United States. They're hiring. They're investing. My concern is that we're not seeing enough of that in our manufacturing sector in Ontario.

Martin, could you point out two or three things that you think would help our manufacturing sector that we could do that would be great?

Mr. Martin Lavoie: Yes.

Mr. Francesco Sorbara: Then I'll move on to housing after Martin speaks.

Mr. Martin Lavoie: I'm sure these two companies are highly R and D intensive if they export to the U.S.

Mr. Francesco Sorbara: Yes.

Mr. Martin Lavoie: What we've seen hurting companies across the board in manufacturing, as I said in my introduction, are the cuts to the research and development tax credit.

In 2013-14 the tax credit went down from 20% to 15% for large corporations and the capital expenditure was eliminated from the eligibility criteria. As you know, innovation in manufacturing is not the same as it is in other sectors, such as software or services. It's very capital intensive. What we're lacking now is a good incentive for capital expenditures, either for R and D or for automation, because our productivity is lagging.

The second point I want to make is we need to start looking at productivity as a long-term solution to our demographics problem. That goes to skills, but it also goes to capital expenditure. Automation in industrial robotics is coming. We heard about it in a lot of discussion at Davos. It's not a do it or don't. It's a do it or die.

We need a strategy to improve productivity in all sectors, including manufacturing.

Mr. Francesco Sorbara: I appreciate your comments on productivity. I've kind of thumped all week about how productivity will allow us to maintain and improve our standard of living.

Productivity, what does it mean? It means a lot of things, but it means us living a richer life and leaving a better future for our children.

We should have some more best practices for manufacturers. We need to do that. I'm proud to say that our government is focused on an innovation agenda. That's the way we need to go. We need to compete and we're competing globally every day.

On to housing, and I believe it's Mr. Morrison.

We have a lot of old housing stock in the GTA that needs to be refurbished and energy retrofitted. It's a great idea for some infrastructure spending. We can do it now. It's shovel-worthy and shovel-ready even though it's just an existing brownfield site, if I can use that terminology. I think it's a great idea.

I'd love to hear your thoughts on that.

Mr. Jeff Morrison: Mr. Chair, we're ready to go. There are no shortages of projects across the country that are shovel-worthy. There would be no shortage of projects that could have an energy efficiency or some sustainability angle to them. The needs are great out there, so absolutely, we're ready to go with those projects.

● (1640)

Mr. Francesco Sorbara: I have one last question, Mr. Chair, for Mr. Morrison.

Is there anything you can recommend? In York region, where I come from, there isn't that existing housing stock to the degree such as there is, say, in the city of Toronto, where we could potentially entice the private sector or the private developers to work on the public side.

Is there anything in your agenda that addresses that?

Mr. Jeff Morrison: That's been a really key and interesting question for a lot of municipalities in Canada: how to essentially incent or entice private developers to include an element of social housing within private builds.

Clearly, the rental market has been somewhat on the decline. There's not a lot of builders that are into the rental market these days. There have been some municipalities that have essentially mandated that private development needs to include a certain percentage of units set aside for social housing. Clearly, we would support that, and we would encourage other municipalities to consider doing so.

If we look, for example, at a city like Ottawa, where we have a light-rail transit project that's about to get going, that creates billions of dollars of value in the land surrounding that LRT project. If private developers are looking to develop on those lands, and that's going to be valuable land, it's a prime opportunity for the city, in this case, to essentially require that again a certain percentage of those new units be set aside.

We see it as a win-win project. The private sector is still going to be doing very well, but it also helps meet the needs of the social sector.

The Chair: Mr. Liepert.

Mr. Ron Liepert (Calgary Signal Hill, CPC): I have a couple of questions for Mr. Lavoie.

I'm going to ask you a question, and then I want to explain what I mean by the question.

On average, how modern is our manufacturing industry in Canada?

The reason I ask that question is that there's this belief that the lower Canadian dollar helps exports in manufacturing, and I don't quarrel with that. The other side of the equation that I've heard is that if manufacturing wants to expand and create additional jobs, most of what they have to purchase is outside of our country, so they're paying foreign dollars for any upscaling of their production facilities.

Could you make a comment on that?

Mr. Martin Lavoie: Yes, you're quite right.

One of the answers I give when I get this question is that I don't know any exporters who don't have to import something to fabricate what they export.

That being said, labour costs are usually the biggest costs, the biggest input in what you make. Labour costs are still in Canadian dollars, so there is a gravy effect of the lower dollar just there.

Keep in mind labour costs are not what they were 15 or 20 years ago when the dollar was at 64¢. Labour costs are now higher per unit produced in Canada than they are in the United States. It used to be lower back in the day. The positive effect of the lower dollar is offset by higher labour costs.

If you want to expand, you also need to have the right skills for our labour. That's something we see. We don't have a lack of people who want to work; we have a lack of skilled people who want to work.

Mr. Ron Liepert: What are some of the major skills that you're lacking?

Mr. Martin Lavoie: I'll give you a couple of very simple examples.

One emerging field of workers that is required, especially in companies like, for example, Siemens, a German company in automation and software, is mechatronics. Mechatronics is a combination of electrical engineering, mechanical engineering, and IT. Right now if you train students at university, you train an electrical engineer and a mechanical engineer. You're not going to give an overview of the three disciplines.

What Siemens did was they started their own academy. They assigned one college, Seneca College in Ontario, to start a mechatronics program. They need people who have the skills in those three disciplines. That's only one example.

Another example I'm going to give you is the CNC, computer numeric controlled, machinist. It used to be the kind of job that if you didn't want to go to university, you'd do that. That's a great job for middle-class people, like my father and many other people. I was talking to somebody at Sheridan College who said that now 80% of the machinists need strong mathematics and a knowledge of IT and software. It's no longer the kind of job you do because you don't want to go to college. Actually, you need to go to college if you want to do this job.

Mr. Ron Liepert: Mr. Bain, I know what your organization represents, but what I don't understand is.... One comment that caught my attention was you said that public-private partnership facilities all remain owned by government, was it?

Mr. Mark Bain: That's correct.

● (1645)

Mr. Ron Liepert: Is that part of the mandate?

Mr. Mark Bain: That is part of the Canadian model. The private sector will have access to a piece of land or perhaps to a facility for a period of time to carry on its operations, but ownership and control of the facility remain with the government.

Mr. Ron Liepert: Is that something you would see changing? A true public-private partnership can very well be something that is owned and operated by the private sector, but the services are publicly delivered. I take as an example a hospital.

Mr. Mark Bain: It could be that way. That's not part of the current Canadian model, but anything is possible. Any configuration is possible.

Mr. Ron Liepert: Do you have any thoughts on whether it could be changed?

Mr. Mark Bain: What we would usually see in the Canadian model is that we'd call what you're talking about closer to privatization, which would, say, be beyond the bounds of public-private partnership. But any configuration of the public and private sectors owning, operating, and providing services is possible in theory. It depends on the public policy of the day.

The Chair: You're about out of time.

Can we have the researchers get us that? I'm not sure they'd call it a definition—

Mr. Ron Liepert: I would.

The Chair: —but I would like to see that spelled out myself, that public-private partnership. Could we have the researchers get that for the committee?

Mr. Ron Liepert: Yes, Mr. Chair, because I think there are some opportunities for that to be expanded.

The Chair: Okay.

We'll turn to Mr. Ouellette for five minutes.

Mr. Robert-Falcon Ouellette (Winnipeg Centre, Lib.): Thank you very much for coming, everyone. I really appreciate the opportunity to question some of you.

My first question will be for Mr. Simon Brault.

The Canada Council for the Arts does actually have a bit of an elitist—what's the word I would use?—myth around it, perhaps, but could you tell us whether it's actually an elitist organization? How many artists do you actually touch? Is it easy for artists to actually gain access to some of these funds?

Mr. Simon Brault: It's not easy. We're supporting every year 2,000 artists, more or less, and 2,000 organizations.

It's not easy because it's highly competitive, not because it's elitist. The awarding of grants is made with recommendations coming from peer assessment. It's artists coming together from all over the country and assessing what are the most promising projects.

In a sense it's not elitist, because the rule is the authenticity, the talent, and the vision in the project, and not a person's social background and all of that. I guess when people think about arts as elitist, they are referring more to art forms such as opera and classical music and all of that, which have traditionally been offered to patrons with means, but this is something that is absolutely changing. Right now, there's a huge trend for the democratization of culture, so no, I would not qualify that as elitist, but—

Mr. Robert-Falcon Ouellette: So if you actually did get more funding, is there a means for...? For instance, in the Social Sciences and Humanities Research Council, they have young researcher awards, where they can actually gain access to more of those funds. Do you have that as well?

Mr. Simon Brault: Yes, we want to do that. Last year, 25% of grant recipients were recipients for the first time. There's a renewal. There's access for youth.

I guess what will change in the future is that we want to come forward with different models in terms of support. For example, we want for the first time to be able to offer young artists multi-year projects. It would be predictable, and that would not force young artists to create organizations that become kind of core-funded by the Canada Council.

We're finding new ways that are more adapted to the way this generation is creating right now.

Mr. Robert-Falcon Ouellette: You also speak about new aboriginal programming. What types of organizations do you support? What types of activities?

There are a lot of aboriginal people, and culture is culture, but western culture has its own traditions and indigenous culture has its own. For instance, would powwows now be eligible to receive funding under that new program?

Mr. Simon Brault: With the new program, here's what we did. The Canada Council has had an aboriginal office for 20 years. What we are announcing now is that there will be a program dedicated to first nations, Métis, and Inuit artists, and this program will be informed by self-determination. It means that this program will have features that are completely unique to the program, such as micro grants or the possibility of funding elders, and cultural transmission. We're really moving away from a way to support aboriginal art that has been quite influenced by Eurocentric models to a model that will be more self-determined.

● (1650)

Mr. Robert-Falcon Ouellette: My final question is for Mr. Morrison.

I just fail to understand with social housing.... The needs seem to be staying the same, but yet we pay the mortgage, we pay some of the maintenance costs, and we pay a subsidy for low-income people. It seems that you're asking that we keep these, yet you have this opportunity to pay off the mortgage over the course of 30 to 40 years.

What I'd want to see is the building and expansion. We'd be giving people a chance to do what it is they're supposed to be doing and managing their things appropriately. If they haven't done so, the government can't hold people's hands.... I think that my issue with social housing sometimes is that my ideal is to expand it. This is what I'm looking for, and what I'm looking for from the partners that I think are going to be partnering with the government. Really, it's making sure that we get more social housing for more people in this country who actually need it.

Mr. Jeff Morrison: Sure, and if I may say so, Mr. Chair, we fully agree. One of our three key asks was to look at 100,000 new social housing units across Canada to meet the growing needs.

Let's face it. All you have to do is read the paper any day of the week and you can see what's happening with housing prices in the private market in Canada in Vancouver and Toronto, etc. The private market is not going to be able to meet the needs of the lower income half of our population in this area.

I would add one last point, though. You mentioned that you support the expansion of social housing, and obviously we do as well, but I think there's also a number of really innovative programs within social housing units that are designed to actually get people out of social housing. Ultimately, in the housing spectrum, it's advantageous to see people move into a higher income bracket and therefore move into more of the private market. That's clearly not possible for everybody, but there are some really interesting models in that respect.

I know that social housing is clearly a need for many Canadians, but I think many providers also understand the value in seeing people ultimately move on. Income supplement programs and educational programs, etc., are in place in a number of provider models. That's something we would like to see augmented and scaled up so that additional providers can do similar things.

The Chair: Thank you, Jeff.

Ms. Boutin-Sweet, you have three minutes.

[*Translation*]

Ms. Marjolaine Boutin-Sweet: Thank you, Mr. Chair.

We talked about social housing. You did indeed say that CHRA would like the $1.6 billion—even $1.7 billion or $2 billion—kept in social housing. We're talking about money that is already in the system. You aren't the only one to say that. The FCM representatives, who we can see at the back of the room, said the same thing. Big cities, all cities, in fact, share that view.

We've talked a lot about social housing, and now I'd like us to discuss affordable housing.

Last week, you probably heard that the child homelessness rate had jumped by 50% over the last decade. I did just say child homelessness.

In recent years, the vacancy rate has risen slightly and currently sits at about 3% in most cities. That's good, but it doesn't mean the appropriate type of accommodations are available. For instance, people who are single, big families and regular-sized families have a harder time finding housing. In fact, housing is the foundation that many other things depend on, especially health.

If the government wanted to address the housing issue and establish economic and social targets to overcome poverty, do you think a national housing strategy would be useful?

Mr. Jeff Morrison: Thank you for the question.

Absolutely.

[*English*]

We know that the government, in its budgetary plan that is coming out in a few weeks, is going to be looking at a short-term investment plan primarily focused on stimulus programs, shovel-worthy projects, possibly green, etc. However, in addition to that, it is absolutely fundamental that we look at this from a longer-term perspective to address a number of the issues you've just raised. That's why, in one of the principles I mentioned in my opening remarks, we feel the strong need to create a forum whereby we can bring together a large range of stakeholders, including the federal government, provincial governments, municipalities, providers, and aboriginal groups, etc., to really define the policy framework for a long-term national housing strategy in Canada.

We've talked this afternoon about a number of options in terms of how funding could go and how that could be sliced up among the number of different possibilities, but essentially we need to sit down with the range of stakeholders and say, “Okay, 10 years out, what would that policy framework look like? What are the investment targets? What is the accountability? What are the measures of whether that program has been successful?”

As an organization, CHRA is making ourselves available to act as a convenor, a forum, to create that space. We soon will be in talks with CMHC to see if we can essentially operationalize that. Frankly, we're hoping for the support of this committee for that concept, so that we can really flesh out in a collaborative fashion what a long-term housing strategy would look like.

● (1655)

The Chair: Thank you.

We have a little time left. It would be a little bit out of order, but I know that Mr. Aboultaif and Mr. Champagne, the parliamentary secretary, sat through most of these meetings and never got a question, so if we could split our time....

Mr. Aboultaif, go ahead for a couple of minutes, and then we'll hear from Mr. Champagne.

Mr. Ziad Aboultaif (Edmonton Manning, CPC): Thank you.

I have a very short question for Monsieur Lavoie.

I've always been curious about the productivity level among Canadian manufacturers, at least in comparison to the rest of the industrialized world, knowing that when your dollar is up, you upgrade your manufacturing facilities and equipment, and that when your dollar is down, you're ready to go out exporting and creating jobs. Is this happening in Canada? Also, can you please brief us on the productivity level in Canada? If you can be precise, I would really appreciate that.

Mr. Martin Lavoie: First of all, the relationship I make with investment and capacity is not necessarily the value of the dollar; it's cash flow. If you have more cash flow, usually you drive more investment.

Yes, it's true that a lot of equipment is imported, but at the same time, if you have cash flow issues you're not going to be able to buy much. There is an effect, but it's not entirely the only effect.

On productivity, you are right. For one hour worked in Canada right now we produce $44 worth of goods. If you compare that to companies in Germany, France, and the U.S.A., they are all at about $58 per hour. Yes, it's about quality of life, but really what it's about is, if this is worth $44 and I take an hour to produce it, and if I compete against Germans in Germany, they can make 1.5 in the same hour, so multiply that by millions. It means I am not competitive.

It's one thing to sign free trade agreements with all these countries, but it's like going to war with a small gun. If you're not as competitive as they are, they can produce more in less time. Why? Is it because Germany has a weak dollar? They don't. It's because they've invested heavily in equipment and in automation and they also invest heavily in skills. They don't let people drop out of school and stuff like that. They actually put them in something tangible they can do.

The Chair: Thank you.

Mr. Champagne.

Mr. François-Philippe Champagne (Saint-Maurice—Champlain, Lib.): Thank you, Mr. Chair.

I'll do something different. I'll start with Ms. Ballantyne.

I must say, the minister and I went across the country to listen to a number of groups, and child care was something we heard a lot about, and how we can bring under-represented classes in our communities into the workforce, obviously women with young children. We looked at the Quebec model and how to foster bringing more women with young children into the workforce.

I must say I am quite aware of this issue because I've heard about it in many consultations. I just want to note that your issue is very much something we've heard about.

[*Translation*]

And I'd like to say the same to Mr. Brault. We've been very proud to host members of the arts, entertainment and cultural world in each of our communities. I think it's important to highlight that you contribute, not just to the creativity, but also to the economic vitality of our communities.

We've heard from many people from all across the country during our consultations.

[*English*]

I will just address my last question, because time is pressing, to Mr. Bain.

What are the best practices in leveraging private capital in PPP projects, and not just in Canada? I've been involved in my previous life in Asia and other places. Share with the committee what best practices are in leveraging private capital in trying to invest in PPP. As you know, we've been looking at different funds that could participate and leverage what we need to do in Canada.

I think Canada is a great place to invest, and I know a number of players around the world, not just in Canada. Let's think big about who would like to come to Canada and invest. Tell me some of the best practices you've seen around the world.

Mr. Mark Bain: Best practices in the leading jurisdictions, which I say have been the U.K., Australia, and continental Europe, seemed to coalesce around finding the appropriate role for private capital so that there is an appropriately structured transaction that gives a long-term predictable cash flow adjusted for risk, making sure that private capital doesn't just get a free ride but actually takes appropriate risk, and for the incremental cost of private capital ensuring that they bear risk so that the overall cost to the private sector of the net present value of the transaction is superior to government doing things alone.

It is making sure there is aware, interested, invested skin in the game. In terms of figuring out how that works, in Canada our transactions tend to be highly levered so they're minimal risk after the construction period, so 90% debt and 10% equity. In other jurisdictions we find private capital absorbing volume risk, on toll roads for example. That has not been a feature of the Canadian market.

● (1700)

[*Translation*]

Mr. François-Philippe Champagne: Mr. Chair—

[*English*]

The Chair: Thank you. We're out of time. Sorry, François.

With that, we'll have to end this session and bring forward our next witnesses.

I want to thank you all for providing information fairly forthrightly to the committee.

We'll suspend for about three minutes, and then reconvene.

●

(Pause)

●

● (1705)

The Chair: Could we come to order again, please.

We'll start our second round of discussions this afternoon on pre-budget consultations for budget 2016.

I will limit the points being made fairly strictly to five minutes.

Our first witness will be Canada's Building Trades Unions.

Mr. Smillie, welcome.

Mr. Christopher Smillie (Senior Advisor, Government Relations and Public Affairs, Canada's Building Trades Unions): Thank you for having me.

Good evening, members of the committee. You've been at this a while, so congratulations.

Canada's Building Trades Unions represents a half a million members across Canada. Together with our colleagues in the building trades in the United States there are close to three million members in North America. We represent people who go to work every day to build roads, the rails, energy infrastructure, commercial and office buildings, and the homes where people live in Canada.

We are the largest private trainer in Canada. We invest more than a quarter billion dollars every year in training, in apprenticeship programs, in classroom training programs, and most importantly in on-the-job training.

We know jobs. We're paid by our members to find them jobs every week. If the Building Trades doesn't find them a job, we haven't done ours.

Almost all skilled trades workers will at some point in their career travel long distances for work. More than half travel on a regular basis to where the work is.

Jobs are primarily the purview of the private sector, but there is a distinct and valuable role for the federal government. I submit today that the federal government can and should support mobility measures in the Canadian labour market with simple, cost-effective steps that would assist people who could not or would not otherwise go to where the work is by moving skilled trades workers from areas of high unemployment to where employers need them and when they need them, and with relatively minor adjustments to the tax code, or a restructure of the employment insurance benefit system. These would both be inexpensive compared to other government spending on the table today.

A mobility assistance measure would ease unemployment in some hard-hit regions by getting qualified, hard-working Canadians to labour markets where their talents are required by employers.

Even short-term jobs, especially in construction, help the economy and help the country. A mobility measure could encourage people to transition from employment insurance and start working again. A mobility system would help link Canada's numerous regional economies as a bridge from one community to another, even if that community is thousands of kilometres away.

All construction work is temporary. All construction work is transitory. Skilled tradespeople are dispatched wherever the work may be. The lucky ones get travel assistance from either the construction employer or a large asset owner, like Syncrude Canada.

The existing permanent relocation tax credit in the Income Tax Act doesn't make sense for a permanently temporary workforce, or apply to workers our country needs to move the most.

These workers are not interested in, nor should be expected to be, moving their families. We shouldn't want them to uproot and move their homes for a temporary six-week job or even a six-month job.

Canada needs a change incentive policy for in demand occupations when relocating for temporary work. For many years workers have been flocking to Alberta. Now many unemployed Albertans will be seeking work elsewhere in Canada.

Voices across industry are united on this file. The Canadian Construction Association, the Progressive Contractors Association of Canada, and a host of other employer groups join us in this call.

Getting a job is a non-partisan issue. The Government of Canada introducing a mobility assistance policy for in demand or unemployed workers is not a partisan act.

The government helping people temporarily to relocate for work is not a partisan exercise. The government's expense getting them there today means tax revenues tomorrow from the worker, from the capital asset they're building, and from the company doing the work.

The pilot we suggest in our submission starts small with $4 million in forgone tax revenue if changes are made to the ITA. It returns $12 million in income tax paid by individuals alone. Pick a few occupations most in need and choose a few major projects to determine eligibility for a pilot.

Federal budgets are about wise spending choices, and this modest pilot certainly falls into the frugal category when you look at the breadth and depth of some of the spending being proposed today.

Changes in the EI system would be revenue neutral to the government. Giving someone the benefit they were eligible for up front, rather than over time, for travel purposes is free to the Government of Canada. Contributions to EI were made by employers and employees.

This measure could also help Canadians get the training they need in a different regional economy by using the job grant. The job grant is dependent on an employer willing to hire you.

● (1710)

Markets with hot employment markets will require more people to be trained.

There's a natural link here. The Canada job grant, despite the noise over the last couple of years, is the single most important change to the training system in Canada in the last two decades.

So what next? I'm concluding, it's up to you, the finance committee and the Minister of Finance, to help a critical industry and help in demand workers.

In previous reports, HUMA, FINA, they've all recommended that we take a look at mobility measures for skilled trades workers. It doesn't seem that there's a better time to take action than today.

What matters to us is having an available workforce wherever needed for Canada's economy. What matters to us is being able to build those infrastructure projects we're talking about today. We want to have labour market stability and certainty in the marketplace for the bidders of all large projects.

Incidentally, in the United States, Canada's skilled trades workers are inherently less likely than American workers to travel temporarily for work. Funnily enough, the IRS allows deductions for travel to obtain temporary work.

Here's an opportunity to make Canada's workforce more productive and reduce taxes for Canadians everywhere.

I remain available to take your questions.

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

Next is Mr. Ragan, with Canada's Ecofiscal Commission.

Prof. Christopher Ragan (Chair, Canada's Ecofiscal Commission): Thank you very much.

My name is Chris Ragan. I'm a professor of economics at McGill, but I'm here today as the chair of the Ecofiscal Commission, which is a five- or six-year project designed to help Canadian governments across the country think about how we can improve environmental and economic outcomes at the same time.

I come before you with an unusual budget ask. I will ask for no spending and I will ask for no baubles added to or taken from the tax system. My basic ask is to encourage the Government of Canada to slow down in its thinking about climate policy and to make sure to get the details right.

I'll make four quick points in my five minutes. The first will be the briefest.

The first point is simply on the importance of reducing greenhouse gas emissions. There are many costs associated with greenhouse gas emissions that Canadians feel across the country, whether it is the decline in the economic value of the western forests from the pine beetle, or the decline in the economic value of the mollusc industry in Atlantic Canada, or many things in between. While it is true that Canada represents only about 1.6% of global emissions and this is certainly a global problem, I think Canadians probably would like to be 1.6% of the solution.

The second point is the importance of achieving emissions reductions in the most cost-effective way possible. This is really a central point. After all, on the Ecofiscal Commission, we are first and foremost economists, so we are looking not just at the need to improve the environment but at the need to maintain a prosperous economy as well.

When talking about reducing greenhouse gas emissions in the most cost-effective way, carbon pricing comes to mind. Our report from back in April 2015 showed, with a great deal of modelling province by province in this country, that there is a substantial economic benefit from using carbon pricing rather than using regulatory approaches for reducing greenhouse gas emissions. It's very important that the government take seriously the impact of carbon pricing on the competitiveness of firms and its overall impact on GDP growth, but those things need not be obstacles to a well-designed policy.

My third point is the importance of respecting provincial jurisdictions. First, the environment is a shared jurisdiction between the federal government and provincial governments, but resources and energy are, for the most part, exclusive provincial jurisdictions. I think it's very important, to avoid federal-provincial tensions in this country, that the federal government respect provincial action and provincial jurisdiction.

The second part of that is that when any government starts pricing carbon emissions, there will invariably be revenue generated, and there is a serious political and an economic complication associated with any revenues that are generated within a province and taken back to the centre, which I'll call Ottawa, even though the geographic centre is much closer to Kenora.

I think that if the federal government gets into the game of pricing carbon, you have to think very carefully about how to guarantee that those revenues remain in the provinces from which they are generated.

The fourth point I would make is the importance of getting the details right. I've mentioned a couple of details, but there are many others. There is the fact that Quebec currently has a cap and trade system that is linked to California's and that Ontario will soon be joining it. The presence of California in the cap and trade system between Ontario and Quebec imposes a very interesting constraint on Canadian policy: the idea that the federal government may, as was reported today in the *The Globe and Mail,* explore the idea of putting on a minimum price, but then thinking about how that minimum price interacts with the existing provincial prices. There are many details.

This is a big file. It's a big issue. I think it is very important that the federal government participate in a very collegial way with the provinces to develop this policy, but I encourage nobody to rush. This is not an argument to delay; this is an argument to get the details right.

Thank you.

● (1715)

The Chair: Thank you very much.

I'll turn to the Canadian Taxpayers Federation.

Mr. Wudrick.

Mr. Aaron Wudrick (Federal Director, Canadian Taxpayers Federation): Good evening, ladies and gentlemen.

[*Translation*]

Thank you for the opportunity to appear before the committee this evening.

My name is Aaron Wudrick and I am the federal director of the Canadian Taxpayers Federation, or CTF. For those who aren't familiar with our organization, the CTF is a federally incorporated, not-for-profit citizen's group supported by more than 429,000 people across the country.

The CTF is committed to three key principles: lower taxes, less waste and accountable government.

[*English*]

I have some good news for the committee. Much like Professor Ragan, unlike the vast majority of witnesses you will hear from, I am not going to ask you to spend any money. On the contrary, I'm going to suggest that the best way forward is instead for the government to show restraint.

Our pre-budget brief, an expanded version of which is also available on our federation's website, makes 10 recommendations. On some of those, such as balancing the budget and paying down the public debt, it is fair to say that we do not see eye to eye with the government. We will, of course, continue to advocate regularly on those issues in the public sphere.

Given the time constraints today, I want instead to focus on a few recommendations which I think may have a chance for a broader agreement or at least a better opportunity for productive dialogue.

First is a little discussed issue of the political party donation tax credit. We can all agree that donations to political parties are an act of civic engagement and should be encouraged, but is it really fair that a donation of $200 to the Liberal Party or Conservative Party should give the donor a $150 tax credit, whereas that same $200 donation to the Canadian Cancer Society or Red Cross only results in a $30 tax credit? Is it really fair for political parties to have such a big advantage over the many worthy charitable causes also competing for voluntary donations? We do not think so, which is why we recommend that the political party donation tax credit be reduced to match the same level that charities receive in order to create a more level playing field.

Second, we recommend that the government resist the temptation to implement any of these so-called sugar or fat taxes. The good intentions of those advocating for such taxes is not in question, but the effectiveness of these taxes in meeting their policy objective of improving public health is on much shakier ground. We strongly encourage the government to take a long hard look at some of the unintended and detrimental consequences of such taxes based on the empirical evidence in other jurisdictions before attempting any similar measures here in Canada.

Third, we recommend implementing a truth in budgeting law. Simply put, knowing the cost of promises is an essential part of making informed decisions about their desirability. This is already accepted as a given when it comes to political party platforms during an election, which are always professionally costed. It is time to extend this principle further to include any new proposed legislation in Parliament. Governing is in large part about making choices between competing alternatives and we cannot gloss over the fact that these choices have costs attached to them.

Fourth, we recommend there be a core review of government spending to identify at least the least efficient or wasteful 5% of all program expenditures. The empirical fact is that since 2006, federal program spending has ballooned by 23%, or nearly $50 billion, which far outstrips inflation and population growth. Canadians expect that this money is being spent efficiently and effectively on the programs and services they need and want, and if not, it should be reallocated to areas of higher priority or returned to them in the form of tax relief.

Finally, we recommend controlling public sector pay and spending. There is a natural tension between the interests of public sector unions and the interests of Canadian taxpayers at large. The former group wants to get the best deal for its members. The latter group is the one paying for it and needs confidence they are getting value for their money.

Public sector workers deserve fair treatment, but fair doesn't mean the government should always be overly generous. It is important that the government be as hard-nosed an advocate for taxpayers at the bargaining table as union leaders are for their own membership.

In closing, our basic message to the government is quite straightforward. Please tread carefully. It is natural to be ambitious to help Canadians facing difficult times, but you cannot fix every problem or grant every request for spending. Temper your faith in the power of government to do good with a sober understanding of the limits of that power.

Thank you.

● (1720)

The Chair: Thank you.

Turning to the Canadian Credit Union Association, we have Ms. Durdin.

[*Translation*]

Ms. Martha Durdin (President and Chief Executive Officer, Canadian Credit Union Association): Thank you.

Good evening, Mr. Chair and distinguished members of the committee. Thank you for the opportunity to share with you the perspective of credit unions so that it may receive consideration in the committee's report.

[*English*]

Before I begin, some of you may not yet be familiar with the recent change in the credit union system. Last month the Canadian Credit Union Association, which I represent, replaced Credit Union Central of Canada as the new national voice for credit unions and caisses populaires outside Quebec. The transformation has been part of a collaborative process over a number of years to build a national association and a national voice for the 316 credit unions in Canada.

More than 5.6 million Canadians, or one in five outside Quebec, trust a local credit union for their day-to-day banking activities. Collectively, credit unions employ more than 27,000 Canadians and are the only financial institution in more than 380 communities. They are important pillars of the economy, managing over $186 billion in assets, 7% of the mortgage lending in the market outside Quebec, 11% of the small business market, and 11% of lending to the agricultural centre, and that's higher in some of the western provinces. What's more, our members continue to rank the highest in surveys about service to small businesses.

With the right policy frameworks, credit unions can partner with the public and private sectors to provide investment that will create sustainable growth and economic opportunity. I'll go through individually our three recommendations for the budget to help build those frameworks.

First, implement or enhance the federal loan guarantee programs to support credit union lending. Credit unions believe the federal loan loss guarantees can be a cost-effective approach to provide lending to underserved individuals and priority sectors of the economy. We believe this because we're proud to have demonstrated the success in guarantee-based programs.

The foreign credential recognition pilot program is one example where 36% of new Canadians encounter financial barriers to getting their foreign credentials recognized, yet through this program the federal government, community organizations, and credit unions are helping foreign-trained individuals cover the cost of the credentialling process. As of March 2015, five credit unions have made more than 333 loans, backed by the government, to skilled, new Canadians to help them pursue training to work in their professions when they are in Canada. As a result of this pilot program, 110 loan recipients completed their certification training and are working in their field or in a related field. We recommend the federal government expand this program and make it permanent in budget 2016.

Similarly, because of our local roots, credit unions have experienced supporting social and community infrastructure projects and have a solid relationship with municipalities and community agencies. We recommend the government's proposed infrastructure bank include loan guarantees to allow credit unions to help deliver vital social infrastructure projects.

● (1725)

[*Translation*]

Secondly, the 2014 budget set out transitional measures to support credit unions that wanted to migrate from a provincially regulated regime to a federal one.

[*English*]

These measures included proposals for extended deposit insurance guarantees, transitional funding support, and extended insurance retailing powers to assist credit unions interested in doing so to move from the provincial sphere to the national sphere.

We recommend that the federal government clarify in the budget the parameters around this proposed transitional measure for federal credit unions. Clarity will further define the legislative framework established in 2012 and promote the government's objective of enhancing domestic competition in the banking and financial services sector.

Finally, implement a new tax measure to help credit unions build capital. Like chartered banks, credit unions are required to hold large amounts of capital, but unlike chartered banks, credit unions rely primarily on retained earnings to meet these requirements. To help credit unions grow their retained earnings and ensure competitive balance in the tax system, we recommend that the federal government implement a new capital growth tax credit for credit unions. This tax measure would help credit unions lend to middle-class Canadians and create local jobs in rural and urban areas, while meeting increased regulatory capital requirements. Our estimate on this measure would result in $34 million in forgone tax revenue, but that would generate an additional $418 million in lending to small business, farmers, and families.

Parliament put in place a similar measure more than 40 years ago. It was good government policy and helped to support credit union capital growth, mirroring the positive impact the capital gains tax deduction has on building bank capital, while respecting that financial co-operatives build capital differently. This measure is set to expire in 2017, and should be replaced by our proposal.

To conclude, Mr. Chair, the Canadian Credit Union Association thanks the committee for the opportunity to participate in the consultation. We look forward to your questions.

The Chair: Thank you.

Turning to Ms. Lanthier, with the Fédération des communautés francophones et acadienne du Canada.

[*Translation*]

Mrs. Sylviane Lanthier (Chair, Fédération des communautés francophones et acadienne du Canada): Good evening.

Mr. Chair and members of the committee, my name is Sylviane Lanthier and I am the president of the Fédération des communautés francophones et acadienne du Canada, or FCFA. I'd like to thank you for the opportunity to appear before you this evening.

In 9 provinces and 3 territories, 2.6 million citizens have chosen to live in French. The dynamic and diverse francophone communities in every region of the country are the reason Canada can boast of genuine linguistic duality. They embody one of our fundamental Canadian values.

The FCFA is appearing before the committee today as the main voice of those communities and the people who belong to them, people who are determined to live their lives in French. Specifically, the FCFA is here on behalf of 42 organizations and institutions across the country committed to the development of our communities, and among them are 12 provincial and territorial francophone associations.

As the leader of this extensive joint action network, the FCFA is the federal government's primary partner when it comes to discussing official languages issues and support for minority francophone communities. At the helm of this network, the FCFA serves as the voice of hundreds of francophone local groups, cultural and community centres, health networks and settlement service organizations.

The reason for the long introduction is to give you a clear sense of the distinct manner in which we have equipped ourselves with services and places that allow us to lead our lives in French. These services and places exist only because community groups and institutions joined forces to build a network to overcome the isolation of minority communities in the interest of everyone's well-being.

The first piece of good news that we would like to share with you is that, never before, have there been so many people in the country wanting to lead their lives in French and that demand for French-language activities is ever-growing. The second piece of good news is that the extensive network of organizations and institutions I told you about is constantly on the lookout for innovative solutions to better serve French-speaking citizens.

Community building is part of our DNA: as members of minority language communities, we took our future into our own hands and built, on our own, the infrastructure we needed to live our lives in French.

The added value of our community and cultural centres, schools, settlement service groups, employment assistance organizations, community media and local francophone agencies is now undeniable. But today, these institutions have hit a ceiling in terms of what they can do with the resources they have. Many of them receive funding from the Department of Canadian Heritage through the official languages support program, but that funding has neither increased nor even been indexed for the past 11 years. Given how much the cost of living has gone up, that is equivalent to a 30% to 35% decline in the resources available to these organizations. As a result, in some places, such as the Northwest Territories, organizations have had to close their doors owing to a lack of funding, often despite being the only group providing French-language service to their community.

Other more specialized organizations are facing different, but equally concerning, circumstances. Despite the fact that the 2013-18 roadmap for Canada's official languages set out funding for targeted development initiatives, some of the roadmap money has yet to be released, today, in 2016.

Strengthening community capacity is crucial if communities are to continue championing and promoting French, as they are currently doing. We have to be able to modernize and upgrade our infrastructure in order to handle the growing demand for services, our media has to be able to shift to digital platforms, and our organizations and institutions have to be able to meet emerging needs in areas such as francophone immigration.

We know that the committee is hearing from a myriad of groups, all of whom have multiple priorities and high expectations. Since the 2016 budget will be this new government's first, the FCFA, for its part, would like, above all, for the government to send a clear message signalling its intention to take action, through the budget, in support of those who build and contribute to French life all over the country.

We therefore recommend that the federal budget include a statement of the government's intention to, at the very least, index the funding it invests in organizations and institutions throughout francophone and Acadian communities, beginning in the 2017-18 fiscal year.

We also recommend that, in the 2016-17 fiscal year, the Government of Canada release the roadmap funding that has yet to be made available and that the government commit to working with organizations and institutions in francophone and Acadian communities as key partners in identifying the requirements and solutions to strengthen community capacity and infrastructure.

● (1730)

On the eve of the year when we will celebrate the 150th anniversary of Confederation, the government has an opportunity to take decisive, even historic, action to strengthen Canada's linguistic duality. And all it has to do is support those who create places where people can live their lives in French all over the country.

Thank you.

[*English*]

The Chair: *Merci*, Madame.

We'll turn now to Mr. Louie, the president of the Federation of Canadian Municipalities. The floor is yours.

Mr. Raymond Louie (President, Federation of Canadian Municipalities): Thank you, Chairman Easter.

Members of the committee, thank you for this opportunity to present to you today.

My name is Raymond Louie. I'm the president of the Federation of Canadian Municipalities. I'm the acting mayor for the City of Vancouver. I've been elected like you for five terms—not all of you for five terms. I understand the work before you, having served six years as chair of the finance committee in the City of Vancouver.

I'm pleased to have this opportunity to discuss what is potentially a transformative federal budget for Canada, and I'll give you a few thoughts of what FCM is thinking.

What stands before us as elected officials is an opportunity to redefine how Canada works. It's an opportunity to work together to ensure that Canada's world-class cities are more livable, that they are competitive, and that our rural and northern communities also thrive.

As president of the FCM, I can tell you that Canada's local governments are ready to rise to the moment.

Mayors and municipal leaders have long understood that solutions to the country's biggest national challenges can be found right here in our neighbourhoods where people live and call home. That's why we welcome this government's $60-billion pledge for transit, social, and green infrastructure. We know these kinds of smart investments pay dividends for our economy and our communities.

Transit maintenance and new construction increase productivity, while reducing the smog and gridlock that plague our cities.

Social infrastructure, like affordable housing, is the cornerstone to ensuring livable neighbourhoods and a better quality of life for Canadians.

Green infrastructure investments, like home energy retrofits, create jobs, grow the economy, and help tackle climate change.

The FCM's 2016 budget submission is a blueprint for you to turn this bold vision into meaningful action. You'll see that we've distributed it to all of you. Hopefully you'll have a chance to review it during my speech and later on, as well. It lays out a comprehensive path to create jobs, spark sustainable growth, and provide a better quality of life for all Canadians.

Our budget submission focuses on priorities that matter most to Canadians in their daily lives. Not only that, it directs the distinct local realities of Canada's diverse communities and the realities that mean the difference between a well-intentioned policy and an effective policy. To do that the FCM and the municipal sector call on the federal government to streamline and improve the transparency of existing application-based infrastructure programs.

There is no shortage of worthy green infrastructure, social infrastructure, and transit projects ready to transform our communities. What we need is the right partner and the right environment. That means increasing the federal contribution to infrastructure projects and expanding and dedicating investments in Canada's rural communities. It means ensuring municipalities have the flexibility to make local, evidence-based decisions they are best positioned to make. It means ensuring both short-term repair and renewal investments that can create jobs immediately and long-term strategic investments that lay the foundation for Canada's future.

These are just some of the policy options put forward by the FCM's nearly 2,000 members and the 32 million Canadians that the FCM represents. Our budget submission touches on everything from building reliable public transit and affordable housing to creating more vibrant communities and a more sustainable future. Municipal leaders envision a thriving Canada of sustainable and livable communities with good jobs, exceptional transit, housing choices, and innovative responses to climate change.

Most importantly, Canadians envision it, too. It's what they voted for last fall.

To get there, municipalities need the tools and flexibility to do what we do best: find solutions and deliver results. All orders of government have to work together in full partnership.

Together let's rise to the moment. Let's show Canadians their leaders are transforming bold ideas into real jobs, growth, and more livable communities for all.

Thank you, Mr. Chair.

● (1735)

The Chair: Thank you very much, Mr. Louie, and thank you all for your presentations.

We will go to the first round of questions for seven minutes each.

Ms. O'Connell.

Ms. Jennifer O'Connell (Pickering—Uxbridge, Lib.): Thank you so much, Mr. Chair.

My first question is for Mr. Louie. It's probably no surprise; I was on council for 10 years in my region, so this is what the witness has been looking for.

One of the biggest reasons that I ran, in fact, was a frustration not necessarily with the funding but with how funding flows to municipalities. During my pre-budget consultations, I met with chairman Roger Anderson who I know is on the executive, so I'm sure you know him well. One of the biggest issues is how funding flows. Over the last couple of days we've heard from witnesses who talked about shovel-worthy projects. My frustration has been that I know from municipalities that we could have these more visionary projects ready, but it's the cost to get them ready for tender that usually makes them ineligible for the former funding model.

Could you speak to that? Does FCM have a position in terms of their preferred flow of this infrastructure money? What is it that municipalities would prefer to ensure that we can actually have shovel-ready projects that are the more visionary ones, such as transit and climate change-type infrastructure, ready to go?

● (1740)

Mr. Raymond Louie: Thank you for the question.

Clearly, the FCM and our members agree with the government's position that it needs to be not only shovel-ready but shovel-worthy. Smart investments are the underpinning of our submission to the government today. We think investments today will save money tomorrow, because infrastructure that is in need of repair costs much more, potentially $10 to $1, if we wait too long.

The delivery model has been a challenge for us for a number of years. We've made the submission to a previous government as well that an allocation-based model similar to the gas tax is the preferred model for local government and that application-based models, where it's a lottery and we don't have the surety that we will receive a steady stream of funding in order to properly plan for infrastructure, makes program efficiency impossible. Without the clarity of receiving that money, we cannot go through our three-, five-, ten-year infrastructure planning processes at the local government level. As an order of government it is important for us to have that surety, not only just to receive it from the federal government but also to lever the provincial and territorial governments as well, ensuring that we have a complete picture and a collaboration among all the orders of government and private sector in order to have those projects delivered in a timely fashion when they're needed, not based on a program that might become available at any point in time. It's a cattle call, essentially, for everyone rushing to try to attract that federal funding and in turn perhaps not having the best timing of that project being brought forward.

Ms. Jennifer O'Connell: Thank you so much. You summarized it really well, and it certainly helps me when I'm advocating, given that background.

My next question is in regard to some of the social infrastructure, housing, that we heard about in the panel before. I don't know how it is for you in your municipality, but I think Ontario is the only province that does not fund social housing.

Does FCM have a position? Again, it's about the flow of funding, because if the federal government provides funding for social housing, Ontario will get less in the sense that, yes, we're all one taxpayer, but we'd be getting less in the sense that we don't have anything from the provincial government. It's the regional municipality, which is my background.

Has FCM looked at how each province will have some differences and how we then make up for it so everyone gets their relatively fair share? Just like in Vancouver, in Toronto and the GTA ,the housing need is enormous. How do we ensure that we can get as much with the same money being distributed?

Mr. Raymond Louie: What I can say is that our membership has been clear, and it is one of our top priorities. There are three priorities at the FCM: housing, transit, and green infrastructure.

Housing affordability is a challenge for all of our local government members, every single one. What we've put forward as part of our submission is that we are asking out of the, I think, $1.9-billion allocation over the first two years, for $1.3 billion of it being put towards state of good repair for existing infrastructure while providing some flexibility for new projects to come forward to build new housing units as well, maintaining the CMHC funding that is currently in place, and ensuring that these streams of funding aren't lost to other services when we know that our population is aging and that the need will grow over time.

These are two major pieces that we're asking for. The underpinning of that is that we need to have the flexibility to apply it with a local lens. The experience in Ontario is different from certainly in Vancouver, where we have the poorest postal code in Canada, and we have thousands of units that are necessary. Local governments, in my instance in Vancouver, are willing to make $250-million worth of lands available and submit that as part of the package to the federal government and our provincial government, hoping to lever some solution to this very, very challenging problem.

● (1745)

Ms. Jennifer O'Connell: Thank you very much.

I have one other question for you, but could you keep the response short, if you have a response, because I do want to ask one other question to another panellist.

The Chair: You only have time for about one, Jennifer.

Ms. Jennifer O'Connell: Okay. Then I'll connect with you offline on that question.

I want to ask Mr. Smillie about the building trades. In Ontario, again, and I'm not sure if it's a problem elsewhere, we have issues with respect to some of our trades facilities. They have amazing training, but the problem is that once the members are trained, they don't have apprenticeship spots. Is this a nationwide problem? Is it in specific areas? How do we address it? In addition to that, how do we also encourage more women and first nations into the building trades sector?

Mr. Christopher Smillie: Thank you for the question.

I'll answer the last one first. To get more first nations and women into the trades, employers have to want to do it, so we have to work together with them to change the culture and the hiring practices in the economy. We have programs that we work on with employers.

On your first question, getting more young people involved in apprenticeships is key to what we do. Across Ontario and the country, we have a system where we try to bring in as much capacity as we can in terms of attracting new people, but we're limited by facility size and we're limited by capacity to place those apprentices with employers. We're always pushing them to put more out in the field so that we can take them in.

One of the best things we do with employers is we have joint training committees across the country where we forecast and plan to try to maximize the number of apprentices that we put to the field each year.

The Chair: Thank you both.

Mr. Liepert.

Mr. Ron Liepert: Mr. Smillie, as a Calgary MP, I assume that you would guess that I'm interested in exploring a lot more your mobility assistance proposals. As a Conservative MP, I'm especially interested to hear proposals that say if you give us a tax cut, the return is significantly larger, rather than simply coming in and asking for money. So I appreciate that.

I would like you to explain a little bit more about your mobility assistance measures. If I understand it, let's take a hypothetical situation as we move into 2016 where you have a demand in Toronto and you have an excess in Alberta. You have a union hall in Toronto that needs 100 electricians, and you have the source in Alberta, but the problem is they can't get there.

Expand a little bit on that.

Mr. Christopher Smillie: Yes, sir.

The problem is not that they can't get there—

Mr. Ron Liepert: No, they can't afford to get there.

Mr. Christopher Smillie: The problem is that it's on the person to cover their travel expenses before they become employees in Toronto. Sometimes employers cover travel costs, or a portion of travel costs. In my two proposals, you can do it one of two ways.

Say someone spends $2,000 in travel, you could have a portion of that money returned to them at the end of the year on their tax return. Instead of getting six weeks of EI, you're only eligible for three, but you get your last two weeks first, so that that person can get on a WestJet flight and fly to Toronto.

Once they're there and working, obviously they're contributing back to the working world and paying taxes. It's a stop-gap measure. It's a hiccup. We just need to fix the hiccup and get them there.

Mr. Ron Liepert: I think the difference.... What used to happen in Alberta, and many of the MPs are aware because they had constituents on a fly-in-fly-out basis, is that the $100 a barrel oil paid for that. The problem in this particular case is that if there is no tax break, it's just going to be built onto the cost of the infrastructure project, which is going to come out of the federal government anyway, so it might as well come from the tax system, and I think return significant value.

It's something you should push hard on. I would encourage my colleagues across the way, who have a lot more input into the budget than we do on this side. I'd like to see that kind of tax break, which has great returns, looked at significantly.

I'd like to ask a quick question of Ms. Durdin from the credit union. Along the same lines, I'd like a little more of an explanation on your point three because I don't quite understand the current situation.

What's going to happen if this expires? Could you elaborate on that a little more? Give me an on-the-ground example of a benefit that you're proposing.

● (1750)

Ms. Martha Durdin: For the—

Mr. Ron Liepert: What is it you called it? The capital growth tax credit.

Ms. Martha Durdin: Unlike banks, credit unions lend out capital. They raise their capital through retained earnings. Banks raise capital through the public markets. When they need money, they go to the markets; they raise capital.

There are two things at play here. The credit unions, as with all financial institutions regulated in Canada, need to raise more capital in order to meet a higher regulatory standard. We need to maintain larger amounts of capital and we're trying to lend it out.

Credit unions often run up against their capital requirements and are unable to lend out as much as they would like to members or customers because they hit their capital levels.

A credit on 5% of their growth would allow them to both retain more capital, get a tax credit for it, and meet the regulatory requirements, and incent them to grow more capital, credit for it, lend out more. Our research shows that, on average, for every $1 of capital credit unions retain, they lend $12. The multiplier effect is times 12.

Mr. Ron Liepert: Just so I understand, then, the net benefit of that is simply more dollars to lend, not necessarily a benefit to the consumer.

Ms. Martha Durdin: Well, if they're not able to lend because they're running up against their capital requirements, then it's the consumers who are not—

Mr. Ron Liepert: There's no money to lend.

Ms. Martha Durdin: There's no money to lend to them.

Mr. Ron Liepert: This would be especially important in rural areas.

Ms. Martha Durdin: In some areas like Manitoba and Saskatchewan, half of the lending to small business is from credit unions. They're very important lenders to the mid-market, the smaller market across Canada, but particularly where they're stronger is in the western provinces.

It would make more money available to be lent for mortgages, for small businesses, for families, that kind of thing, which is the market in which credit unions primarily operate.

The Chair: Before I turn to Ms. Benson, on the point regarding labour mobility, just to give you an example of how important the oil and potash industries are to Atlantic Canada, when I would fly to Ottawa on a plane that had 48 seats, there would be at least 8 to 10 people on that plane heading to Saskatchewan or Alberta.

There were several direct flights, several times a week, out of Moncton, New Brunswick, to Fort McMurray and elsewhere in the west. They'd work many different patterns: two weeks in, one week out; three weeks in, one week out. That pattern now hasn't ceased completely. There are still some.

Mr. Ron Liepert: Chairman, all of the construction in the oil sands is going to more or less end in 2016.

The Chair: Yes, but it tells you the extent of the labour mobility coming from other areas of the country, and you're right: the oil industry was paying for a lot of it.

● (1755)

Mr. Ron Liepert: May I quickly add something on that, Mr. Chairman?

The one fact that was a bit misunderstood was that when we had labour mobility coming into Alberta from all parts of Canada, we weren't faced with the infrastructure needs because people were moving to Alberta; the families stayed in their hometowns and the kids went to the schools that they went to. The local municipalities weren't faced with building schools and all the other things.

It could work in the case of Toronto. They don't necessarily need to have that added infrastructure, but they'd have the workforce.

The Chair: Thank you.

I think it's an interesting discussion.

We'll turn to Ms. Benson. Welcome to the finance committee. You have seven minutes.

Ms. Sheri Benson (Saskatoon West, NDP): Thank you very much.

Raymond, I'd like you to talk a little about this. In previous consultations the mayors had talked about the need for funding different things like sporting, recreational, and cultural infrastructure, and needing to expand the list of eligible projects to be included.

I know you didn't get a chance to cover all the topics in your piece, so I'm going to give you a chance to say a bit more about how municipalities and, of course, ultimately, citizens gain from expanding the projects that are eligible. I think what you're talking about is having a local lens on what makes sense to the municipalities.

Mr. Raymond Louie: Yes. Thank you.

Through you, Mr. Chairman, perhaps you would like to follow along with the proposal you have before you. I think it is on page 5 where it outlines the addition, on the right-hand side of the page. “Rising to the Moment” is the top headline there, and what we're asking for is additional flexibility.

In certain circumstances our infrastructure is in dire need of investment, and it is an investment. It is not just raising taxes or pushing money out the door; it's an investment for needed infrastructure across Canada. In some instances, municipalities have done a better job than others, and we recognize that. They've done the proper investment, but they need other investments, in such things as sporting facilities, art centres, and cultural centres, and they should have that opportunity to attract some level of funding.

That's where, if it's an allocation model that we're advocating for, it provides for an opportunity to improve the quality of life of Canadians, because after all, that's what we were elected to do, to improve the quality of life of Canadians in whatever means possible. It's making sure it's efficient, of course, and making sure there's a foundation for us as a nation to be more effective and moving forward, having an economy that works for all of us as well—jobs, for instance.

What we're saying is an expansion of the framework is important to recognize that there is a diversity of need across the country. Up north the need will be significantly different from what it is in urban centres. Rural Canada has a whole host of issues that are different and just as important despite not being the same as what it would be in an urban centre.

Ms. Sheri Benson: Thank you.

I want to add further to your comment about a model that has predictable funding with a formula so that municipalities can plan what they want to do when it makes sense and what their priorities are. That's something I think is very important so that smaller places can understand when and where they're going to get the money and how they can plan for it.

Chris, I have a quick question for you. You offered two different models that you're looking at and this is your opportunity to help us think about which one might be better or different, and in what way.

I'm interested, particularly in my province, in apprenticeship and whether one mobility piece might be more helpful to those who are still in apprenticeship as opposed to being journey persons already.

Mr. Christopher Smillie: In our submission, the system that revolves around employment insurance doesn't touch as many people as the other model that I suggest.

If we want to hit the maximum number of apprentices and the maximum number of folks, my submission would be to go the route of some sort of tweak to the Income Tax Act based on occupation. If we're solely using this as a way to move people off unemployment into the workforce, it might disadvantage some folks who are just switching jobs, let's say from a job in Saskatoon building a waterworks facility to a job in Toronto helping out with the Spadina line.

It depends what the public policy purpose is. If we're going to just help folks who are unemployed move to where the work is, perhaps the EI regs are the way to go. But if we want to do something with more purpose, with longer-lasting implications, we could do something around the ITA, the Income Tax Act, based on occupation.

But we could try it. We could have a pilot both ways or either way and see what happens. I wouldn't want apprentices to be excluded.

● (1800)

Ms. Sheri Benson: Yes, I agree with that. I'd like to be able to help people right away and also do a long-term thing. We're always having this conversation and we never get to the long-term thing. We've been talking forever about the shortage of skilled trades and we are still talking about it. I would like to see some way to look at both, a long-term piece as well.

Mr. Christopher Smillie: Thanks for the question.

Ms. Sheri Benson: Martha, I'm wondering whether, just for a non-technical person, the new piece you're talking about is exactly the same as the one that's expiring, or is it different and is it providing you a chance to be able to have...?

Ms. Martha Durdin: It's different.

Ms. Sheri Benson: Okay. The other one has expired, and now something new needs to happen, and this would be better.

Ms. Martha Durdin: Right. Yes, it's different.

Ms. Sheri Benson: That's the untechnical way to say it.

Ms. Martha Durdin: Yes.

The Chair: Could you lay that answer out a little bit, Ms. Durdin? If it's not on the record, it doesn't exist.

Ms. Sheri Benson: Thank you.

Ms. Martha Durdin: What expired was a tax credit. This is a credit on growing capital. It's on the growth of capital. It's a different model of credit.

The Chair: Thank you for that.

I'll turn to Mr. MacKinnon, for seven minutes.

[*Translation*]

Mr. Steven MacKinnon: Thank you, Mr. Chair.

My thanks to all the witnesses for being here with us. We have heard many interesting presentations. The panel of witnesses is particularly diverse and very telling of the issues.

Mr. Chair, with your permission, I would first like to acknowledge the presence in this room of the third vice-president of the Federation of Canadian Municipalities and proud Gatinoise, Sylvie Goneau. My thanks to her for being here. We always appreciate her contribution to debates.

I would like to ask a number of questions. Let me start with Mr. Louie.

In terms of the debate on investment in infrastructures, we often hear that municipalities are not able to invest the money quickly enough to support our economy that is losing momentum.

Can you make some general comments on the ability of municipalities to use the funding quickly and to spend the money in order to stimulate the economy?

[*English*]

Mr. Raymond Louie: Thank you for the question, and thank you for recognizing my third vice-president: Sylvie Goneau is present as well.

The question is a very appropriate one, I think. We do have shovel-ready and shovel-worthy projects ready for implementation. We have a plethora of projects that have been waiting for funding for many years, in fact.

What we're prioritizing, though, is that, understanding that we are in a particular economic environment, repair and refurbishment of existing infrastructure is, although not sexy, important for Canadians in order to maintain the level of service they rely upon. A failure of any of these types of infrastructure would be catastrophic not only for the individual but for the economy of Canada. This infrastructure on which we had a report card submitted, which was published in coordination with three other entities, highlighted that fully a third of our infrastructure under municipal control—and that's 60% of the infrastructure in Canada—was in fair or worse condition. The repair and maintenance of these types of facilities is appropriate for the government to invest in.

● (1805)

[*Translation*]

Mr. Steven MacKinnon: I suppose that investment could be made quite quickly. For instance, in Gatineau, we often hear about a $1.3-billion infrastructure deficit, which does not include new structuring projects and strategic projects. We are talking about basic infrastructure, meaning water, sewers, street repair and so on.

Would that then be comparable to the experience of other cities across the country?

[*English*]

Mr. Raymond Louie: It would be. Many projects are ready to go. In my home region I'm the vice-chair of metro Vancouver. We have a $700-million secondary waste-water treatment plant that needs some assurance of funding, whether it be federal and hopefully provincial as well. But it goes to our having the tools and accessing the financing that's made available. That's why we're advocating for a better financing formula, one where we're guaranteed, or have the confidence, that the funding is available to us, rather than going through an application-based project.

Rural communities need to understand more money is available. We're advocating for a doubling of the small communities fund and reallocating of some of the previous new building Canada fund to make it more accessible to the local government. Given that we only received 8¢ to 10¢ of every tax dollar, and have 60% for the infrastructure, it's impossible for us to implement some of these programs and projects that are shovel-ready and shovel-worthy.

[*Translation*]

Mr. Steven MacKinnon: Thank you. I think you did a very good job of making your position clear.

I would now like to address Ms. Lanthier.

Let me congratulate FCFA. I have a long history with the official languages and francophone minority communities. I am a graduate of University of Moncton. I feel nostalgic thinking about the plan proposed by Mr. Dion, who is now the minister responsible for foreign affairs. You talked about the funding that had not been indexed. That has been going on for the past 10 or 11 years.

Over those years, what has the impact been of the cuts on francophone minority communities?

Mrs. Sylviane Lanthier: I think that depends on the community. In some places, community organizations are now closing their doors because they do not have enough resources to pay their staff. In other places, the organizations have very little leeway in terms of expenditures and resources.

I think the most significant impact is that we are no longer able to advance. We can no longer accommodate new needs and move forward from what we were doing 10 years ago.

I am thinking of francophone immigration, early childhood needs or the needs facing our schools. In communities, more and more people are enrolling in francophone schools. There are new schools. We must take into account all those needs and welcome people, but the resources for that have not really increased enough. This is slowing down our development and sometimes moving us backwards.

Mr. Steven MacKinnon: You are certainly aware of the various mandate letters for the ministers, including the one for the Minister of Canadian Heritage. Could you comment on its relevance? Could you also share your hopes for the role of this minister and the government in promoting the official languages?

Mrs. Sylviane Lanthier: Minister Joly's mandate letter mentions a project to develop a new official languages plan for francophone communities by working with them. We welcome that project because that would give us an opportunity to take stock of what we have accomplished and of where we are at. That would enable us to discuss current needs so that any future plan would meet the needs of the communities.

[*English*]

The Chair: Thank you both.

Mr. Aboultaif.

Mr. Ziad Aboultaif: Thank you for all the wonderful presentations.

Dr. Ragan, you mentioned a few good things, important stuff, and I would like to get from you a brief on the Paris convention, the Canadian government commitment of funds to the United Nations Environment Programme, and you repeated twice, don't rush ourselves to any quick decisions. Has this government rushed in its commitment of the funds that we've committed to, yes or no, and how can that be done better?

● (1810)

Prof. Christopher Ragan: I'm not sure I understood the question. I thought I heard you ask about a commitment to a fund.

Mr. Ziad Aboultaif: Yes, that's true. My understanding is that there's a fund that Canada contributes to as part of a $100-billion fund that the United Nations is collecting, to be basically spent for countries to become more responsible environmentally. Whether or not you have any idea about that program is the question.

Mr. Ron Liepert: It's $2.6 billion.

Mr. Ziad Aboultaif: It's a $2.6-billion commitment from—

Prof. Christopher Ragan: This is a good question, and I have to claim ignorance.

I know the Canadian government has committed to it. I think it's currently a $100-billion fund, largely from the developed countries to the developing countries, but I do not know the details of how those resources will be spent. I think this is one small part of a very large and very complex international negotiation.

My emphasis here is about the Canadian government and the provincial governments developing a coherent pan-Canadian policy to cost-effectively reduce emissions. I think that's where we need to make sure we take the time and get the details right.

Mr. Ziad Aboultaif: My next question is for Mr. Louie.

I read on page 14 of your brief that you're talking about the realigning of PPP Canada. I seem to have difficulty understanding the P3 model that you have presented here. Could you elaborate on it and explain it to us further? As I've said, I'm in favour of a P3 program in which there is more private equity or private investment involved, especially when it comes to the initial capital for it, rather than a reliance on our governments, from municipal to federal to provincial, to spend the money on such an expensive expansion as would result from what you are proposing.

Would you like to explain that?

Mr. Raymond Louie: I'd be happy to, through you, Mr. Chairman.

First, let me say that I've had the opportunity to vote on two P3 projects. One I voted in favour of and one I did not. That is to highlight not that I am open-minded, but rather that not all P3 projects are created equal.

What we're saying at the Federation of Canadian Municipalities is that we need the flexibility to determine at a local level whether or not it makes sense for a P3 project to proceed, not have it be forced through a P3 screening process. We need the flexibility in order to make that local determination.

The point should be made that a P3 funding model is just that: it's a funding model that is a loan that needs to be repaid, and there is a cost premium for a theoretical risk transfer. It doesn't necessarily always play out on the city side, or in fact, the citizen side or the resident side. What we're asking for at the Federation of Canadian Municipalities is more of a model whereby we're receiving funding, a grant, because it's not a question of inability to access capital which is what we're coming up against. Local governments have a AAA credit rating. British Columbia, joint and several liable, can borrow at the best rates possible. The City of Vancouver has a AA+ rating. This is not an issue for most municipalities.

What we're asking for is that rather than delaying projects that are meaningful, that are shovel-ready, shovel-worthy.... They are being delayed as a result of having gone through or needing to go through a P3 screening process. We're saying the risk transference and analysis may bear some value. But it depends on each particular project.

Mr. Ziad Aboultaif: Here is a quick question for Mr. Smillie.

Do we have a shortage, do we have a surplus, or are we balanced with skilled workers in Canada? How balanced is the distribution of skilled workers across Canada? Could you elaborate on that, please?

Mr. Christopher Smillie: We can't change demographics. What we know is that in the next 15 years there's going to be a tsunami of retirements in construction and in the skilled trades. We cannot change the mode age of my membership, which is 52; that's the most frequent age. What we have to do is get the training file completely right for young people to replace the skills that are going to be walking away from job sites.

We have ups and downs in our economy, in the various regional economies in Canada. At any given time, anywhere in the country we might have a small surplus or a small shortage. But essentially, even among industrial employers in Alberta today, if you talk to the big producers, they're having shutdowns in a sequential way to maintain their $4-billion or $5-billion facilities. There's still a scramble to find people. It's about demographics and it's about the investment in the training system and it's about getting that file right.

● (1815)

The Chair: Thank you. That is very important information.

Just coming out of that discussion, Mr. Parliamentary Secretary, I guess we don't know if there's a $2.5-billion commitment from Canada to a $100-billion international fund to combat climate change in the development world, which comes out of the complicated negotiations in Paris. Could you check on that? I think it'll be likely a question for the minister on Tuesday when he comes. In any event, it would be good if you could check on that.

Mr. François-Philippe Champagne: Yes.

The Chair: Go ahead, Mr. Aboultaif.

Mr. Ziad Aboultaif: The number is $2.6 billion. That's what the Prime Minister has committed to that program.

Mr. Ron Liepert: That is over three years.

The Chair: It's over three years. Okay, then we'll get the facts on it, if we can.

Turning to Mr. Sorbara, you have five minutes, sir.

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

Most of my comments will be for Mr. Smillie.

Mr. Smillie, I'm from the riding of Vaughan—Woodbridge. I'm proud to have the Carpenters' District Council of Ontario there. I've been to the training facility many times. My father is a retired carpenter and sheet metal worker. An individual called it an oasis. I think I do too. In York Region we're having a little oasis right now because there is a lot of construction activity. There's a lot of infrastructure building taking place. There's a lot of home building taking place. So there is a shortage of carpenters and framers. It would be great to see some of those unfortunately laid-off workers in Alberta come over. There's work. I think we need to do that. I applaud the effort on the mobility measure. I think it's well needed.

As to the demographics, though, we are going to be seeing a big wall of retirements happen in a couple of years.

Mr. Christopher Smillie: Yes.

Mr. Francesco Sorbara: This has to be a joint effort among business and unions and government and non-profits, because I think we really need to change the mindset of young workers. When you speak to people today, and their parents, how many parents encourage their kids to become welders? My father-in-law's 70 years old and he's still welding in his own business, because there's such a demand still and there are not enough welders coming up.

Are there any measures that your organization is looking at in terms of the apprenticeships, getting more folks going that way?

Mr. Christopher Smillie: One of the things we've had success with on major projects is the builder or the owner of the asset saying to contractors that, in order to build on a particular site or in order to participate in building the site, they must hire and (a) have a training plan within their RFP documents, and (b) they commit to train when they're working on the project. Shell Canada, for instance, has a number of projects in Alberta which have been successful in attracting first nations workers and women in the skilled trades because Shell requires it of their contractors. They say that in order to do business with them, contractors must do (a), (b), (c), and (d).

If we're going to spend $60 billion on infrastructure to rebuild this country, it might not be a bad thing to take a look at requiring these same sorts of things on federal infrastructure projects, or even shared-funded projects among the feds, the provinces, and municipal governments. Why wouldn't we use these projects to increase participation in apprenticeships and encourage companies to train young people?

At the end of the day, everything we do all day every day is brought to you by the people in the building trades. It's sort of the invisible workforce out there. If you like driving to work, or you like flying on an airplane, or you like taking a train, or you like the heating systems in this building, they're brought to you by people that have these skills and training.

Skilled trades, to me, are the entranceway to entrepreneurship. Being an apprentice welder today means running your own business in 10 years. These are the kinds of things we need to promote.

● (1820)

Mr. Francesco Sorbara: I think what's happened in Ontario specifically is due to the provincial government's ramp-up in infrastructure spending, because there was such a large infrastructure deficit that was left over from prior administrations. Now we're going to step up on the federal side. There is a large need for skilled trades, and we're seeing that, and I think we need to plan accordingly, not just for now, but also for a decade from now, when a lot of individuals will be getting ready to retire. These are very well-paying jobs.

Mr. Christopher Smillie: I should have been an electrician.

Mr. Francesco Sorbara: They offer great futures and great benefits for their workers.

Mr. Louie, just quickly on FCM, $1 investment in infrastructure is $1.64 benefit to the economy. We obviously ran on a platform for $125 billion of spending over 10 years. I think it's great that we can look to refurbishment of existing stock and assets initially, and also new projects to go ahead. I think that's the best way to proceed. That's my view on the issue. My other colleagues have addressed the other issues with regard to FCM, so I'll leave it at that.

I'm finished, Mr. Chair.

The Chair: Thank you.

I'll turn to Ms. Raitt, for five minutes.

Hon. Lisa Raitt: Mr. Smillie, I'll start with you, please.

As you were speaking, ironically enough, an article came out indicating that it is projected by a report that 84% of oil sands construction jobs are going to disappear in the next four years. At what point does this become a crisis, in your eyes, and in need of serious government intervention?

Mr. Christopher Smillie: North of 55% of the building trades membership goes to work every day on some sort of energy project, be that oil and gas, pipelines, or nuclear facilities. The energy portfolio, which includes oil sands, is an important part. There's no question that cancelled projects in Alberta will have an impact on the job prospects of our membership.

I will say there is enough work associated with maintaining existing facilities, the upgraders and the extraction facilities, to ensure there isn't a complete decimation in the industry. In fact, the maintenance hours, because of economic conditions over the last five years, have surpassed new construction hours as it is. It's a fair point.

With changes in Canada's economy, we'll have to pivot.

Hon. Lisa Raitt: All right.

You know I'm from Cape Breton.

Mr. Christopher Smillie: I didn't know.

Hon. Lisa Raitt: Everyone should know because I tell them every day. There are two things I'll tell you: I'm from Cape Breton and I have two sons, both things I'm proud of.

I read something today by an economist based in Cape Breton. He's done an analysis of mobility issues, which you were talking about earlier. He said, “Mining the Alberta oil sands is as important to the Cape Breton economy now as mining coal was in the 1980s.” It's an incredible, important safety valve that we had in Cape Breton for so many years to ensure there was some kind of help.

I fully support whatever ideas you bring to the table on labour mobility, because it's what has kept the island going for the last 10 years. I look forward to seeing what else...I'm echoing what Ron said about the same thing. I'm curious to see what you come up with.

I commend you on continuing on that work.

Mr. Christopher Smillie: Thank you.

Hon. Lisa Raitt: I'm going to ask the Canadian Taxpayers Federation a question, because that's in my wheelhouse, too.

Aaron, you mentioned before that one of the things you're concerned about is controlling public sector pay. What you may notice is that the Liberal government is gearing up next week or the week after to introduce legislation to repeal the work we did with respect to sick leave and replacing it with short-term disability.

Are there any comments on the move that the Liberal government's making, and what your perspective is from the Canadian Taxpayers Federation?

● (1825)

Mr. Aaron Wudrick: With the change in government we watch closely the change in policy. With the new Treasury Board president, we certainly saw what he presented as a change in tone. We have no problems with changes in tone. That's entirely his prerogative.

As I stressed earlier, we don't begrudge union leaders advocating hard for their membership. That's what they're there to do. But the government must always bear in mind there are millions of other Canadians who do not work in the public service, and they rely on the government to represent their interests. They should drive as hard a bargain as the leaders they're negotiating with.

Hon. Lisa Raitt: Very good. Thank you.

The Chair: You have time for one quick one. We'll go to Robert and then that will give him three minutes, and then we'll be closed.

Hon. Lisa Raitt: Am I not getting an extra question, or am I?

The Chair: I didn't think you wanted one, but if you're—

Hon. Lisa Raitt: I always want more time. Come on, Mr. Chair.

The Chair: Okay, so I'll give you 20 seconds. Go ahead.

Hon. Lisa Raitt: I'm going to give a shout-out to Mr. Louie. Acting Mayor Clark Somerville is the incoming president of FCM, I believe.

Mr. Raymond Louie: Yes.

Hon. Lisa Raitt: He made a very good presentation to me in the riding, of course, talking about the difficulties with respect to the application process on infrastructure amounts. His points were well taken.

I thank you for being here today as well. It's good to see you again.

Mr. Raymond Louie: Thank you.

Hon. Lisa Raitt: That's it. That didn't hurt at all, did it, Mr. Chair?

The Chair: It didn't hurt at all.

Hon. Lisa Raitt: Exactly.

The Chair: Also, you kept it at time.

Hon. Lisa Raitt: Exactly.

The Chair: Mr. Ouellette, for three minutes.

Mr. Robert-Falcon Ouellette: Thank you very much.

I have three questions for three different people, so we'll all have to be very concise and share.

My first question is for Monsieur Wudrick of the Canadian Taxpayers Federation.

I was just wondering, should the federal government subsidize the oil and gas industry?

Mr. Aaron Wudrick: We oppose subsidies to oil and gas, to aerospace, and to the auto sector. We oppose public sector subsidy of private sector businesses.

Mr. Robert-Falcon Ouellette: Thank you very much.

The next question is for Monsieur Smillie.

My question is related to apprentices.

It seems there are some employers in the construction industry who hire apprentices and others who do not. Some bear the unfair burden of training people, who are then cherry-picked by other companies. Do you believe that somehow the federal government should include in their infrastructure spending a requirement that companies actually have certain levels of apprentices within their group right across the board to ensure that there's a fair, level playing field?

Mr. Christopher Smillie: I would agree with that.

Mr. Robert-Falcon Ouellette: Okay. This is going well.

I can just have an answer question.

Mr. Christopher Smillie: Look, it's about what you want to do in terms of public policy to build Canada.

Yes, I would agree with your statement, and it shouldn't be a voluntary system that was put in by the previous government. It should be a mandatory system of including apprentices on federal government jobs.

Mr. Robert-Falcon Ouellette: Thank you very much.

Maybe I'll add an extra question, but the next one is concerning the co-operatives for banking.

Winnipeg Centre is a very poor riding. We use an awful lot of those cash types of corporations, where high usury rates are paid by many people. It seems that the co-ops haven't been able to fill the marketplace.

Do you believe there's a role perhaps for Canada Post to play, with their charter that has existed since 1923, I believe, in that market, and even in rural areas, to enable people to cash cheques?

Ms. Martha Durdin: I would say that credit unions are working hard to try to help in communities where they have those other organizations.

There's some work that's been done in Vancouver. Vancity has a similar kind of short-term loan structure that has worked out fairly well.

Ontario announced recently that they're working with the provincial government to work on payday loan types of organizations.

I would say that credit unions are fairly well placed to work with the provincial governments, mostly, to try to support communities that are underserved by banks and others.

Mr. Robert-Falcon Ouellette: Thank you very much.

Could I have five seconds?

The Chair: No, we're out of time.

To the witnesses, thank you very much for your presentations. They were very informative. It was a good discussion.

Also, thanks to committee members for your endurance. These have been three fairly long days.

Tomorrow we meet at room C-110 at 1 Wellington from 8 a.m. to 11 a.m., and then we'll meet in the next room over from here from 12:30 p.m. to 3:30 p.m.

The meeting is adjourned.