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## **Standing Committee on Finance**

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**EVIDENCE**

**Friday, February 19, 2016**

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**Chair**

**The Honourable Wayne Easter**



## Standing Committee on Finance

Friday, February 19, 2016

• (1230)

[English]

**The Chair (Hon. Wayne Easter (Malpeque, Lib.)):** If we could, please, we will come to order. This is our eighth meeting pursuant to Standing Order 108(2), the pre-budget consultations for the budget for 2016.

I'd like to thank those witnesses who are here today. I know that some of you are operating on quite short notice, and we would certainly like to thank you for coming here to put forward your views in this pre-budget consultation.

We will try fairly strenuously to limit the presentations to five minutes so that we can have a fair bit of time for questioning.

To start, as individuals, we have with us Robert Boadway, who is a professor in the department of economics at Queen's University, and Carey Bonnell, head of the school of fisheries at the Fisheries and Marine Institute of Memorial University.

Go ahead, please.

**Dr. Robin Boadway (Emeritus Professor, Department of Economics, Queen's University, As an Individual):** Thank you for inviting me, Mr. Chair and members of the committee.

What I'd like to do is make a number of comments on three general areas having to do with tax policy.

The first area is the growing inequality of income and wealth and what measures should complement the announced increase in the top income tax rate and the reduction in the middle tax rate.

To offset the benefit of the middle bracket tax cut for higher income groups, I think it would be wise to increase the taxes in the brackets for numbers three and four, so that—

**The Chair:** Could I interrupt for a minute. The way it's listed, our list has you together, but there are really two separate presentations, so you will have five minutes and then Carey will have five minutes later.

Go ahead.

**Dr. Robin Boadway:** Thank you.

The first suggestion would be to offset the benefits that the middle tax rate cut affords the higher income groups by increasing the tax rates in the third and fourth brackets.

Next, to help those at the bottom of income distribution and to facilitate a transition to a basic income guarantee, make all non-refundable tax credits refundable. Enhance them, especially the

disability tax credit, and claw them back like the GST credit, the child tax credit, and the guaranteed income supplement.

Finally, broaden the tax base to complement the increase in the top tax rate by reducing or eliminating the 50% exemption for capital gains by considering an upper limit on capital gains exemptions for housing. Also, reduce the use of the small business deduction to shelter income by denying its use by professionals and by restricting the hiring of family members

The second area is innovation and business taxes.

I would retain the small business deduction but reinstate a cumulative upper limit to prevent the disincentive for small businesses to grow. I would allow a carry-forward of losses with interest. I would consider encouraging innovation by flow-through share financing of R and D investments so that deductions are forwarded to the owner—the equity holder—and studying the use of patent or intellectual property boxes to encourage the exploitation of innovations in Canada

In the longer term, I would consider major reforms to the corporate tax, such as those that have been proposed in the U.K. and the U.S. and in many tax reform commissions around the world, and in particular, what's called the allowance for corporate equity system that's been introduced in some countries in Europe.

Third, I have some remarks on federal-provincial fiscal arrangements.

To protect both vertical and horizontal balance in the federation and to enhance the integrity of federal-provincial fiscal relations, I would restore formula-based equalization by removing the GDP growth limit. I would escalate the Canada social transfer and the Canada health transfer by the average rate of growth of provincial expenditures on social programs. Also, I would enhance federal and provincial co-operation by seeking federal government membership in the Council of the Federation.

Those are my remarks.

• (1235)

**The Chair:** Thank you very much, Mr. Boadway.

We'll turn to Mr. Bonnell, who is the head of the school of fisheries at the Fisheries and Marine Institute of Memorial University.

Go ahead. The floor is yours.

**Mr. Carey Bonnell (Head, School of Fisheries, Fisheries and Marine Institute of Memorial University, As an Individual):** Good afternoon, Mr. Chair, and committee members.

The views that I am going to be expressing today are my own views, grounded in my capacity as industry co-chair of the Canadian seafood value chain roundtable, SVCRT. The roundtable provides leadership to the Canadian seafood industry by providing a forum for value chain participants to identify significant industry impediments, collaborate on solutions and innovation, and influence decision-makers. Its vision is of a prosperous and competitive Canadian seafood industry that is a world leader and a preferred supplier of high value seafood, domestically and internationally.

The Canadian fish and seafood industry is an important producer of high-quality food and a significant contributor to Canada's economy, especially in rural, coastal, and aboriginal communities. Thousands of Canadian families, businesses, employees and their communities depend on this industry to provide for their well-being. In total, more than 80,000 Canadians were employed in the harvesting, production, and seafood processing sector in 2014.

The seafood industry in Canada is very much export oriented with approximately 75% of its production exported to foreign markets annually, making it the highest export-oriented sector of the food manufacturing industry in Canada. In 2014 the industry exported \$4.9 billion of high-quality seafood, ranking as the world's eighth largest seafood exporter. Approximately 64% of exports were destined for the United States, followed by China and the European Union at 10% and 9% respectively.

In reviewing the Government of Canada's mandate letters, I am very pleased to see the government's commitment to ocean science and to the protection of our fisheries for future generations, as well as to an economically successful, responsible, and environmentally sustainable aquaculture industry. I'm also encouraged to see that the government will be giving priority to job creation, innovation, food safety, and the support of exports. Overall, the Canadian seafood industry is very proud of the contribution that it's making to the Canadian economy and to global food security. However, the sector is not without its challenges, and there are certainly steps the Government of Canada can take to help expand the global competitiveness of the sector and leverage its economic potential.

Related to this, I would like to outline two key areas for priority investment in this sector, namely around market readiness and social licence.

On the topic of market readiness, the seafood industry in Canada is extremely excited about the expansion of the Government of Canada's efforts around global trade agreements such as CETA, TPP, and Canada-Korea FTA, just to name a few. Our industry is export oriented, and these agreements provide Canadian seafood producers with improved market access opportunities through the reduction and elimination of prohibitive tariff barriers, ideally resulting in increased industry competitiveness. However, significant market readiness barriers exist in the Canadian seafood industry that impact its ability to fully leverage the potential of these trade agreements as well as other global market opportunities. Examples include the need for improved market intelligence to support the market development needs of the industry, the need for investment in innovation and

automation in the sector, and a strategy to address the labour retention challenges in the industry given current demographic profiles.

Regarding social licence, there's a need for continued engagement and investment on the subject of science requirements for eco-certification in particular. Issues around traceability and eco-certification are now considered requirements for global market access. They represent a non-tariff trade barrier if Canadian producers cannot meet robust international eco-certification standards such as those of the Marine Stewardship Council and best aquaculture practices for the wild and aquaculture sectors, respectively. Key public investment in fisheries and ocean science, including sustainable aquaculture development, are critical to ensure the industry continues to meet and exceed best practices.

A major challenge for the seafood sector related to addressing its market readiness challenge is the fact that it is largely a sector without a home within the Government of Canada. Let me explain further.

Fisheries and Oceans Canada's mandate is very much focused on its regulatory responsibilities and does not include enabling programs to support the innovation, competitiveness, and overall market development needs of the industry.

By comparison, Agriculture and Agri-Food Canada has a growing forward 2 program that is focused on the innovation, competitiveness, and overall market development needs of the agrifood sector. The program envelope includes about \$3 billion in investment by federal, provincial, and territorial governments over a five-year period and Agriculture Canada specifically administers \$1 billion in agri-innovation, agri-competitiveness, and agri-marketing support. Seafood sector support under this initiative is limited to the agri-marketing program with a funding envelope of approximately \$2.5 million per year.

While the support is highly valued, it falls well short of meeting the broader needs of the sector, given present challenges. Ultimately, seafood is a significant contributor to Canadian food production and should have equitable access to public programming to help improve its overall competitiveness. We're currently living in a period of unprecedented global change that will significantly impact seafood production in the years ahead. For example, the Food and Agriculture Organization of the United Nations currently estimates an additional 40 million tonnes of aquatic food will be required by 2030 just to maintain current per capita consumption. It also estimates that the average price of traded seafood products is expected to grow by 30% by 2022 based on factors such as increasing health awareness, rapidly expanding middle-class societies, and growing disposable income.

• (1240)

In conclusion, the Canadian seafood industry is very well positioned to address these grand challenges by providing high-quality, safe, and healthy sources of protein to the global community. Key strategic areas of investment by the Government of Canada present a tremendous opportunity for Canadian seafood producers to take advantage of globally expanding markets for sustainably and responsibly sourced seafood.

Thank you very much.

**The Chair:** Thank you very much, Mr. Bonnell.

We'll turn to the Partners for Mental Health, Mr. Manion.

I might remind people, don't go too fast when reading your document. We are doing translation, and they can only translate so fast.

**Dr. Ian Manion (Chair, Child and Youth Advisory Committee, Partners for Mental Health):** Thank you very much, Mr. Chair and committee members, for the opportunity to address this critical issue for Canadians. Michael Kirby, who is the driving force behind this effort, sends his best wishes and his thanks for hearing this issue.

You probably already know the statistics. We talk about suicide among young Canadians. It's the second leading cause of mortality among 15 to 24-year-olds. It accounts for more deaths than all cancers combined—probably three times more than all cancers combined—during this age period. If we're talking about our first nations communities, there are at least four times as many deaths by suicide in many of our first nations and inuit communities across the country.

The cost of one death by suicide in this age group is projected to be \$1.5 million over a lifetime in lost productivity. That does not count the incredible cost to families, to communities, to schools, which are dealing with this issue on an ongoing basis, usually for years after an event. The cost of human suffering is actually measurable.

In terms of the number of young people who experience this problem, 8% of young people tell us they have actually tried to kill themselves. About 25% tell us they've had serious recurring thoughts of killing themselves. This is not a very isolated event; it is an event that occurs again and again, day in and day out.

This week I received a call from a community in Ontario where they've had two deaths in the last two weeks. Two more young people hospitalized with severe attempts will add major costs to our health care system for probably years to come.

It's really a symptom of a sector that is not meeting the needs of our children. You have a mental health sector that is probably dysfunctional in many respects. If we're going to be doing something transformational around preventing suicide, probably the biggest impact is to begin with children and youth.

We have an opportunity to make some significant change with you. We are proposing a \$100-million national youth suicide prevention fund to take what we already know from evidence, apply it in Canadian contexts, and measure it as applied in 25 communities across Canada to demonstrate how we can have evidenced-informed decision-making for real change in preventing death by suicide, particularly among our young people.

That's a very bold request. The reality is that Canadians are tired of reading in the newspaper every day about one more young person whose life has been lost to suicide. They don't want talk; they want action. Young people deserve something bold, and they need to know that we are thinking about them and their lives at this time.

The proposal itself is built on what we know from evidence particularly in Europe, where they've had a whole community approach to youth suicide prevention, with significant impact. Partners have brought together experts from across Canada in youth suicide prevention to take this evidence, apply it in context, but also add elements that can enhance what we've seen happen in Europe.

The rates of decreased suicide and suicide behaviour in Europe have been estimated at approximately 24%. We have more than 500 young people dying by suicide every year. If we can eliminate 24%, that's 120 lives that have been changed, 120 families who live a different course, 120 schools that don't have to suffer for years and years to come because of the loss of experience.

Among the key components of this plan, one is building capacity in primary care, both in terms of identification but also pathways to care. Another is media and public awareness: what does everyone need to know in terms of identification of those at risk and getting the right level of help at the right time. Another is community training so that teachers, family doctors, community members, peers know what to look for, but also know how to bridge young people to the appropriate service at the right time. Another is targeted supports for those young people who are at risk because of their mental health status, homeless status, or their living arrangement. We know that in rural Canada, for example, the rates of suicide are higher. We can discuss at length why that might be.

Finally, a key component added in the Canadian model is meaningful youth engagement. There's ample evidence to suggest that meaningfully engaged youth are healthier physically and emotionally, engage in less risk-taking behaviour, and are less likely to think about and act on their suicidal thoughts.

We know the timing is right, now, because philanthropy has told us that they are prepared to participate in this. We've had several national organizations that have looked at this proposal and think it is the way to go because it is respectful of the reality of individual communities.

We know that provincial governments.... Michael Kirby has spoken to every provincial government, many of which are poised now to participate in this. The model is one that includes leveraging, whereby the fund would be matched by provincial funds, philanthropy, and business. Many of those partnerships have already been established. Letters of support have come from across Canada.

In closing, I want to say that I've been a psychologist for 30 years working in mental health. I get mad when one more young person dies by suicide, because we should have been able to identify that they were suffering in silence. We should have been able to do something for them before they chose to take their life as the only solution to their problems.

• (1245)

Thank you very much.

**The Chair:** Thank you, Mr. Manion. It's an extremely important issue.

Next is Mr. Meslin, with the Council of Canadian Academies.

**Prof. Eric Meslin (President & CEO, Council of Canadian Academies):** Thank you very much, Mr. Chair, and members of the committee, for the invitation.

The Council of Canadian Academies and our member academies—the Royal Society of Canada, the Canadian Academy of Engineering, and the Canadian Academy of Health Sciences—are part of Canada's science advice community. For our part, the CCA has been helping governments understand scientifically complex issues and their policy implications for more than 10 years. We provide highly credible and authoritative answers to questions asked by the federal government and other groups. We bring together the best minds from Canada and around the world, using expert panels to evaluate what is known and what is not known. These panels are multidisciplinary and multi-sectoral and can be convened on virtually any topic.

You have a copy of my testimony already, so I'll just remind you of a couple of brief points.

First, over the past decade it has been noted that science advice has been underutilized in government decision-making in Canada. We fully support the renewed commitment by the Government of Canada to put evidence squarely at the centre of decision-making and we welcome, for example, the decision to establish a chief science officer. Continued support for this type of leadership and for similar opportunities can only serve to enhance the entire science advice community, improving the integration of evidence into decision-making and strengthening public policy.

The government's policy priorities cross-cut multiple departments. Arguably, every one of them would benefit from evidence, evidence about the science, evidence about best practices, and lessons from other countries. Indeed, you've already heard from witnesses this week, and about two minutes ago, from my colleague about a number of complex issues of central importance to Canada's future: innovation, mental health, green infrastructure. We believe, Mr. Chair, that additional investment in science advice would aid in developing policy on each one of these issues and many others.

Second, as to our place in this system, the Government of Canada established the CCA in 2005 with a commitment of \$30 million over 10 years. This commitment was renewed in 2015 for a further five years at the same funding level. With this modest investment, however, the CCA has completed 29 separate assessments for federal agencies on a diverse range of topics of importance to Canadians, from STEM employment to policing. We've also leveraged outside funding to undertake studies on issues such as climate change technology and marine shipping.

As we mentioned in our submitted testimony, our studies have influenced the development of a number of policies and programs by the government and others. With innovation very much on everyone's mind, we believe that innovation in science advice is every bit as important as innovation in other aspects of our economy. A good example is the way we incorporated traditional knowledge into a report on aboriginal food security in the north.

We also recognize that using evidence to inform policy must, after all, fit into the larger political reality. Some policy questions should be responded to quickly because they are motivated by the urgency of current events. The topic of the Zika virus comes to mind. Others benefit from deeper assessments that require longer-term consideration. Both of these are needed, and we do both of them at the CCA.

That said, three factors limit our ability to be as responsive as we would like to be and as we believe the government should expect of us.

First, requests for our work are submitted through a lengthy review and approval process, which affects our ability to take up studies quickly.

Second, while we are taking steps now to be more innovative in our own work, for example, by developing a more robust suite of services, our current funding envelope may constrain such robust plans.

• (1250)

Finally, we are now entering the second year of the current five-year funding plan, which inhibits our capacity to plan and to undertake future work, something that anyone working in science or in policy can appreciate.

Taken together, these factors may disincline potential sponsors from submitting requests at the very moment they are most needed. The government would, we think, signal its strong commitment to using science in policy-making by making further investment in the CCA to enable more studies, from more sponsors, on more topics, using more innovative approaches.

I should close with a quote from the mandate letter to the Minister of Science, with which I'm sure you're all familiar and with which we wholeheartedly agree: "We are a government that believes in science—and a government that believes that good scientific knowledge should inform decision-making."

Thank you very much, Mr. Chair.

**The Chair:** Thank you very much, Mr. Meslin.

I'll turn now to Ms. Robinson from Polytechnics Canada. The floor is yours.

**Ms. Nobina Robinson (Chief Executive Officer, Polytechnics Canada):** Thank you very much, Mr. Chairman and members of this committee, for including us in your important week of pre-budget hearings.

Polytechnics Canada represents leading research-intensive, publicly funded polytechnics and colleges. All our members grant bachelor's degrees and offer industry-aligned post-secondary credentials, including trades training.

A polytechnic education builds a resilient and resourceful workforce. Canada needs more of this kind of applied education. Our education and training and our R and D and commercialization services help employers and companies to grow. The work our members do provides a cornerstone for building and supporting Canada's middle class.

As you seek ideas for economic growth, polytechnic education is one of the solutions Canada needs more of, whether it be tackling youth unemployment, supporting workers who form the bedrock of the middle class, or building the technical talent required for green infrastructure. Canada needs talent and innovation ecosystems where all players contribute their unique strengths.

For too long Canada's productivity has been held back by our fragmented, siloed, and incomplete approaches to talent and innovation. To bridge excellence to access, discovery to commercialization, and smart workers to smart jobs, we need an inclusive approach. Despite progress made in recent years, federal supports for an inclusive national talent strategy remain imbalanced and inadequate.

Let's remember that people innovate and companies commercialize. Innovation without talent is like science without ideas.

Our universities and academic scientists play a crucial role, but they can't get their inventions to market without attention being paid to the rest of the ecosystem—the R and D technicians and industry partners who bring innovations to the marketplace, especially in our small and mid-size businesses. The value of discovery research is not realized until people also perform the collaborative near-to-market work such as prototyping, beta testing, and market validation at which polytechnics excel, with their industry partners.

Unmuzzling science will not spur innovation. We need to unleash the innovative talent of polytechnic graduates and support the practical needs of Canada's entrepreneurs outside academe.

Our written submission presents a suite of 10 targeted investments that would both strengthen our ecosystem for the long term and help kick-start our economic turnaround in the short term. There are three broad categories of proposals: one, balancing supports for innovation; two, delivering Canada's infrastructure priorities with apprenticeship action; and three, building a modern labour force through better data.

Let me give you highlights. With respect to innovation, we call for increased funding for NSERC's college and community innovation program by \$15 million annually. Currently the program is oversubscribed, having to limit competitions for funding while also spending funds intended for future competitions now. Yet this \$53-million program makes up only a paltry 5% of NSERC's annual billion-dollar budget. In the private sector when something is in demand because it works, you supply more of it.

No policy rationale exists for excluding the college sector from equitable support for staff and infrastructure costs that support our legitimate research activities. This is an imbalance that can easily be fixed by increasing the research support fund by \$25 million, and in doing so, signal fair treatment for all post-secondary research, not just university research.

To ensure Canada has the skilled workers needed to build and maintain our infrastructure over the next decade, polytechnics offer a variety of world-leading programs in construction management and the building trades; however, many of these programs have long waiting lists, while employers are reporting shortages of these very skilled workers. Therefore, we recommend a high-demand training capacity fund.

● (1255)

Finally, Canada needs reliable labour market information that leads to informed career choices. If employers and learners had access to accurate information about the publicly funded professional print and technical training programs we offer, and about the earning power of our polytechnic graduates, we would be better able to guide young Canadians toward programs with solid employment prospects. Possible financial incentives for more co-op opportunities need to be evidence-based. Better LMI leads to better prospects for our unemployed, our older workers, newcomers and indigenous learners, and even temporary foreign workers. Federal leadership in investment for evidence-based labour market data is vital now.

I hope you will take time to consider our recommendations. Growing the Canadian economy requires harnessing the many solutions offered by a polytechnic education.

**The Chair:** Thank you very much, Ms. Robinson.

We'll turn to the Retail Council of Canada, Karl Littler, who is vice-president of public affairs.

**Mr. Karl Littler (Vice-President, Public Affairs, Retail Council of Canada):** Thank you, Mr. Chair and members, for allowing me to contribute to your pre-budget deliberations and to speak to some of the issues that matter to our industry.

For members who haven't heard from us before, RCC is a not-for-profit industry association. Founded in 1963, we represent over 45,000 storefronts and include within our membership department, grocery, specialty, and independent stores, and online merchants. RCC's members sell over 70% of all consumer goods sold in Canada, and we employ the majority of the 2.2 million Canadians who work in retail. That makes us the largest employer group in the largest employment sector in Canada, and one of the very few with a presence in just about every community nationwide.

Paradoxically, because retail is so ubiquitous, it sometimes goes unnoticed by policy-makers. The exceptions that tend to break into headline news tend to be when there are merger proposals, like the recent one between Lowe's and Rona, or shutdowns like Target last year.

I can reassure you that our industry is pretty healthy. We grew by 3.9% in 2014, or about 2% above inflation. While we don't have final numbers for 2015, they will likely come in north of 3%, despite a relatively disappointing December, and 2014 also saw an increase of 21,000 jobs in our retail sector. So to paraphrase Mark Twain, reports of our death are greatly exaggerated.

That is not to say, however, that retail does not face significant challenges. The exchange rate in particular is a big one for us. While the falling Canadian dollar may help curtail cross-border shopping in the near term, it does create a long-term upward pressure on prices. We've seen this first in grocery items, and we'll see the effects on other goods over the course of the year. Some of you may have seen the comments of our chairman, Michael Medline, to this effect in today's *Globe and Mail*.

Retailers continually strive to keep prices affordable for consumers. While I'd like to pretend that's altruism, it's largely because it's a necessity in a highly competitive environment, and of course, there are public policy issues that have effects on these prices. I'd like to touch on two of these areas, namely tariffs and payments, although in our written brief, we do speak to *de minimis*, CPP enhancement, EI changes, and payments.

A couple of years ago, the other place—I think that's what I'm supposed to call it—released a study on Canadian pricing. One of its areas of focus was the impact of the Canadian customs tariff, a 98 chapter, 7,000 line item schedule of customs duties. As we understand, the original purpose of tariffs was as tools of industrial policy designed to support domestic manufacturers. Of course, they also serve as revenue generators for the government. While tariffs may once have helped Canadian manufacturers compete with imports, they're now seriously out of alignment with our manufacturing base. There are multiple examples of duties of 17% and 18% in areas where there's not even a single Canadian manufacturer. Once that industrial policy angle is lost, a tariff simply

becomes another form of tax targeted at particular goods, like the bicycle tax or the affordable footwear tax, if you will.

Because duties have been removed from most manufacturing inputs, this hidden tax now bites Canadian consumers almost exclusively to the tune of \$4.5 billion a year, or about 2% of the value of all consumer goods sold at retail. In numerous cases—footwear is a case in point—these hidden taxes are often double or triple the 5% GST rate on the same items. Most are not luxuries, and in many cases they're necessities.

RCC understands that the government lacks the fiscal capacity to provide immediate tariff relief across the board. What we suggest instead is to begin the process of reductions, especially where there's a duty differential between Canada and the U.S., where the duty in the U.S. is lower. That's a situation that can help to exacerbate cross-border shopping.

Our other recommendation, and one that's obviously very topical for members, is to continue to pursue bilateral and multilateral free trade agreements like CETA and the TPP, and to press for accelerated tax relief under those and future agreements.

The second issue that RCC would like to see addressed is credit card interchange fees. They are the charges that merchants pay to banks every time a credit card is used for payments. These rates are non-negotiable for merchants and are set by the credit card duopoly on the banks' behalf. That's \$4 billion in interchange costs which get passed on to all Canadian consumers in the form of higher prices. Worldwide, the EU, Australia, New Zealand, and Israel, among scores of other countries, have moved to cap interchange rates, and their governments have all kinds of political stripes. They've said that enough is enough. Why should a Canadian consumer see the impact of interchange rate fees that are triple those in Australia and five times those in the U.K.?

• (1300)

Burdened as they are by over \$4 billion in customs duties and \$4 billion in credit card acceptance costs, Canadians are pleased to see the committee examining ways to spur economic activity and growth. We hope these retail sector-specific issues and the ones that we further speak to in our brief may provide some ideas in that regard.

Thank you.

• (1305)

**The Chair:** Thank you very much, Karl.

We'll turn now to our first round of questions.

Mr. Grewal, you have seven minutes.

**Mr. Raj Grewal (Brampton East, Lib.):** Thank you, Mr. Chair.

Thank you to the panellists for coming here today and providing testimony. We really appreciate it.

First, Carey, you spoke about labour retention and labour shortage in your industry. This has been a theme in the testimony throughout this week, and to a large extent when we go back to our ridings as well. From your perspective, what can the federal government do to ensure that it solves the problem specifically with the temporary foreign workers program?

**Mr. Carey Bonnell:** I think there are several perspectives you could look at. There are several tools in the tool kit to deal with the labour challenges in the country right now, particularly with respect to seafood. It is a real challenge. The average age of a worker in the fish harvesting and seafood processing sector, particularly the seafood processing sector, is probably approaching 60 years in Canada right now. In my province alone it's a significant issue. If you look at the Maritimes in the lobster sector, it's a massive issue.

The tools include certainly investment in technology, automation, and innovation. I've had an opportunity to visit facilities in Iceland and Norway. They've advanced very rapidly around technology and innovation. I made some points earlier in my statement about the need for supports for the seafood sector in that area, because it is lagging, in part due to the lack of support.

On the issue of temporary foreign workers, there's no doubt that it is a tool in the tool kit. Certainly the changes that were made to that program a couple of years ago have had a significant impact on the seafood industry in Canada. There's little doubt about that. Certainly the lobster sector in particular has been really feeling the pain. There has just not been an available supply of labour. They would look at it and say, "There are other programs within the Government of Canada that support the primary agricultural industry. Why are there not programs to support us? Why have the changes been made? Why can't we correct this?"

We're seeing it in other jurisdictions. I visited Iceland three months ago. Their workforce was largely made up of migrant workers. Now, in many cases, they are now citizens. They had a path to citizenship. Some have been there quite a few years. If you look at the demographic in these countries, most of them are foreign workers who are now residents, in that case.

We are one of the last jurisdictions to go down this road. The reality is that things like support for temporary foreign workers are tools in the tool kit. Whether it's a long-term solution or a medium-term solution, you could debate, but the reality is if we are going to promote trade agreements, as we've been talking about here today, it's all great to remove tariffs and barriers, but if you don't have the labour to produce the product to sell to the global community, then we have a major issue on our hands.

**Mr. Raj Grewal:** Thank you very much for that.

Ian, thank you so much for your testimony.

I think the one thing we can all agree on across party lines is that this is a serious issue that needs to be addressed. What are some of the root causes leading our young Canadians to go down this path? Through my own research, I've heard that youth unemployment is double the national average. In my area of the country, it's almost 15% or 16% in the region of Peel. We're struggling across the provincial and municipal levels, and the federal level, to address

youth unemployment and homelessness and to try to stop young Canadians from going down this path.

**Dr. Ian Manion:** We've talked a lot about evidence. I think one of the major root causes we look at through evidence is the underlying link to mental health and mental illness. We can see from psychological autopsies after the fact that for a large proportion of young people who die by suicide, there was either diagnosed or undiagnosed mental illness. So part of the solution has to be addressing our mental health care system, particularly for children and youth.

From the young people I talk to, there's a lost generation right now that is incredibly disengaged. They don't find education giving them a vocational path that makes sense. They're sold a bill of goods that going to university will solve all their problems. They don't go to colleges that might provide them with the skills necessary to make a meaningful contribution. They're stuck in this holding pattern with no real, good skills to cope with that.

When we look at young people in a holistic way, and at how we can engage them in meaningful ways in terms of their lives and their communities, that can really make a dent. It has impacts on education, on vocational and family life, and on everything you could possibly describe. Looking at it on an individual level, in terms of the possibility of illness being present and treating it, but also engaging in different ways and supporting life paths that make more sense, I think those would have the biggest yield.

• (1310)

**Mr. Raj Grewal:** Thank you very much.

Ms. Robinson, thank you so much for your testimony. As a recent grad myself who is still paying his student loans off, I have a lot of sympathy with young Canadians and the importance of post-secondary education.

In terms of the new economy, we have this shortage of trades and apprenticeships. You mentioned that the infrastructure program that our government's about to present should have a requirement on apprenticeship. In your opinion, is there a specific ratio there, or what's your perspective on how we can roll that out to actually solve the problem on the shortage of apprenticeships today?

**Ms. Nobina Robinson:** Thank you so much for such a pertinent question. I'll just jump to the heart of it because you've heard me preaching already. I'm so glad that you are a recent graduate who actually understands that the future of work means diverse solutions. Ratios are not within the purview of the federal government.

What you can do, though, is one, require all your new social infrastructure, public infrastructure projects to give points to bidders who are committed to registered apprentices. Two, when you look at what's being built, if you want what is being built to last for a decade or more, why can't we build roads for the next 30 to 40 years?

Let's go to the talent that is produced from colleges and polytechnics that are doing world-leading training in building envelope systems, for example, or green construction, or net zero homes.

Let's give points for the same workers who are highly trained. Basically, you'll get a double win. You build your infrastructure, but you build the talent that will build the next set of infrastructure as well. I would like to see your projects give that criteria.

**Mr. Raj Grewal:** I was aware that it's a provincial jurisdiction, but I really appreciate your answer.

My last question, Mr. Chair, is for Mr. Littler.

Thank you so much for your testimony. I have a quick question regarding credit card merchant fees. You mentioned the U.K. and another country. How do they compare to the U.S.?

**Mr. Karl Littler:** There were really only two countries that have rates that are comparable to Canada, and the U.S. has a comparable rate. I guess you could view it that the parent companies of both MasterCard and Visa are located there and it is tough negotiating packages.

There have been some reductions on the debit side which was a runaway cost by comparison to Canada, but the answer is that it's comparable on the U.S. side. Multiple other jurisdictions, like India, China, Israel, and Switzerland, have moved on this though, so I'm not sure that in this case we would look to the U.S. as a sort of an inspirational beacon on it.

**The Chair:** Ms. Raitt, for seven minutes.

**Hon. Lisa Raitt (Milton, CPC):** Mr. Chair, I'm going to start by going back to some testimony we heard previously. I mentioned to you at the time, not on the record, that I was worried that one of our witnesses, when they were presenting, had a prop behind them. It came to my attention through Twitter last night that it's been tweeted out by the *Globe and Mail* reporter Bill Curry as well.

I have grave concerns and I bring it to your attention as the chair, and to the attention of the clerk of the committee as well, that I do think it's inappropriate to have political signs posted behind you when you provide information to a committee. It clearly does not happen here. There's nobody standing with a "Stop Harper" sign behind any of them. It may be implicit in what they're saying, and that's okay, but there is no physical sign. We object to that happening. We didn't do anything at the time because it was very difficult to see and ascertain exactly what was on it, but clearly from what we're seeing on Twitter, what we're seeing from people telling us, we can conclusively say that it was a "Stop Harper" sign, and it had to do with political campaign issues. We think it was inappropriate. I hope that you take some action to ensure that this doesn't happen going forward.

**The Chair:** Thank you, your concern is noted. I saw the sign. I didn't think it said "Stop Harper", but if you have the evidence that it does, then that shouldn't happen and we'll correct it in terms of any more video conferencing that is done. That is an appropriate concern.

**Hon. Lisa Raitt:** I appreciate it. You were very open to hearing about the point yesterday and we agreed that we should ensure that's exactly what it said and that's what we did overnight. Thank you for your time on that.

With respect to our witnesses, thank you very much for your presentations. I'm going to have one question for Dr. Meslin and then I'm going to talk to Dr. Manion, because I have a passion for mental

health. Very quickly and just out of curiosity, I have your brief and your pre-budget consultations and I certainly understand your role. Is your academy or your society doing anything to encourage more women to be involved in the traditional STEM areas?

• (1315)

**Prof. Eric Meslin:** Thank you very much for the question.

Indeed, we have focused on all aspects of the science-technology-innovation pipeline. I'm pleased to note, in fact, that one of our really important areas of research in science was a study that we felt inspired pay issues and salary issues to be taken up quite seriously. Our work on women in university research in fact inspired McMaster to conduct its own study on a gender pay gap, resulting in a salary raise for full-time female faculty.

Your question about STEM is itself quite relevant to my answer. The STEM, science, technology, engineering, and math, report, "Some Assembly Required", speaks to a very important issue, which I think you've heard about in responses already.

One point is that the shortage of STEM skills is a problem, but it is by no means the most important or the only problem. In fact, creating the demand for these kinds of skills might be equally important.

I can say in passing as well that I have two adult daughters who have gone through university systems, one of whom will go through in the humanities and one of whom will go through in the sciences because they've been given that opportunity to excel.

I think we have the opportunity in Canada to do this. The three academies that make up the Council of Canadian Academies, I think it's fair to say, are very committed to that proposition.

**Hon. Lisa Raitt:** For Partners for Mental Health, I obviously have a great passion. I worked in the field for a long time. You know that.

Here's what I'm interested in: In preparation for today, I read your submission from last year. The \$100-million fund was pitched last year as well to the finance committee. You call it the Nuremberg model. Can you give me an idea of whether or not the model was scaled up from the localized pilot?

I'll tell you where I'm going. I'm going to be very clear on it. You're moving as an organization from public policy and awareness to a very different model of getting into giving out money and supporting. It is a large step. My concern is, do you start smaller, like Nuremberg, and then scale it up around the country? I would be grateful for your comments on that.

**Dr. Ian Manion:** Thank you for the question, but more importantly, thank you for the stance you've taken very publicly on mental health.

**Hon. Lisa Raitt:** Thank you.

**Dr. Ian Manion:** I've had the opportunity to hear you speak. It's very impressive, but it's very bold on your part to do that.

In terms of the Nuremberg model, it did start small but now has stretched across Europe. The European Alliance Against Depression has actually taken the initial pilot work and adapted it, and now it's in hundreds of communities. The step has been taken from a scientific perspective. The evidence is there. What's happening now is that people are taking that evidence and applying it in context.

That's what's being proposed now. Take what we have in terms of what is not just a fledgling piece of evidence but is now an applied, scaled piece of evidence on a different continent and apply it within the Canadian context.

The timing is also critical from a policy perspective. I say that because I've had partners who have had many conversations with the Public Health Agency of Canada, and I have as well, which is poised to talk about its own strategy around suicide prevention with no implementation plan and no operationalization. Too often we come across strategies with no implementation. The public is very tired of the rhetoric part of that and is really poised for some action.

If you look at a very small pilot in Canada, you don't necessarily have the power to demonstrate some of the heterogeneity required to demonstrate how it can be scalable to the different types of communities that exist across Canada. What we've proposed is to have enough communities to have that variability so that we have the evidence available to then scale beyond that across the country. We think that's the way to go.

When I say "we", I'm not referring to partners. I'm referring to the people that partners have brought together who have experience in youth suicide prevention, who have done a wealth of research, and who practise in their communities in their provinces to find out how we can best use existing evidence and apply it in the Canadian context.

**Hon. Lisa Raitt:** So it's a complete ask in the \$100 million. It's not something that you think we could start smaller with and move across once you learn. You're confident in the model and you want to implement it widely—

**Dr. Ian Manion:** I think that to a certain extent there's some scalability. What I mean by that is, how many communities do you need to actually have that heterogeneity? I know that we've looked at different models. The minimum is probably 12 to 14 communities to be able to do that. It's less than what we're proposing.

To be honest, how do you choose those 12 to 14 communities when the need is so great across the county? I think there's a political imperative as well, in terms of how does the government do something that is very loud and clear in terms of "we want to do something significant in this area". The magnitude of the ask, the process of the ask, will have an impact in and of itself. It will change the discourse I think nationally to have the impact we're talking about.

• (1320)

**The Chair:** You didn't continue your point of order and you could have, so we'll give you another minute.

**Hon. Lisa Raitt:** Thank you very much. I'm just going to continue.

You came out of essentially the Mental Health Commission of Canada. You were part of it, and then you incorporated on your own.

What's your relationship with the Mental Health Commission of Canada going forward?

**Dr. Ian Manion:** We've been working on this for a number of years. Several of us who live and breathe youth suicide and who want to make a difference have been working on this particular ask for several years and have shared everything with the Mental Health Commission of Canada. It's quite honestly going to take all of us to get it right.

It's so rewarding to see that the commission has now looked at the same model we're talking about, looking at it from a slightly different perspective, lifespan as opposed to youth.

We believe that if you are going to start with something and take that first bite of the elephant, it should be children and youth, because that's where the greatest impact can be.

I'm absolutely prepared to work with the commission. I've had several conversations with the commission. Some of their leads around suicide prevention have approached me on multiple occasions. Their leads have changed, unfortunately, several times, so it's hard to find out exactly who the main person is.

The group we've brought together is poised to work with whoever is ready to make a difference in this area.

**Hon. Lisa Raitt:** You had the 308 Conversations last year. I thought that was really helpful across Canada and that started the talk about suicide prevention, and I know a lot of us did that.

**The Chair:** Mr. Caron, you have seven minutes.

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

I'll start with Mr. Boadway. If I have the chance, I'll go back to Mr. Bonnell after.

I'm really glad to have you here Mr. Boadway. We have had you here in the past, and we always talk about people having written a textbook on something, but you have literally written textbooks on tax issues and taxes in Canada, so it's really interesting to have you here. One thing is that you have always submitted information elements and proposals suggesting thinking outside the box while still being credible. Those have forced us to think in a different way.

I can see your proposal is doing that as well.

[*Translation*]

If you don't mind, I will continue in French.

There is one particular factor I wish to mention. You support capping the TFSA at \$5,500, as opposed to the \$10,000 that had been proposed. You are aware of the Parliamentary Budget Officer's report on the tax implications of the TFSA. He stated at one point that the account was going to cost tens of billions of dollars if the limit was not reduced to \$5,500. The fiscal impact could have reached 0.65% of the GDP, which does not seem like a large figure, but since we are talking about the GDP, it is a considerable amount.

Do you agree with the conclusions of the parliamentary budget officer in this regard?

[English]

**Dr. Robin Boadway:** Thank you very much for the question. I hope I got exactly what you were saying.

I was very much opposed to increasing the limit on TFSA from \$5,500 to \$10,000, largely on the basis that it would benefit mainly people in the very high income groups. When we're facing a situation where inequality in income and wealth is growing very rapidly, to me that doesn't seem to be a very good use of tax dollars.

Moreover, as an economist, I think that TFSA are not the only assets you can buy with returns that are exempt. I come back to the case of housing. To an economist, investing in housing is more or less the same as investing in a TFSA, and there's no restriction on investing in housing.

There's ample opportunity for people to invest in assets the returns from which are not taxed, so it didn't seem to me to be the purpose.

[Translation]

**Mr. Guy Caron:** This is a point on which I would like more information.

In seven minutes, I cannot cover all of your recommendations. I will just put a question to you as a taxation expert. It is the same question I asked earlier during the hearings.

People often talk about the complexity of our system. Several points in your presentation highlighted the complexity of corporate and personal income tax. You referred in fact to all of the components of our tax system.

When I was elected in 2011, the Income Tax Act had 2,000 pages; now it is 3,000 pages long. When the Income War Tax Act was passed in 1917, it only had 10 pages, if I'm not mistaken. Our system has become extremely complex.

How important is it to simplify the system? Where do we begin? What could we do to at least begin the process?

• (1325)

[English]

**Dr. Robin Boadway:** Thank you very much for that question, which is a very challenging and difficult one. I agree completely.

The complexity of the tax system gives rise to opportunities for tax planning. At least some of my proposals are motivated by removing opportunities for tax planning—tax planning used in the pejorative sense, perhaps, of tax avoidance. For example, the suggestion that we might want to eliminate preferential taxation of capital gains is largely motivated by the fact that the capital gains exemption gives rise to a lot of tax planning, and not just stock options but tax planning more generally, where people try to convert earnings into capital gains.

So I think base broadening on the one hand does tend to reduce complexity and serves a basic purpose. On the other hand, complexity is in some sense hard to avoid.

Whenever you put a special measure into the tax system for a particular purpose.... For example, the small business deduction has good reasons for existing—to encourage small firms that are engaged in highly risky activities to take those risks, and not punish

them for doing it by taxing them at higher rate in the event that their business is successful. So, I'm a strong believer in the small business tax rate.

But, at the same time, you have to worry about the fact that people who are not really engaged in risky enterprises can take advantage of the small business tax rate. I gave an example in my notes. I apologize to members of the committee who don't have a copy of my notes. I didn't get a chance to do them early enough to translate them. One of the things I was proposing in these notes was to reduce advantages that certain groups might have in taking advantage of the small business deduction, for example, professionals incorporating mainly for the reason of paying a low business tax rate and holding their earnings there to avoid personal taxes. There have been some recent studies that have suggested there is a large amount of tax leakage that occurs because of that.

I guess what I'm saying is that simplicity is one thing, but whenever you introduce measures that are designed to fulfill a particular purpose, they themselves give rise to complexities that you then have to turn around and try to close off.

**Mr. Guy Caron:** Thank you very much.

Do I have time for a quick question?

**The Chair:** You have time for a very quick one.

**Mr. Guy Caron:** Thank you.

Very quickly, I'm new to this file. I'm actually the deputy critic for fisheries, oceans, and the Canadian Coast Guard.

I was looking at fish stocks around the world, and there are actually very detailed statistics, especially by species. It seems to be impossible to find in Canada. Am I wrong? Am I looking in the wrong place, or should we have more detailed statistics on the current state of fish stocks, not only having categories A, B and C, but really having a clearer picture?

**Mr. Carey Bonnell:** Are you referring more so around the sustainability of the stocks?

**Mr. Guy Caron:** Yes.

**Mr. Carey Bonnell:** There is information available, certainly through the Department of Fisheries and Oceans. I'm not sure if it's fully up to date, but it's kept reasonably well up to date.

I think the narrative around sustainable fisheries in Canada has changed a lot over the past generation, certainly going back to the days of the groundfish moratorium, and we were sort of iconically known—and not necessarily for positive reasons—at the time.

We are probably now recognized among global leaders in sustainability certification, as I mentioned earlier, things like Marine Stewardship Council certification, third party eco-labelling standards that are required for market access in places like the E.U., the U.S., and here in Canada in particular. The vast majority of our fisheries today actually meet and exceed those standards.

We've come a tremendously long way, and we've advanced the social licence quite well on that front. I think it's a positive story.

**The Chair:** Mr. Sorbara, you have seven minutes.

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

I'd like to start off with Ian.

This topic touches a lot of people and a lot of lives. This week I just happened to glance at one of the national newspapers, and there was an article about a remote Inuit town in northern Quebec where three teenagers in the last eight weeks took their lives, out of a population of, I think, about 2,500.

I don't know the answers. I'm here to listen and help facilitate, or whatever term you want to use. It's troubling in this day and age to read about such a story: three individuals who were in the prime of their lives and should have had bright futures ahead of them.

My general comment is this. What else can we do? What should we be doing, because we're obviously not doing something, to have

•(1330)

**Dr. Ian Manion:** Let me tell you another story about a northern community where they had suicides on a regular basis with two different cohorts. One cohort was older teenagers, 17- and 18-year-olds, and the other one was 10- and 11-year-olds. Every month they were losing members of their small community. This was several years ago. We were involved with this community in a whole community approach to wellness, identification of problems, and supporting gatekeepers in that community. In that community the suicides stopped. For several years there were no suicides in that community.

What that suggests to me is that even in the most difficult of circumstances, if you're willing to look at the problem in a different way, if you look at the capacity that already exists in a community and you engage a community in terms not only of what they're doing wrong but of what their wellness could be, you can see change happen. They owned that change. It wasn't a bunch of researchers flying in or dropping in and saving the day. It was working with a community to find a solution based on a whole community approach that allowed them to change the course of how that community was coping with whatever circumstances they had.

There are enough of these stories that exist to suggest to me we can actually make a difference, but we don't weave these stories together. We don't have any national strategy, national plan, to implement with a way of evaluating so that one story in the one community could actually be replicated in the other community with the same kind of impact.

I think what we're trying to propose is this: how do we help all those communities learn from what they have suffered through or what they have been able to overcome in order to help other communities at the same time? Rather than being overwhelmed by a problem.... It's numbing when you think about the numbers and the impact. I prefer to think about where the opportunity is for us to do something different. I've never seen a time in my entire career when the opportunity has been as great as right now in terms of public willingness, the philanthropic willingness, and government's willingness to actually do something bold and get it done.

**Mr. Francesco Sorbara:** Thank you.

I'll go to Robin.

One of the reasons I ran and wanted to get into public service is that I wanted a strong economy. I wanted a strong economy for my two young daughters who are three and five. I want a great future for them. I wasn't seeing that in the past government. I wasn't seeing that in their policies.

I'm one who believes in wealth creation. I think the tax system over the last number of years has become convoluted, complex, and bureaucratic. I'd like to hear your top two or three recommendations on some immediate or near-term steps we could take to simplify, other than a national review of \$100 billion of tax expenditures. Put that aside for now.

**Dr. Robin Boadway:** Thank you for your question, I think.

On simplifying the tax system, the general mantra of an economist, probably even an accountant and a tax lawyer, would be that a simpler tax system is a tax system that has a broader base and doesn't have a lot of exemptions. For example, the GST is a relatively simple base with some exceptions, whereas income tax is more complicated.

A lot of the complications in the income tax system and also in the corporate tax system come about because of the way we treat capital income, I believe. If we can simplify the way that capital income is treated in the tax system, it would probably go a long way toward putting tax planning professionals out of business, I would say.

I think looking at things like the capital gains exemption is one place to start. I think also.... I didn't want to get into this too much because it's a relatively technical subject, but the corporation income tax could also be simplified considerably by adopting a much simpler system that leads to fewer opportunities for profit shifting, changing the way you earn your profits, and so on.

These are difficult questions, but in the end I think simplification of the tax system would increase the trust members of the public have in it.

•(1335)

**Mr. Francesco Sorbara:** Thank you.

Mr. Littler, I have a question on tariffs.

Obviously, we live in a world where we have tariff and non-tariff barriers, which leads to some price differential between the U.S. and Canada. With your members, how much of that difference are you seeing in price differentials, putting aside the exchange rate movement in the last couple of years? What benefit could we see to the Canadian economy and to Canadian consumers with an easing of tariffs?

**Mr. Karl Littler:** The reasons for price differentials between Canada and the U.S. are many. Some of them are fairly straightforward economies of scale and population that you would expect to see. Some of them are a rather poor practice called country pricing, in which Canadians are charged either via a wholesaler or a distributor at a higher rate simply because the market will bear more in Canada. The Senate actually spoke to this at length, and indeed, then minister Flaherty indicated he was planning to address the issue in a budget. I think it was three budgets ago. The challenge, of course, is how you address that, because you can't attach a penalty to the goods or else you exacerbate the problem. For a lot of entities that were charging Canadians more, that don't have a permanent establishment in Canada, it was exceedingly difficult to think about a way to address that. That's been a big part of it.

The retail pot is about \$500 billion, but about \$100 billion of that is auto, which has a very strictly controlled environment; about \$50 billion is gas station sales. We tend not to look at them in the same way. They tend to be vertically integrated companies. Everybody is tracking that pretty tightly. Of the rest, we have about \$100 billion in the grocery area. When you pare it down all the way, in consumer goods you're getting into about the \$220-billion zone. When you think about \$4.5 billion of tariffs, it is, on average, 2%, but of course it falls differentially from product to product, and in some cases actually outstrips all of the sales taxes, both federal and provincial, that are collected. It's a disparate impact, depending upon the item. Of course, some items are exempt or have very low tariff rates.

Did that address the question you were asking?

**The Chair:** I'm going to have to cut it there in any event.

Mr. Albas, for five minutes.

**Mr. Dan Albas (Central Okanagan—Similkameen—Nicola, CPC):** Thank you, Mr. Chair.

Thank you to all of our witnesses for coming here and giving us their viewpoints. I'm going to be specifically speaking to education.

I do appreciate, Ms. Robinson, your speaking to the members earlier on a question regarding apprenticeships. It was the previous government that actually made it so that any bridge, like a new Champlain Bridge, or the shipbuilding contracts, would use Canadian apprentices. In fact, of the 600 employees that Seaspan brought on to their Vancouver operations specifically for that, I believe two-thirds or so were just apprentices, which I think is a great thing.

There's a huge amount of support that governments right across this great country give to supporting students, though, in terms of the Canada student loans program, etc. Obviously, enabling apprentices to now qualify for the Canada student loans program I think is a great thing. Certainly in British Columbia that's the voice I heard.

There's one area in which I don't think we do a very good job, and I certainly want to offer a suggestion and maybe hear your viewpoint.

In the United States they actually have what's called the college scorecard. Have you heard of that, Madam? Yes, it basically provides a comparison of costs and outcomes among similar programs for prospective students with similar backgrounds. Let's

say I might want to go to Okanagan College or BCIT in British Columbia, two fine institutions. I could go online if they were universities that received federal funding in the United States and actually compare a similar program. If I was interested in a particular trade, I could see what the costs would be. They will say what the graduation rate is, but also what the costs were, what the student debt was, and how many are employed. It's just like when you buy a car. You expect to see some key indicators as to whether the car is gas efficient, etc. This gives you that.

Do you think we suffer in Canada from not giving students enough information so they can make informed choices about which trades or post-secondary education programs they take?

• (1340)

**Ms. Nobina Robinson:** Thank you so much, Mr. Albas.

Absolutely, I totally agree. Yes, we suffer from that problem. Are there solutions that you can come up with? Yes. Let's be cautious. These are shared jurisdiction issues, so the federal government can't act alone. But what you're proposing is my ultimate vision: a data dashboard, guidance counsellors, parents, students, employers who know. These are, after all, publicly funded post-secondary institutions. Canada has 97 publicly funded universities and 135-odd community colleges, polytechnics, and institutes publicly funded through federal transfer dollars and provincial funding. Why does the citizen, the learner, the employer, not have accessible, reliable, real-time labour market data? Currently, as much as we believe in Statistics Canada and are delighted that the census is back, it takes four to five years to polish any data. Today, on apprenticeship, we are coming up with policy solutions based on data culled in 2002. As a key proponent of the Canada apprentice loan, I think it's very easy. Every time the federal government issues an incentive grant, a completion grant, why don't we have a student identifier number? We know nothing about the pathways of our publicly supported learners.

**Mr. Dan Albas:** Actually, Statistics Canada, I believe, launched two new labour market surveys last year, but I do appreciate it does take time for the proper data to be not only gathered but also disseminated.

I just think there is a real dearth of information to help empower students, and I think there would also be greater competition and accountability among post-secondary choices. As our demographics age, those students should be given as much information so that they can get the highest quality of life and be able to pay those higher taxes that go along with it, which I think is a good thing. When you make a lot more money, then you share and help grow our economy.

Going over to Mr. Boadway, I want to ask you a question.

You mentioned earlier about the Canadian health care transfer and somehow that the federal government should automatically pay whatever the rate of growth is in a province. Is that correct?

**Dr. Robin Boadway:** [*Inaudible—Editor*]

**Mr. Dan Albas:** Okay.

In British Columbia, we have the lowest per capita health care costs. We have the highest life expectancy. We have the lowest infant mortality rate per 1,000 live births, the lowest cancer mortality rates per 100,000, and the lowest mortality rate from heart disease. They offer a lot of services that aren't in other provinces, yet they are able efficiently to deliver those services. If we expect better of our health care systems, simply just suggesting that we give more money, I think, actually creates a perverse incentive. For provinces that have done a good job of growing their economy, but have also kept their services like health care affordable at such a high level, to me it gives a bit of a perverse incentive. Would you agree with that?

**Dr. Robin Boadway:** Thank you for the question.

I think it's easy to overestimate the incentive consequences of general transfers like the Canada social transfer and the Canada health transfer because they're unconditional, and they're not contingent on what any one province does. How you use those transfers in your province, or how your provincial government uses them is entirely up to them. I could see an argument for conditioning the transfers on demographic differences across provinces, where provinces that have, for example, older populations have more need for money, but in terms of the incentives that provinces get from unconditional transfers that are formula-based and based on nationwide averages, I think the incentives are rather minimal.

My concern is really the balance between federal revenue and transfers in provincial revenue and transfers. There's a purpose for having a vertical balance, a vertical gap in the federation, which we can see nowadays, and which they don't have in Europe. It fulfills a very important insurance function for the federation. When provinces are subject to shocks, the fiscal federalism system automatically accommodates those shocks by changes in the transfer system. That would be lost if you insisted on all provinces relying on their own revenues to finance all of their programs.

• (1345)

**The Chair:** I will have to cut it off there. We went considerably over, but I thought it was a discussion that needed to be had.

Mr. MacKinnon, five minutes.

[*Translation*]

**Mr. Steven MacKinnon (Gatineau, Lib.):** Mr. Littler, if you don't mind, I'm going to speak French.

Merchants in my riding tell me that online purchases of less than \$20 from other countries, mostly the United States, can enter Canada without taxes or tariffs. They are afraid that the government will maintain or increase this \$20 threshold.

Can you share the point of view of your members regarding online purchases from other countries?

[*English*]

**Mr. Karl Littler:** Some of our members would probably carry sharpened stakes and garlic, and so on. It's a hard file to kill. The issue, for us at least, is not online shopping. We're prepared to compete, and indeed our top 10 members' online sales match Amazon and eBay sales, eBay also being a member, so we're happy to compete. There was a lobby during the TPP negotiations and there is a lobby currently by the U.S. air freight industry and by online warehouses both in the U.S. and abroad to dramatically increase *de minimis*. Initially the ask was \$200. They point out that's the U.S. level, and they kind of joke that Canada is at the same level as, I think, Uganda. What they also fail to point out is that there is no federal sales tax in the United States, so it works rather differently going the other way, and of course, they also have a lot of the warehouses there, so you can intuit reasonably who would lose sales—those investing and hiring in Canada—and who would gain sales—those shipping from outside.

The problem is that if *de minimis* were raised, that would strip out the tax and the duty at the border, and somebody selling a good for \$100 in your riding would have to collect QST and HST while for somebody shipping it in from Albuquerque, there would be no tax. It's a basic tax fairness issue. We can live with the \$20. Nobody wants to tax paperclips. It's not worth anybody's time, but \$200 represents a lot of consumer goods—we estimate that to be up to \$80 billion—though not all of those are shippable. Obviously, not all of those would be diverted, but we are very worried that if *de minimis* were increased significantly, it would lead to massive cross-border online shopping from the comfort of people's living rooms, and that is a source of great concern to Canadian merchants.

**Mr. Steven MacKinnon:** That is to say nothing of our merchants losing sales and tax revenues.

**Mr. Karl Littler:** Yes, that's provincial and federal tax revenue, of course.

**Mr. Steven MacKinnon:** Exactly.

I will turn to Professor Boadway with the time I have left.

This government and hopefully this committee, Mr. Chairman, will take up the issue of reviewing some of what Mr. Sorbara was referring to in terms of tax exemptions and their efficacy with respect to favouring one income group over another disproportionately. My question is much the same as Mr. Sorbara's and perhaps we'll have another occasion to explore this with you more fully. Do you have advice for this committee as we take up that particular task?

**Dr. Robin Boadway:** Thank you for the question. You're not talking about simplicity now; you're talking about fairness, as I understand it.

**Mr. Steven MacKinnon:** It's both.

**Dr. Robin Boadway:** I made one or two proposals that were kind of addressing this issue obliquely. One of them had to do with taking all non-refundable tax credits—personal credit, spousal credit, age credit, credit for dependants, and so on—and turning them into refundable credits. There is no reason in principle why you couldn't do that. If you turned them into refundable credits, you could also run them through the tax system in the same way the GST credit, the child tax credit, and the guaranteed income supplement are run through, and make them contingent on income so that they diminish as you go up the income distribution. You could have a set of refundable tax credits that are very fair. They would go to the people who need them most, and they would be consistent. There is no consistency now between non-refundable tax credits, which came from a period in the 1980s when we converted deductions to credits and so on, and refundable tax credits, which were introduced with the GST at the end of the 1980s and which have become one of the potentially most important policy instruments in the tax system that we should exploit.

That's an example of what I'm saying.

● (1350)

**Mr. Steven MacKinnon:** Thank you very much.

**The Chair:** We'll have to cut it there.

Mr. Liepert.

**Mr. Ron Liepert (Calgary Signal Hill, CPC):** I'll start with Mr. Boadway.

We had the C.D. Howe Institute here this morning, and the conclusion of a lot of work they have done in the way of studies is that for our upper income tax brackets, we have reached the maximum. If I heard you correctly, you believe there's still room in those upper tax brackets for increases. Is that a personal opinion, or is that a result of some studies?

**Dr. Robin Boadway:** It depends on what you mean by tax increases. You can get a tax increase out of top income people by raising the rate, or you can get a tax increase by broadening the base. I have stronger views about broadening the base than I do about increasing the rates. There's plenty of room for broadening the base at the top income level.

That was my proposal for reducing the preferential treatment of capital gains. It was essentially to broaden the base and get more revenue from people who are converting other forms of income into capital gains simply in order to get a tax break.

**Mr. Ron Liepert:** Whatever term you put on it, it's an increase in taxes paid by those at the upper income level. As a follow-up to that, again, work that the C.D. Howe Institute did seemed to indicate that if we push this much further, we run the risk of having a brain drain from the country because there are other countries in the world that have more generous tax structures for higher income.

If we start to lose these folks who are paying a significant amount of tax, all of a sudden we don't have them paying. They're not here anymore and they're paying zero tax. How does that impact positively the federal bottom line? I have trouble understanding that.

**Dr. Robin Boadway:** It's certainly a constraint on raising taxes when you reduce the base; you get people who leave the country, or go from one province to the other. There's not a whole lot of

evidence about the responsiveness of raising the rate in terms of international migration. There are many other things that influence international migration besides the top marginal tax rate.

After all, the top marginal tax rate only applies to a small part of the income that the person is earning. But I accept your point. One has to weigh the possible erosion of the base as a result of people fleeing the country when you raise the top rate versus the fact that a lot of income that people get at the top is a result of luck rather than hard work. I think capital gains partly fits into that category, for example, capital gains on housing.

**Mr. Ron Liepert:** I'd like to ask one other question.

You mentioned the TFSA. Obviously, we disagree on whether an increase in the TFSA was the right thing to do or the wrong thing to do. I want to prod a little more on your example.

Would you say it is possible over a five-year period that if someone invested their lifesavings into a home and through no fault of their own—they made all the right decisions—five years later that house could actually be worth less money than what they paid for it?

If you have a TFSA and you went for a guaranteed income certificate in that TFSA, is there any chance that five years later it could be worth less money than what you put into it?

● (1355)

**Dr. Robin Boadway:** Yes.

**Mr. Ron Liepert:** How?

**Dr. Robin Boadway:** You take a capital loss on the assets that you put in.

**Mr. Ron Liepert:** No, I said that you put it into a guaranteed income certificate, a GIC.

**Dr. Robin Boadway:** No.

**Mr. Ron Liepert:** I think your comparison between... Your justification on a TFSA, saying that an investment in a home is comparable to an investment in a TFSA, I don't think holds.

I have one more question for the Retail Council of Canada.

Do you have a position on carbon tax?

**Mr. Karl Littler:** No, we don't have a developed one. We do a fair bit of work in the area of environmental responsibility. It's some distance from us, although obviously, it affects us. We tended to look to views from large final emitters and from environmental specialists. We don't have much to say on it.

**The Chair:** Mr. Ouellette, for five minutes.

**Mr. Robert-Falcon Ouellette (Winnipeg Centre, Lib.):** Thank you very much, Mr. Chair.

I'd like to go back to the idea that I really like from Dr. Ian Manion of Partners for Mental Health. It was not just that academics come in and save the day but it was the community. I believe that any durable solution must often come from the community. I really like what you said.

My questions are going to be directed to the Retail Council and Karl Littler.

Have you given thought to any different types of solutions? Is regulation the only way versus credit cards and the rates that are charged? For me, the main problem in any market is the eventual centralization which leads to monopoly and more monopoly, and in the case of Visa and MasterCard, perhaps a duopoly, where there's very little competition and retailers don't have a choice.

Why not challenge the structure, use new technology, and innovative collective solutions? We've heard over the course of the week from multiple groups, small business owners, small business federations, about the same issues related to credit cards. Why not innovate a solution, a collective solution, to your own problem?

**Mr. Karl Littler:** We are strong believers that this industry needs to be regulated, and part of that is that the ultimate beneficiaries of interchange are the banks and to some limited degree, cardholders, although the banks are the primary beneficiaries. But they don't negotiate on their own behalf. They are basically cutouts, which are the networks that set the rate for what the banks receive. There are only two to deal with, and one of them has almost 70% of the market. You can read into that what you will.

On your broader point, we agree. The trouble is on the technology side. It's a kind of Tower of Babel. There are a lot of different solutions out there, and a number of entities are looking to say they can cut out some of those price-takers along the way. Of course, some of them are the same entities because the investors in them may be financial services firms.

I think there is some possibility down the line, particularly if you have decent digital identification and authorization, to do many more direct transfers without a lot of intermediaries, but people aren't there yet.

**Mr. Robert-Falcon Ouellette:** I think you have this opportunity because you support a large group of individuals and companies that you represent. You can innovate and push innovation in a different direction and challenge a lot of the structures in society and use technology to challenge those structures.

I have one final thing, Chair, and it's for Nobina Robinson from Polytechnic.

The way we collect data seems rather pell-mell for the needs of jobs, the requirements, and the training that goes on in universities and colleges, and even though I was a university academic, I sometimes failed to understand where we're getting market data. When I was in the military, we knew exactly what we needed; we knew that this trade was redlined, that this trade was yellow, that this trade was green, and we knew how many people we needed and how we'd get them trained, and how we would recruit people.

I don't feel there is much coordination going on. I don't think enough information is collected, perhaps, by Statistics Canada.

**Ms. Nobina Robinson:** Sir, you're absolutely right.

I want to clarify. You would know Red River College. Red River College is our member. We're not publicly funded universities; we're the colleges and polytechnics, just to clarify that.

I totally agree with you. Every one of these higher education institutions is servicing so much data. You can't get the provincial operating grant at Red River College unless you have data on

enrolment: how many students you accepted, how many you turned away. You had this data. It's publicly available. It's not available nationally. I believe that the federal government can ask and work in this new atmosphere of jurisdictional harmony with the provinces through the forum of labour market ministers, through the newly created labour market information council, to ask why in addition to good Statistics Canada data, we don't have everybody using what's already there. We don't need to invent it. We just need to be able to get at it. I'd go to the 80-20 rule. If you try to get 100% perfect data, you'll never get there. But let's get publicly funded higher education institutions—and in this I include the universities—to get their data out in public. The federal government can do that. It is trying through Employment and Social Development Canada. I encourage you to keep pushing.

● (1400)

**The Chair:** Thank you very much, Ms. Robinson and Mr. Ouellette.

Before we adjourn this session, I have a point for you, Mr. Bonnell.

I don't believe people understand the urgency of the crisis over labour shortages facing the fish processing industry, especially lobster, and the difficulties caused by the temporary foreign worker program. I'm told by several fish processors that if they cannot access foreign labour within the next six weeks, some of them will start to bring the fish in, quick freeze them, put them in containers, ship them to a low-wage labour market, and bring the processed product back. That will not do anything for our economy or our job market. Is the crisis that serious?

**Mr. Carey Bonnell:** Certainly in the case of the lobster sector, I would say absolutely yes. It's a missed opportunity. It's a tremendously valuable industry worth well over a billion dollars. Productivity is at an all-time high in the industry right now. Prices for lobster going both into the U.S. and into Asia are tremendous, but the labour issue is a real issue. It's a massive issue, and it's not going to get better in terms of sourcing locally available labour. You have two or three key solutions. Technology and automation are part of the solution, but that's a medium-term to long-term strategy. The immediate solution, in my view, without a doubt relates to the availability of temporary foreign workers. A tremendous opportunity would be lost without them.

**The Chair:** Thank you.

With that, on behalf of the committee, I thank all the witnesses for the valuable information that was provided..

We'll switch to the next series of witnesses and start within a couple of minutes.

• \_\_\_\_\_ (Pause) \_\_\_\_\_

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• (1405)

**The Chair:** We'll come to order.

As I explained before, pursuant to Standing Order 108(2), this is the second segment of our eighth meeting for pre-budget consultations 2016.

For the interest of committee members, the minister's office has now notified us that the minister and the deputy minister will appear before committee on Tuesday between 11:30 and 12:30 in Room 237, which is across the hall. The officials will be with us from 12:30 to 1:30.

Committee members, we talked earlier this morning about accessing information on your iPad, such as briefs and so on, with the paperless technology. If anybody wants to get up to speed on how to do that, we'll be doing that from 11 to 11:30, because in any event, we have the space booked. It's up to you whether you want to come or not.

With that, we'll turn to the witnesses.

Thank you for coming. I know that Jerry Dias just got off a plane and barely got here.

We'll start with the Canadian Association of Oilwell Drilling Contractors.

Mr. Scholz.

• (1410)

**Mr. Mark Scholz (President, Canadian Association of Oilwell Drilling Contractors):** Good afternoon. Thank you for the opportunity to appear before the House of Commons finance committee.

Your job is to recommend to the government measures that will strengthen the economy. I can do that for you in two sentences. We want a government that will defend and promote Canada's oil and gas industry, an environmental leader compared with any other major producer in the world. Second, we expect government to champion pipelines.

Earlier this week, our association launched Oil Respect, a campaign to provide regular Canadians with an opportunity to stand up and demand respect for Canada's oil and gas industry. We launched this campaign because we were tired of the misinformation and half-truths spread by foreign celebrities, radical environmentalists, and grandstanding politicians who twist the facts about our industry.

Oil Respect is about respect for facts, respect for workers and their families, respect for the environment, and respect for an industry that has contributed greatly to giving Canada some of the highest living standards in the world.

What are the facts?

Canada's oil and gas industry meets what are now the highest and toughest environmental standards among the large producing nations in the world. It employs 500,000 Canadians. It is the largest private

sector investor in Canada and contributes \$17 billion per year to support Canadian social programs.

In 2015 the industry lost \$60 billion in revenue, which is equivalent to losing the entire auto sector from the Canadian economy in just one year.

The industry is accustomed to the ups and downs of commodity prices. We know that occasionally we will go through periods of low prices, job losses, and consolidation. In this latest downturn, according to Statistics Canada, we have lost 100,000 oil and gas jobs. It's the worst downturn since the 1980s.

It isn't just oil workers losing their jobs; families are losing their homes and businesses are going bankrupt. However, understand that in spite of this hardship, our industry is not looking for a government handout. We are asking for an honest discussion by our political leadership.

Oil Respect is about federal leadership that stands up and fights for oil workers, and we will call out politicians who take revenues while denying the industry that produces them.

According to the International Energy Agency, global demand for energy is expected to increase by 37% by 2040, and fossil fuels will make up 75% of the energy mix.

The world does not need Canadian oil and gas; the world just needs oil and gas. We need the federal government to advocate for Canadian oil and gas workers, companies, and pipelines already meeting much higher environmental standards than those imposed anywhere in the world. Otherwise, they will allow the critics to crush our industry, opening the door to the United States, Russia, Iran, and Saudi Arabia to supply the world's energy demands—countries with much lower environmental, labour, safety, and human rights standards. That makes absolutely no sense.

Without pipelines for export, Canadian products receive far less than the world price, resulting in fewer jobs, lower profits, and diminished government revenues to support Canadians. That means Canadians continue to subsidize American consumers.

We need federal leadership to champion national pipeline projects, because they are in the national interest of all Canadians. If we care about the facts, jobs, and our economy, we need our elected representatives to fight for pipelines, something we see consistently from Premiers Wall and Gallant.

We also believe that oil and gas families and businesses need respect. They are hurting right now, and they rightly believe their federal government should stand up for them. We expect our government to have an honest discussion about the great benefits of Canada's oil and gas industry, especially when it's only too happy to receive the revenues it produces.

Thank you.

**The Chair:** Thank you very much, Mr. Scholz.

I'll turn to Ms. Gamblin with the Siloam Mission.

Go ahead.

• (1415)

**Ms. Vanessa Gamblin (Manager of Drop In and Shelter, Siloam Mission):** Thank you.

My name is Vanessa Gamblin. I'm a Cree woman of Cross Lake, Manitoba. I also am the manager of Siloam Mission's drop-in and emergency homeless shelter. With that, I thank the members of Parliament who welcomed us here and also, of course, Mr. Robert-Falcon Ouellette for bringing us here. We are very grateful to the honourable member.

We would like to identify that this past fall no less than 20 agencies embarked on the first-ever street census in the Winnipeg core area. The goal was to get a comprehensive view of homelessness in the city. The census found that there were 1,400 people who were experiencing homelessness in Winnipeg at that time. Keep in mind that those are just the people we were actually able to count. It did not take into account the number of people who may have been couch-surfing that evening, who may have been wandering the streets in other parts of town, or who were taking shelter in places that were not visible. It's safe to say that numbers could be close to 2,000.

Meanwhile, at Siloam Mission, where I work, there are other troubling numbers that we'd like to share with you.

Pretty much on any given day, we're serving anywhere from 1,500 to sometimes 1,700 meals, and we're providing at all times, pretty much every day, 110 emergency shelter beds. What happens, though—and the numbers are unfortunate for this too—is that I am also turning away anywhere from 50 to 60 people per day. When I have lines of gentlemen who are starving, or gentlemen who are coming out of businesses that went bankrupt, or families that are in crisis with the child welfare system, or people who are challenged by the mental health system or the justice system, and I am turning them back into the streets, it is a concern for us, because then they form other patterns of behaviour that could become negative.

What's happening is they do not have a safe place to sleep. There are other supporting agencies and shelters, but we're finding that they too are having to turn people away. In this situation, we're trying to figure out ways and create new techniques to ensure there is more access to programs and such.

Of the people we serve, there's evidence that it mirrors pretty much a good portion of what we see when it comes to strains on our health and justice systems. While we look after people from all walks of life—including different races, religions, and sexual orientations—close to 70% of the people we're serving are identifying themselves, first and foremost, as indigenous. That's a real concern for us. We're finding many of them are coming out of the child welfare system, as I noted before, and from remote communities, especially reserves.

Many of those people come to us experiencing physical, mental, and emotional health issues, including addictions and a lot of vicarious trauma. Daily, when they're within their own systems and in their own environments, we see that they are going from shelter to shelter or are in daily life experiences of addiction or mental health issues, and they are seeing other individuals' issues too, over and

over again, so it's compacting, and there are more and more barriers. In this situation, we need more resources around mental health. When people enter our doors, we're seeing there's not enough mental health support. It's a very deficient system because of the systemic issues.

When homeless community members come in our doors and say, "I'm hungry", we support them with food. Then they say they want clothing. We support that as well. Then they say to us, "My feet are frozen and my toes are going to fall off", and they're scared to take off their socks. Our clinician goes and supports that and does what she can. She too has identified that about 80% of the individuals she's been communicating with are identifying that they too need mental health support.

Their emotional needs are not being met when they're coming through our doors, so we've created an interdependent system within our own organization, which is primarily funded by donors. We do get some support from the government, so thank you for that. Then also we have a lot of support through volunteer services. Our community in Winnipeg is beautiful, and we're so grateful for that. What they do is they bring that support in, although again there is a lack of programs.

Returning to our census, when we review some of this stuff, in terms of recommendations for some of principles for addressing homelessness, just having indigenous-led solutions would be wonderful. We had about 71.1% of the population who identified that night as being indigenous, and we also identified that it was a challenge to communicate with those who were not as educated or self-experienced. Some of those links are missing, so we're trying to review some of that.

• (1420)

**The Chair:** Can you sum up fairly quickly?

**Ms. Vanessa Gamblin:** Yes.

We would like to look at how the government can support funding and support more access for more beneficial programs dedicated to more mental health workers.

That's pretty much it. Thank you very much.

**The Chair:** Thank you very much.

I don't know if you were here or not, but we had a mental health discussion in the previous panel as well. We've had some throughout the week on the seriousness of mental health.

We'll turn to the U15 Group of Canadian Research Universities.

Mr. Hamdullahpur.

**Mr. Feridun Hamdullahpur (Chair, U15 Group of Canadian Research Universities):** Thank you, Mr. Chair.

My name is Feridun Hamdullahpur. Thank you for the opportunity to appear before the committee.

As chair of the U15, I'm here representing the group of Canada's research-intensive universities from across the country. I'm also president and vice-chancellor of the University of Waterloo.

To give you a sense of the scale of the U15, our 15 universities educate nearly 585,000 students and perform research worth \$8.5 billion annually. That represents more than a quarter of all research, both academic and non-academic, in Canada. This combination of teaching and research makes Canada's research-intensive universities a platform on which many of our country's competitive advantages are built.

Research universities produce groundbreaking discoveries and are training sites for top research and innovation leaders for all sectors of the economy. They help attract and retain leading global talent and contribute expertise to a wide range of commercial and social endeavours.

Fuelled by discovery-driven research excellence, U15 institutions produce expertise that drives innovative Canadian businesses, informs public policy, and develops sustainable approaches that address our most pressing issues, from climate change to indigenous relations to natural resource development to clean technologies.

To ensure that Canada remains globally competitive with regard to innovation, we need to build on the foundations of research excellence. To this end, the U15 has two strategic and concrete suggestions for investment.

First, research investments from Canada's three granting councils are the backbone of Canada's research excellence. These investments support discovery-driven research, university/industry research partnerships, recruiting and retaining world-class researchers, and training Canada's next generation of leaders. Since 2007, inflation has eroded federal funding to the tri-council by \$176 million.

To ensure that Canada's research excellence platform continues to support our innovation ecosystem, we propose that the government commit to increasing funding to the tri-council and the research support fund to their inflation-adjusted 2007-08 levels over the next four years and commit to indexing this funding moving forward.

The post-secondary sector is well poised to stimulate our economy with efficient and effective infrastructure upgrades. Our second proposal is to invest in Canada's research infrastructure through the innovative campus infrastructure program. College and university campuses across the country have a wide range of infrastructure needs and upgrades that could improve health and safety, energy efficiency, and our capacity to undertake leading-edge research.

We surveyed our 15 universities this year and found an estimated \$3.7 billion in shovel-ready on-campus projects, ranging from renewing and expanding teaching laboratories, arts centres, and libraries to upgrading heating systems, waste management systems, and on-campus lighting to improve energy efficiency. These projects have well-defined parameters and can be implemented in a timely fashion.

These investments will improve Canada's capacity for groundbreaking research and strengthen our robust research environment, allowing Canada to attract and retain top talent, build strong research clusters, and foster the culture of innovation we need to prosper in a sustainable way.

● (1425)

I kept my remarks fairly brief in the interest of time, but I will be happy to answer your questions later on.

Thank you very much.

**The Chair:** Thank you very much.

We turn now to the national president of Unifor, Mr. Dias.

**Mr. Jerry Dias (National President, Unifor):** Good afternoon, and thank you very much for receiving our organization, which represents 315,000 workers from coast to coast. Thank you very much for this opportunity.

My remarks will focus on two key aspects of our submission: the urgent need for infrastructure spending, and investment support for key strategic industries.

Public sector spending is a vital part of both Canadian prosperity and, through our social programs and safety net, our Canadian identity. Canada's social and physical infrastructure has suffered years of neglect and needs strengthening. Public investment in everything from child care and education to social housing and retirement security has a proven track record of alleviating poverty and widening opportunity.

Some estimates put Canada's physical infrastructure deficit in the tens of billions of dollars, while others estimate it running into the hundreds of billions of dollars. Either way, if Canada's going to make a transition to a green economy and if the growth process is to resume, the federal government must play an active role in encouraging innovation, sustainable investment, and clean technology.

Annual budgetary deficits of \$25 billion over four years would leave Canada's debt-to-GDP ratio unchanged at roughly 31%. The debt-to-GDP ratio among the G7 is more than double that of Canada, which is why Unifor believes that even more federal government spending on social and physical infrastructure is fiscally justified.

Unifor recommends that the federal government significantly increase its infrastructure spending program. The timeline for infrastructure spending should be expedited in order to provide much-needed stimulus. Aspects of that program should include provisions for made-in-Canada materials and inputs, including sustainable building materials; local hiring requirements, especially among vulnerable communities such as minorities, young workers, women in skilled trades, and aboriginal workers; the removal of any prerequisite for private sector involvement as a condition for federal funding support; and steps to improve accessible transportation for Canadians with disabilities.

A common thread among Canada's diverse advanced manufacturing industries over the past decade has been the nearly complete absence of federal leadership. This was at a time when more than 450,000 manufacturing jobs were lost, nearly one-quarter of Canada's industrial base. Unifor calls for a national strategy in key areas of advanced manufacturing that would nurture Canadian production, foster international competitiveness, and secure future prosperity.

With regard to auto assembly and parts, Unifor recommends better integrating the federal and provincial investment attraction efforts, including the development of a one-stop system to win new investment in Canadian assembly and parts plants. Canada's investment incentives must be competitive and efficient, with flexible rules and procedures and sensible fiscal and tax features.

Export Development Canada's top priority must be attracting and supporting investments in Canadian-based factories rather than foreign ones. The fact that Export Development loaned Volkswagen \$526 million to invest in their Mexican facilities in no way enhances Canadian jobs.

The federal government should take a cautious approach to the Trans-Pacific Partnership, with the understanding that major defects in the agreement will need to be renegotiated. The fact that the tariffs come off Japanese cars in five years, yet don't come off in the United States for 25 to 30 years, is a disaster for the industry. When the presidents of Ford, General Motors, and Chrysler here in Canada say to Minister Freeland that it is a bad deal for the auto industry, I would suggest this isn't scaremongering on behalf of Unifor. If you look at the direct and indirect jobs in Ontario, you see that these are people who create almost half a million jobs.

In aerospace, Unifor recommends using government research and development support, as well as investment support, to ensure that production and key product development programs are undertaken in Canada.

The Canadian content spinoff benefits in production offsets arising from the procurement of military and civilian aircraft should be maximized. Under the F-35 deal, we really got away from the way that we've done business historically, as we deal with regional offsets. I would suggest to you that the premise of regional offsets and their history is why we have such a strong sector here in Canada, everywhere from IMP on the east coast to Cascade on the west coast.

• (1430)

Unifor also recommends providing support to anchor firms such as Bombardier to ensure stability while major programs are successfully brought to market.

I'm listening to those who say the government should not invest in Bombardier. The argument is that somehow we have invested \$2 billion in Bombardier over the last 50 years and they've only paid back \$500 million in royalties. Nobody talks about the fact that last year alone Bombardier paid \$700 million in income tax and that the workers paid \$600 million. Nobody talks about the fact that in 30 years Bombardier alone has paid \$17 billion in taxes, not to mention the billions more paid by the employees. I would suggest that if we are going to talk about an economy that includes strong manufacturing jobs, you have to invest as a nation.

**The Chair:** Jerry, if you could, please sum up fairly quickly.

**Mr. Jerry Dias:** I will be very quick.

For natural resources, we need a multidimensional strategy in key industries such as oil and gas, mining, and forestry that would manage Canada's abundant resource wealth in a socially inclusive and ecologically responsible manner. Such a strategy would deepen linkages between extraction, domestic upgrading, and consumption, thus maximizing the economic benefits to Canada.

I have much more to say, but hopefully I'll have the opportunity to say it during questions.

Thank you very much for your time.

**The Chair:** Thank you very much, Mr. Dias.

We turn to Villa Rosa Inc.

Go ahead, Ms. Pidlaski.

**Ms. Mary Pidlaski (Board Member, Villa Rosa Inc.):** Thank you for having me here today. I'm Mary Pidlaski. I'm here as a board member from Villa Rosa Inc., in Winnipeg. It's a non-profit organization. It's a convalescent home for unwed mothers. It's been around since the late 1800s, serving women who may live there while they choose to parent or to place their child for adoption.

It will help to explain a little on how I became involved with them.

I grew up in suburban Winnipeg, in a middle-class family with two parents. I was an A+ student, but somehow things didn't go as planned, and I ended up as a ward of Child and Family Services by the time I was 14. I lived in group homes until I was 16, and I rented my first apartment shortly afterward through a program called independent living. However, it was when I moved into a group home that things really took a turn.

If I was not behaving well beforehand, it jumped to an entirely new level when I was mixed with others who had a worse upbringing than my own. My marks in school plummeted, and on more than one occasion my experimentation with substances extended to a place that it could have ended my life. I felt that I had not much to live for, and struggled with the fact that the people who worked where I lived got to go home to a very different life at the end of the day.

Despite this, I always had an interest in the arts, dance specifically. One summer, I attended a work experience program through the YMCA that was recommended by one of the workers. I made \$700, and I saved every penny. I went to the Royal Winnipeg Ballet School on registration day, and I lied about my past experience. I registered for the most classes that a person could register for in a week for the entire next year, but I came up short in my funds. I'm still not sure how this happened, but somehow Child and Family Services teamed together with my parents, and each came up with another \$700 to pay for my tuition.

The teachers very quickly learned that I had little experience but that I worked really hard. I wanted it badly, and by the end of the year I had acquired a scholarship to continue my studies. I was able to become a leader to my peers, and my teachers taught me to leave my problems outside the door. I think that without a strong connection to family, there will always be challenges, but I don't think family has to be your biological one. Dance was like that family that always welcomed me back.

Eventually, I left Winnipeg to dance professionally elsewhere, and I did so for a time, but some of these unhealthy behaviours crept back and I needed to go back to Winnipeg. I found out that I was pregnant the day I returned, and I tried to live with my family, but it was not a healthy situation. Someone had recommended Villa Rosa, and I applied. It must have been the next day or two when I moved in.

The first parts were somewhat of a blur, but some of the things I gained from being there were that I had been afraid to find out how many credits I needed to graduate. I only needed two. They helped me with that, and I graduated from high school. I bonded with a roommate who had a similar situation. I ate healthy food, learned parenting skills, and I feel I learned the best practices for raising my child, who is now 13. Consistently, I had this help. Villa was always there for me, and I still feel that support today.

After this, I had to navigate through welfare systems, low-income housing, and subsidized day care programs. Being in that situation, I did feel it was somewhat degrading, as there is a stigma involved. I'd hear, "People on welfare abuse the system. Why should we give them money? I work hard, and they should too."

There is not a lot of incentive for a person to get off welfare. I was someone who always had a job while I was on social assistance, but much of my money was given back to them. One year, I made \$8,000 for myself and my son. It's hard for me to imagine that a person would abuse a system like that, because that's almost not even possible.

At one point, I received an amazing job offer teaching dance through one of our school divisions, but I was unable to find the day care that I needed with the schedule that the job was offering. At the time, I was not living at Villa Rosa anymore, but I still had support, and one of the workers was trying to help me find ways to get more training and further my life. We discovered that just across the hall in the same building as the employment and income assistance office was a Service Canada program that I could apply for to further my training, which I did. I was able to acquire much more employment. Eventually I taught myself and got myself out of poverty, but I found

it odd that one side of the building would have no idea what was happening on the other side of the building.

• (1435)

I've been on faculty at the Royal Winnipeg Ballet school. I've been a fully certified Stott Pilates instructor. Much of my training has come from the support of the government and the people who have worked in those programs.

Today I'm a realtor. I have been selling homes for seven years, and I focus on how I can help another person. Many months are quiet, and I've learned to keep busy through volunteer work. I've always wanted to give back, and someone at Villa Rosa suggested that I apply. That's how I came to be a board member there, and I am so glad I did.

I'm in a leadership program through the Chamber of Commerce, and we're learning about many of the amazing inner workings of our city. If these programs hadn't existed and someone hadn't believed in me, I wouldn't be contributing to society today. I'm not even sure I would be alive.

I'm so glad that you have let me share my story today. I hope that this may help some other families and that I can be somewhat of a voice for them. I feel that a strong bond, a strong connection to each other, creates a healthy society, and I wonder if we can start by fixing the person while they are still in the womb.

Thank you.

**The Chair:** Thank you very much, Ms. Pidlaski, and congratulations to you.

We will turn to WestJet Airlines Ltd. Go ahead, Mr. Gibbons.

**Mr. Andy Gibbons (Director, Government Relations and Regulatory Affairs, WestJet Airlines Ltd.):** Thank you very much, Mr. Chair.

Let me begin by thanking members of the committee for the invitation to appear today. We encourage all parliamentarians to take an interest in commercial aviation, given how critically important it is to our communities from coast to coast to coast.

There are some issues this committee can assist with in budget 2016, and I will get to them, but first I would like to provide a bit of an overview of our growth in investments and the challenges we face in 2016.

On February 29, we'll proudly be celebrating our 20th anniversary of operations. On that day 20 years ago, our route map consisted of three airplanes and five cities. We had roughly 200 employees, all of them taking a chance by coming to work for a small western start-up airline. At our headquarters in Calgary there's a wall that lists all of the airlines in Canada that have gone bankrupt. It's a big wall. In fact, the average lifespan of an airline in Canada created after 1990 is 3.5 years. Not only did we buck that trend, we have flourished, to the benefit of Canadians. In 1996, only 16% of Canadians took a flight on an annual basis. Today that number is over 35%. Our record of market stimulation has been profound.

Today our numbers are a tad improved; with nearly 12,000 employees, we have 600 flights a day. In 2015 we flew over 20 million guests for the first time. Our fleet consists of approximately 145 aircraft, ranging from Bombardier Q400s, manufactured at Downsview in Toronto, to Boeing 737s. Our new wide-body 767s will begin service to London's Gatwick Airport this May from five Canadian cities, including Winnipeg, which I note because it will be that city's first transatlantic flight since 2008. This is the kind of critical connectivity we are bringing to Canadian communities.

Given that we're discussing the upcoming federal budget, I would like to comment on the current challenge we face as an Alberta-based airline.

We have felt the effect of a softened demand and sluggish economy. About 25% of our entire system capacity originates in Alberta, and over 40% of our overall system capacity touches Alberta. This led in January to a temporary shifting of some of our capacity from the west to central and eastern Canada. Overall our growth will continue this year with new services and new destinations, but we are closely monitoring the situation in our home province.

We continue to take costs out of our system. This is a major challenge and focus. In 2015 our overall profit was \$368 million. This translates into roughly \$18 a guest. This number of \$18 a guest is not something widely understood, and it informs our perspective on how we see the role of government in our sector.

Our industry is eagerly awaiting the release of David Emerson's review of the Canada Transportation Act. We have made a thorough submission that covers every aspect of commercial aviation, but for the purposes of this committee, I'd like to highlight what we see as the number one issue that government can address.

For WestJet, aviation cost structure is the single most important public policy issue facing commercial aviation going forward. It limits our ability to fulfill our role as an overall economic catalyst for the economy, consumers, and communities large and small. We find ourselves increasingly undermined by escalations in either the cost to access airport infrastructure or in charges applied to consumers to support facilities and government services. We believe the cost gap to be widening, thanks to a rigid adherence to the uniquely Canadian user-pay principle for aviation services, which is used to justify everything from steadily increasing airport improvement fees to an air travellers security charge that is exponentially larger than the U.S. equivalent.

We recommend that this committee recognize the stimulative nature of our investments on the Canadian economy and recommend in its report that the government make aviation cost structure a priority issue. We are seeking the establishment of a senior level government-industry working group to take a close and focused look at the competitiveness of commercial aviation in Canada.

I would also like to note we are in support of the recommendations made by our industry association, the National Airlines Council of Canada. Specifically, we would welcome increased funding to CATSA, but more than that, we are asking that revenue the government collects from the air travellers security charge be tied directly to funding for screening services.

Also, continued streamlining of border processing and security screening at our airports is becoming increasingly important for our sector to compete overall. We would also welcome government's support in these areas.

Thank you for your time and consideration this afternoon. I'd be pleased to take your questions.

• (1440)

**The Chair:** Thank you very much, to you and to all of the witnesses.

The first round of questioning goes to Ms. O'Connell. You have seven minutes.

**Ms. Jennifer O'Connell (Pickering—Uxbridge, Lib.):** Thank you, Mr. Chair, and thank you all for your presentations.

Mr. Dias, I am going to start with you. Apprenticeships have actually come up a lot in our marathon sessions over the last four days, and you touched on several. In fact, you touched on one that is very important to me and one that we haven't really heard about: getting people with disabilities into the workforce.

I'm from Ontario, so I know it is different in different provinces. You tied it directly with infrastructure investment. How do you and your membership see it in terms of tying it directly to an apprenticeship opportunity?

What I have heard, certainly from building trades, is that they will provide a lot of the training, but they cannot get certified because there are not a lot of apprenticeship spots. These individuals can't actually then operate in the workforce.

Is that the same kind of problem that you're seeing? How do we help fix this through infrastructure investments?

• (1445)

**Mr. Jerry Dias:** The apprenticeship model in Canada needs to be overhauled and the funding of the apprenticeship program also needs to be overhauled. Let me give you an example.

We have put into place some unique programs with progressive employers. Irving Shipbuilding is an example. We put into place a program that assists women in going into trades, and through it 25 women are now starting as welders in the Irving Shipbuilding facilities, which is predominantly male.

We have just negotiated with Ford, General Motors, and Chrysler. We are now in the process of bargaining, negotiating, and training for the next generation, based on the technological changes in the auto industry. Among that program is also a program for women in trades, where we are encouraging women to take an apprenticeship.

So how do we strengthen the apprenticeship opportunities? How do we put into place a system that will encourage employers? As an example, we can certainly use the employment insurance system as an opportunity to pay employees who are going through the educational aspect of the apprenticeship. When apprentices are in school, I believe that they should be paid out of the employment insurance fund. Why? It's because it is the next step of development.

You will find that those types of impediments cause employers to balk. They don't mind paying if a person is physically producing something within a manufacturing environment or a workplace, but they're reluctant to invest in the months and months of academic time, so if we're talking about workers with disabilities, we need to identify the trades and the opportunities that would be very important for not only workers with disabilities, but for a whole host of workers in Canada who need assistance.

**Ms. Jennifer O'Connell:** My next question is to you as well. It's in regard to the auto industry.

I'm from Durham and Oshawa—not Oshawa specifically, but when I was on municipal council, my counterparts often raised this point. I have been learning a lot from John Oliver, who is my seatmate in the House.

One of the ideas that has been talked about or that has been casually brought up is the idea of streamlining the process in Canada. For example, there is Mexico, I think. I could be wrong, so this is where I want some clarification.

There's almost a one-stop shop for government agencies. For companies that want to invest or build, a lot of the time it's just so much easier in places where they don't have to go through potentially three or four levels of government, depending where you are.

Is there a more developed position on this that I can better understand? If you can, could you summarize that?

**Mr. Jerry Dias:** There's no question that one frustration in the auto industry has been the numerous bureaucratic channels that one would have to go through in order to have the discussions on investment. The system that is in place today federally is one of taxable, repayable loans, which the auto industry considers a joke. If they borrow \$1 billion, the first thing they have to do is pay tax on it. The reality is that people keep away from the process that's in place.

We have now put into place Ray Tanguay, a former Toyota executive, to help put into place a process that is exactly what you're talking about. We need a one-stop shop. That's what they have in Mexico and that's what they have in the United States. It's a question of harmonizing the process in order to attract the investment and then streamline the operation.

The process is starting, but obviously the next step is needed. We would hope that in the first federal budget, the government will give a message to the auto industry that you're once again interested in enhancing this industry, because the auto industry has felt neglected for quite a few years.

•(1450)

**The Chair:** You have time for one more question, Ms. O'Connell.

**Ms. Jennifer O'Connell:** Thank you. It's to Mr. Gibbons.

I was trying to write this down, and I'm not sure if I missed a point. I think you said that of the two biggest impediments or cost factors in the aviation cost structure, one is the user fee-based system. This is in the sense that airlines are charged for landing, for example, and then for the screening.

To sum it up in a simple way, this ultimately has to be passed on to the consumer, right? This is where there's the small profit margin. Am I understanding this correctly?

**Mr. Andy Gibbons:** Essentially, yes. Many components go into the aviation cost structure. It's like a bowl of soup; there are all kinds of ingredients. We want the government's leadership to take a look at all of those different elements and make sure that our partners in airports and in government are all aligned on that objective, because it is so critical.

**Ms. Jennifer O'Connell:** There are infrastructure improvement costs as well, in terms of the massive costs not just for expansion but also for improvement of the already existing infrastructure and the burden that then puts on the industry. Am I understanding correctly?

**Mr. Andy Gibbons:** Basically, yes. We find that airport improvement fees are going up at a very high rate. The World Economic Forum in 2015 released its international competitiveness report for our sector. Canada was number one in aviation infrastructure, so that's an accomplishment. Airports were divested 20 years ago, so that's a job well done. We have quality infrastructure. Unfortunately, we were 138th in competitiveness on taxes and fees. We're saying we should start working on that area. Let's tackle that and put some processes in place to make sure we can bring that up to the world-class standard we all want.

**The Chair:** Thank you, Jennifer.

Mr. Liepert is next.

**Mr. Ron Liepert:** Mr. Scholz, on behalf of my two colleagues here, I want to assure you that the Conservative caucus will continue to stand up, as it has, for pipelines such as Energy East. I'll let others at the table answer your request for support.

It's February 19, 2016. It should be the height of the drilling season in western Canada. Can you tell me approximately how many rigs are active today?

**Mr. Mark Scholz:** There are approximately 160 drilling rigs working today, out of a fleet of about 750. In terms of comparison, there were about 300 at the same time last year, and then in 2014 around 500.

**Mr. Ron Liepert:** In your estimation, we may never get back to 500, but....

I'm sorry, what was the second number you said for two years ago?

**Mr. Mark Scholz:** There were about 500 rigs.

**Mr. Ron Liepert:** It was about 500. Let's cut that in half and say 250. What would the price of oil, U.S. crude, have to reach, in your estimation, for there to be 250 rigs out in the field?

**Mr. Mark Scholz:** That's a difficult question to answer. I would say that at the current market price, there are very few fields in western Canada that are competitive at \$30. If we do not see a significant turnaround in terms of overall commodity pricing, this is just not a sustainable business in today's market.

Generally speaking, we are projecting, at least from a forecast perspective, 20% overall utilization for 2016. When you look at that from the perspective of its impact on jobs, generally one working rig generates 135 direct and indirect jobs. If you use that calculation, we're looking at approximately 30,000 employees in the service business, my members' business, who have been impacted significantly since the end of 2014.

• (1455)

**Mr. Ron Liepert:** In your general assessment of the situation, were those all Albertans?

**Mr. Mark Scholz:** No. In fact, when you look at just the drilling industry, you see that our operations range right across western Canada, from southern Manitoba across Saskatchewan and Alberta and into northeast British Columbia. Then, of course, we also represent the offshore drilling rig industry in Atlantic Canada, which has been heavily impacted by this downturn as well.

**Mr. Ron Liepert:** As you mentioned in your remarks, Alberta—or the industry, more so, because it certainly is impacting British Columbia, Saskatchewan, and Newfoundland and Labrador—is not looking for handouts or bailouts, but are there things that the federal budget could do that would soften the blow, let's say? I had a fellow say to me last week when I was on my constituency break that he got this big severance payout, but unfortunately he has to pay all his income tax this year with that payout.

Are there other examples that maybe the Minister of Finance could look at, with an eye to spreading those kinds of severance payouts out over three years?

**Mr. Mark Scholz:** We have come out publicly in support of an initiative that Premier Wall has presented. It's what I think is a very targeted program that would inject activity into the specific industry and the very small businesses that are in desperate need right now. I think programs like this one that put some of the oilfield workers who are patiently sitting by the phone waiting for the rig manager to pick up the phone and say that they're ready to get back to work—

**Mr. Ron Liepert:** To be clear, that's the cleanup of abandoned wells?

**Mr. Mark Scholz:** Yes. I want to also mention that nobody is taking responsibility in the producing community to clean up abandoned wells, but given the unprecedented times we're in, I think this is an important targeted program to think about.

**Mr. Ron Liepert:** I think it's also important to have it on the record that the NDP government in Alberta has rejected that as an idea. Let's just leave that at that.

I have a quick question for my friend from WestJet, Mr. Gibbons.

To the best of your knowledge, in the 20 years that WestJet has been such a success, has WestJet, as a company involved in the aircraft industry, ever applied for or received a federal government loan, grant, or financial bailout?

**Mr. Andy Gibbons:** We have not. No.

**Mr. Ron Liepert:** Are you unionized at all?

**Mr. Andy Gibbons:** We are not. No.

**Mr. Ron Liepert:** Thank you.

**Voices:** Oh, oh!

**Mr. Jerry Dias:** Do you have an intelligent question for my friend to my left?

**The Chair:** Thank you—

**Mr. Andy Gibbons:** If you were late on our flight, I apologize.

**The Chair:** Order.

Mr. Scholz, there's something you might want to look at that happens in the agriculture sector when there's a drought or a disaster and people have to sell off their livestock, which makes for a big income. In that sector, there is a deferred payment program, which means that you can stretch out your income tax over a number of years. It might be something that you would want to look at for your industry as well.

Mr. Caron is next.

[*Translation*]

**Mr. Guy Caron:** Thank you, Mr. Chair.

I will begin with Mr. Scholz. I speak to him with the utmost respect, because before my election, I was working for a union section which is now under the Dias's responsibility. Some of its members worked at Suncor, in Fort McMurray. And so I understand the reality and the current situation. These are extremely trying times for the industry.

You are very passionate about what you do. I understand your message. I particularly understand the necessity of focusing our thoughts on the current situation, because there are a lot of myths and accusations being bandied about. I agree with you entirely. I would however like to point out that this is a two-way street.

When the NDP was the official opposition, I was my party's critic on natural resources. The Energy East pipeline, which you talked a lot about, was front page news. I took on the responsibility of providing information sessions on the nature of the Energy East project and what it means, in Quebec in particular. I did this not in order to take a position and tell people what to think, consult them and find out what people thought, but in order to gather information from both sides, both from those who support the project and those who oppose it. I wanted to give people as much information as possible so that they could make up their minds and take an informed position.

I did so not only in my riding. I did that all over Quebec, wherever I was invited, particularly in those places where the issue is most sensitive, for instance in Saint-Augustin-de-Desmaures, close to Quebec, where, according to the current project, the pipeline would cross the St. Lawrence River. In short, I think I did my share, and I will continue to work so that we have an informed debate on this issue.

I am not blaming you. I want to emphasize that my questions are really sincere. Before asking them, I also want to point out that there are myths on both sides. It frustrates me enormously when Conservatives try to tell us that the oil in eastern Canada comes from Saudi Arabia, Venezuela, Nigeria and the Middle East, which would not be ethical.

Do you know how many barrels of oil were imported from Saudi Arabia into Quebec and Ontario in 2015? Not one. Do you know how many barrels were imported from the Middle East in 2015? None. In fact, 60% of the oil that is imported comes from the United States and the rest comes from Nigeria or Norway. We need an informed debate, but I think there has to be proper information on both sides.

I see a problem in the way the debate is unfolding currently when people say that the government must be partisan and promote a position. I'm not saying that the government should put up barriers and create difficulties. As a rational individual, this is how I think things should be done. When a project is put forward, it must be studied attentively by a regulatory organization, in this case the National Energy Board, and the environmental consequences must be assessed, because there are impacts not only on greenhouse gases; there are also possible repercussions in the communities the pipeline would traverse. These questions must be studied.

In my opinion, the fact of supporting or rejecting a project without proper study is causing the process to be biased. What purpose does the National Energy Board serve if the government has already taken a position?

I'm going to ask you a very, very sincere question. Are you in favour of abolishing the National Energy Board, or of abolishing the regulatory process by which pipelines are approved, and recommendations submitted to the government?

• (1500)

[English]

**Mr. Mark Scholz:** Thank you for the question and for being a truth seeker. We need to have an intelligent conversation, a fact-based conversation that appreciates, I think, both sides, but, quite to the contrary, the NEB and, quite frankly, the provincial regulators across the country that regulate the energy industry are considered to be the world standard.

We speak quite regularly with regulators in the province of Alberta. They have often told me that our model, the way we develop and regulate our industry, is something the international community wants to learn from. In fact, we see time and time again how our regulators are sharing around the globe the good-news story of how we develop our industry, and it's something we can be incredibly proud of and confident in. I think what we need is the federal government to acknowledge and show confidence in our regulatory processes, because they are the best in the world, and they are seen as an example for so many other oil- and gas-producing regions globally.

I hope that answers your question.

• (1505)

[Translation]

**Mr. Guy Caron:** In part. However, you have to recognize that the change—

I hope I have enough time left, Mr. Chair?

[English]

**The Chair:** Yes. You have one minute.

[Translation]

**Mr. Guy Caron:** Thank you.

Nevertheless, there are concerns. When we talk about social licence, these are easy words to say, but for a project like that one, you have to earn it.

For having attended information sessions on this topic and having taken part in discussions on it, I can say that many people are concerned, because they are afraid that the National Energy Board will not be able to do adequate work in 15 months on such a complex project. They also do not believe that the board has the capacity to carry out the environmental assessments that used to fall under the purview of the federal and provincial environment departments.

How can you earn social licence with a regulatory organization and a process the population does not trust, especially the eastern part of the country, which has never seen major projects like the ones being proposed?

[English]

**Mr. Mark Scholz:** Thank you for the question.

I think it's up to our political leaders to talk about what goes into these regulatory reviews. There is more environmental study, engineering studies, transparency, and evaluation now than at any point in our history. The outcomes of these systems on energy, including pipelines, will allow us to move our energy to markets in a seamless way with an extraordinary safety record.

When we talk about social licence, I would argue that the social licence arguments have already been made. We just need to start talking about them, more loudly and clearly, at all levels of government.

Let's talk about \$80 billion in 2015 from the largest private sector investor that went into hiring families and workers and employing family businesses across western Canada, and \$17 billion in taxes across the country that goes into hiring nurses and teachers. It's 500,000 people, directly and indirectly.

There have been studies showing that over the course of 10 years, the oil and gas industry will contribute \$7.6 trillion to the Canadian GDP. When we look at how this impacts provinces across the country, we see that 8% of all oil sands jobs are in the province of Ontario. The oil sands employs some 300 aboriginal companies in 54 communities, and over the past 14 years has contributed \$10 billion to aboriginal companies.

When we look at other suppliers and companies, we see there are 2,300 companies outside of the province of Alberta that supply services and manufacturing to the oil and gas industry. There are 1,100 in the province of Ontario and 200 in the province of Quebec. This is an incredibly spread-out industry that impacts many families and businesses that should be supported across the country.

**The Chair:** Okay, we're well over our time, but I thought it was fair to provide the information.

Go ahead, Mr. MacKinnon.

[Translation]

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

I thank the witnesses for their testimony. Their presentations were very stimulating.

My first question is addressed to the U15 representative, and concerns research.

Can you give us a brief overview of the history of research over the past 20 to 25 years, in terms of the funding of granting agencies that provide funds for research, and of the evolution that led to the creation of U15? What do you feel would be the impact of increased investment in primary research?

[English]

**Mr. Feridun Hamdullahpur:** Thank you.

U15 has been in existence for the past three years. In its first incarnation, it was G10. Ten research-intensive universities in Canada came together because we had very special objectives and needs, but also a role to play—which is partially an answer to various questions that were raised around me today—to educate the talent at our universities in a very research-rich environment. That combination will address many social, scientific, and economic questions that will be the cornerstone of future economies. With that, this group started growing, and finally it became 15 universities from all parts of Canada. We formed a formal secretariat for this group and called it U15. Fifteen research-intensive universities came about.

The reason we believe that U15 universities have a special mandate is that research has to be curiosity-based. Out of that curiosity there are a number of fantastic results that we can achieve. What has to be done, with no pressures from any side, is to let it find its natural way to make sure that it goes into society in its various forms and shapes.

For that, the three granting councils—NSERC for science and engineering, SSHRC for the social sciences and the humanities, and CIHR for health research—provide the funds that every U15 researcher absolutely depends upon. Those funds enable our researchers to go into whatever research they're involved in, to conduct that research, and to recruit absolutely the top brilliant minds as graduate students to work with them.

It's linked to various things we talk about here. In the future of our economy, are we going to grow our own knowledge in this country, which our manufacturing industry, our health care, and various other sectors will be dependent upon, so that it will be Canadian-grown know-how and intellectual property, or are we going to rely upon other countries to create that intellectual property, which we will

bring here and produce in our reduced role as an assembly-line process?

We want to be able to say that Canada is a global leader in the creation of intellectual property because we are investing in the research enterprise. Without our granting councils, I don't think I would be here talking to you or that any of our researchers would have accomplished what they have so far accomplished.

● (1510)

[Translation]

**Mr. Steven MacKinnon:** What is the history of government investment over the past 20 years? What is the situation today? Concretely, can you tell us precisely what you are asking for?

[English]

**Mr. Feridun Hamdullahpur:** Well, there have been investments made through various channels, and the tri-councils have received funding, but unfortunately that funding hasn't kept up with inflation. As a result, if you compare today's funding with 2007's, we are under by \$176 million.

Our request is very clear: please, over the next four years, correct this situation and keep growing this funding, because it is an investment that will pay back many times over if we are able to make it.

**Mr. Steven MacKinnon:** Mr. Dias, do your members tend to work for profitable companies?

**Mr. Jerry Dias:** I'm sorry?

**Mr. Steven MacKinnon:** Do your members tend to work for profitable companies?

**Mr. Jerry Dias:** Oh, absolutely. We represent workers at Suncor, Bombardier, Ford, General Motors, Chrysler—I can start to walk through the list—Air Canada....

**Mr. Steven MacKinnon:** I just thought that list might be informative for Mr. Liepert as well.

**Mr. Jerry Dias:** They're doing very well.

[Translation]

**Mr. Steven MacKinnon:** Currently, in the media, in Parliament and elsewhere, there is a debate about the possibility and appropriateness of public investment in Bombardier. You have in the past analyzed the aeronautics sector. You have spoken about it publicly, but could you talk to us about this in more detail? You only touched on the subject briefly. What is your perception of that company's situation, as well as of the foreign competition it faces? How important is an investment in the aeronautics sector for your members, and what would its impact be?

[English]

**Mr. Jerry Dias:** Certainly.

About 20 years ago, Canada was number four in the world aerospace industry. Today we sit in about 12th place. That's what happens when you take your eye off the ball.

The fact is that Bombardier employs about 17,000 direct employees. The current situation is not unusual. The fact that the C series is delayed two years is not unusual. Boeing's Dreamliner was delayed for over two years because of electrical difficulties; Airbus's latest launch was delayed for over two years because of a whole host of issues related to the certification. When major employers invest billions of dollars and then it takes years to get a product to market, it's not unusual for them to face a cash crunch, and that's what they're faced with today.

The reality is that the C series is probably the most developed aircraft of its type in the world. Its competitors would be the A319 from Airbus and the 737 from Boeing. You'll find that the C series is 20% to 25% more fuel-efficient.

What you're facing here is a Canadian icon, and the real question is, are you in the game or not? If Canada wants to participate in the aerospace sector, then the government is going to have to play a leadership role, just as they do in Germany, just as they do in France, just as they do in Brazil, just as they do in China, and just as they do in the United States. You will find that all of these companies are successful because of the role of government, because the government understands that the payback is not just in personal taxes but in the payback that's created through the spinoff jobs created by the high-tech nature of the jobs.

• (1515)

**The Chair:** I'm going to stop you there. We have four people on the question list and we're going to try and get them all in. That will mean we'll go to three-minute questions.

Go ahead, Mr. Albas.

**Mr. Dan Albas:** Thank you.

Mr. Scholz, this just a quick question to you.

First of all, there's obviously more than one way of getting.... At least, what I've heard from people in your sector is that they'd like to see more opportunities to get their product to tidewater. Is that correct?

**Mr. Mark Scholz:** That's correct.

**Mr. Dan Albas:** Given that's the case, and given this whole discussion about social licence, there's more than one way to get your product to market, ones that don't require social licence. For example, I don't believe there are any requirements on trains or trucks. Is that correct?

**Mr. Mark Scholz:** I'm not an expert in that field, but that's certainly how it is being transported today.

**Mr. Dan Albas:** Okay. It seems to me that applying this new criterion to it really sends a signal to those people who want to use pipelines and who believe that they're the safest form. Taking longer is an extra impediment, and if the price goes up—and I certainly hope it does, because of many of the points you raised earlier—I believe they'll just switch to using other paths. Is that correct?

**Mr. Mark Scholz:** We have seen examples in which the lack of pipeline infrastructure has resulted in a significant increase in rail transportation, yes.

**Mr. Dan Albas:** Good. Now I imagine that to do what you do with all the drilling and what not, a huge number of geological

scientists as well as other types of scientists are hired privately to help you do what you do. Is that correct?

**Mr. Mark Scholz:** Well, in the oil and gas service sector there are hundreds of companies that have differing expertise. It is a very segmented industry, from seismic to drilling to well servicing to wireline operating to transportation to vac-truck operators—the list goes on. It is largely a business that is run from a contracting perspective; there is not a lot of equipment or expertise that is housed in a standard exploration and production company, an E and P company.

**Mr. Dan Albas:** I raise that, Mr. Chair, simply because there are both private scientists and public scientists, and I certainly appreciate that the revenue that many of your industries provide to governments, provincially as well as federally, allows them to supply more science activities because they have the revenues for it.

In the same way, for example, in West Kelowna where I'm from, we have people who are unemployed right now who usually work in the oil and gas sector and are having, unfortunately, to make use of social supports as much as many of the witnesses we have had here today, so I appreciate what you do for your communities.

Just jumping over to that point, I also have noticed that with WestJet, Mr. Gibbons, there have been a lot of changes in your flight schedules. Is it because the oil and gas sector is down?

**Mr. Andy Gibbons:** We have seen a softening of demand in western Canada; that is true, yes.

**Mr. Dan Albas:** Therefore, if fewer people are taking trips, whether it's because they worked in the oil and gas sector or because they just don't have money in their pockets because the small businesses they work at aren't being frequented by many of the people employed by oil and gas, the problem is that they can't buy cars as well. I think this is a case in which you can quickly see how we all seem to suffer when we don't have a good economy.

Now, I'd like to move to Mr. Dias just briefly.

• (1520)

**The Chair:** It will have to be one very brief question.

**Mr. Dan Albas:** Okay.

What is the age demographic for someone who works in the auto sector?

**Mr. Jerry Dias:** It's changing, based on the massive hirings at Ford in Oakville and in Windsor. I would say it would be mid-40s.

**Mr. Dan Albas:** Given that you've talked about innovation and the need for the government to support innovation, and about how competitive the world market is, particularly in the auto sector, doesn't more innovation mean more automated plants and things like that? What kinds of challenges does that pose for you and your members?

**Mr. Jerry Dias:** I think you will find that our plants are world class. Billions of dollars have been invested in innovation.

For example, General Motors in Oshawa spent about \$1.2 billion making a flexible plant where you can build multiple models. Chrysler has invested about \$3.6 billion in the last two years in their Brampton and Windsor assembly plants, putting into place flexible platforms. Ford in Oakville invested \$1.2 billion for a flexible platform. I think you will find that Canada is poised as one of the best in the world when it comes to the manufacturing process through the type of innovation that's in place today.

**The Chair:** Mr. Sorbara is next.

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

I wish to thank everyone on the panel for their comments.

Vanessa and Mary in particular, thank you for your stories and for sharing them with us today.

I have a quick question for you, Mr. Scholz. A number that comes out every week shows Canada-U.S. drilling rig activity. It's really connected with the price of oil, and what happens there determines the level of drilling activity. It's the world price of oil relative to the WTI, correct?

**Mr. Mark Scholz:** That would be correct.

**Mr. Francesco Sorbara:** Okay. Thank you.

The Energy East pipeline will be going through the NEB process. Our government has strengthened that process, and obviously the NEB will be consulting with all stakeholders, including indigenous groups. We're going to make sure that the process has the confidence of all stakeholders, and I think that's the way it should be. We'll see where the decision proceeds from there.

Wouldn't you agree that's the right type of process to go under?

**Mr. Mark Scholz:** I would argue that we need the federal government to put some political capital on the line. I think it's incredibly important that the federal government show leadership by making it clear that they are behind these pipelines and that they support the industry.

I can tell you that very many families who have reached out to us through our Oil Respect campaign are in desperate need of a government that understands that in order for them to have a growing and vibrant industry, we need to look at pipeline infrastructure. They're looking for leadership.

**Mr. Francesco Sorbara:** We are providing that leadership in our reforms to the NEB process, and we will be undertaking that.

To Mr. Gibbons from WestJet, thank you for your comments. I think there needs to be an educational process in Canada on the importance of clustering as it relates to airports and airlines. In the GTA, the GTAA is one of the largest employers in the surrounding area. It probably has one of the biggest economic impacts and footprints in the GTA. A number of studies—including one by the Senate, if my memory serves me correctly—show that we in Canada look at airports as ATM machines, with ground lease payments as an example, while south of the border they look at them as economic generators.

I am looking forward to a presentation on Monday, I believe, at the Toronto Region Board of Trade on the importance of the aviation industry. I'll be attending that.

I just wanted to make that comment. I think you're bang on in terms of the way the cost structure impacts airline carriers versus what the rest of the world has. We do have world-class airports and we've done a phenomenal job there, but I think some work can be done on the other side as well.

**Mr. Andy Gibbons:** The report is named "Toll Booth or Spark Plug?"

**Mr. Francesco Sorbara:** Yes, exactly.

**Mr. Andy Gibbons:** Senator Dawson chaired that committee. It's a very positive report for us.

**Mr. Francesco Sorbara:** Thank you.

I just want to go to Mr. Dias very quickly.

Jerry, we've chatted a number of times on the auto industry. We all know the story there, and how we need to make sure we're at the table. I want to ask you about the apprenticeship model. The German model seems to be the one that gets a lot of folks streaming into apprenticeships. They're technical jobs. They're sophisticated, whether you're working for Mercedes or Siemens.

What can we do in Canada to maybe replicate some of the things they're doing in Germany?

● (1525)

**Mr. Jerry Dias:** Well, I think you just nailed it. In Germany, for example, they value the auto industry and they use the auto industry as a foundation for their export. They will have everyone in a room. I used to sit as part of the co-determination group as a Canadian with the Daimler-Chrysler merger. They have a tripartite—well, more than tripartite—system that includes the companies, the unions, and the educational facilities, and they'll have everybody in one room to talk about the challenges and the future, and about how they're going to cope with it. As a result of that tripartite discussion, they will talk about the skills that are necessary and, therefore, the apprenticeships. They'll talk about the changing technology, and then the educational community can put into place the training and educational matrix in order to be prepared for the next generation.

Probably about four years ago, the previous government cancelled all of the sector councils through which everybody would get into a room to discuss the challenges of the industry and what the future would look like. I would suggest that this government should look at reinstating that common sense dialogue so that we can deal with the future.

**The Chair:** Thank you, Mr. Sorbara.

Mr. Fast, you can have a couple of quick questions.

**Hon. Ed Fast (Abbotsford, CPC):** Thank you, Mr. Chair.

Let me begin by thanking both Vanessa Gamblin and Mary Pidlaski for their input here. You put the human face on what we do when we discuss budgets. Thank you, Mary, for sharing your touching story with us. When we talk about budgets, often we talk about deficits, surpluses, industrial investments, or infrastructure, and often the human face of our country gets left behind. Thank you for highlighting that for us today.

Andy Gibbons, it's nice to see you again. As you discussed the challenges and the aviation cost structure that is presenting challenges for your industry and for WestJet, you didn't mention airport rents to any significant degree. I understand airport rents actually have a significant impact on your profitability and the viability of routes. Can you comment?

**Mr. Andy Gibbons:** Thanks for the question. It's great to see you again, too, Mr. Fast.

Airports have paid over \$5 billion to the Government of Canada in airport rents. Our request is that airport rents be capped and that the money, like the air travellers security charge and the excise tax on aviation jet fuel, be reinvested into the sector. That's what happens in the United States. The sector is seen as an economic mobilizer more so than it is in Canada.

Going back to what Mr. Sorbara was saying about a toll booth or a spark plug, we're working to change the overall approach to the sector. Airport rent is a part of that.

**Hon. Ed Fast:** Thank you.

I have one last question for Mr. Dias.

You mentioned the TPP. You and I are on different pages on that agreement. Canada has concluded negotiations on trade agreements with 51 different countries. Of those agreements, how many has Unifor and its predecessor, CAW, ever supported?

**Mr. Jerry Dias:** We would actively like to support one that benefits Canadians.

We would like a government to negotiate a trade deal that actually is about trade, where I give you something and you give me something, as opposed to a one-way street. I think you will find that we are on a different page, especially as it relates to the TPP and even the previous trade deal with Korea, because the Korea deal has now been in place for 14 months, and exports from Canada to Korea have decreased 5% while imports from Korea to Canada have increased 8%.

**Hon. Ed Fast:** Actually, it was a very simple yes-or-no question. Has Unifor ever supported one of the trade deals with 51 other countries—

**Mr. Jerry Dias:** Unifor is a little over two years old, so no, we have not supported Korea. Apparently nobody is supporting CETA, because it still hasn't been passed in two and a half years, and obviously we are not supporting the TPP.

As for the former CAW, I can't speak for its incredible history, but I know that we did oppose NAFTA, and I think the reason is clear if we look at things today. All of the jobs in the most important sectors are being created in Mexico, and they're not being created here in Canada.

**The Chair:** I'll have to cut you off there, Jerry.

Mr. Ouellette, you can wrap it up. You have three minutes.

**Mr. Robert-Falcon Ouellette:** Thank you very much. I really appreciate that, and I appreciate all of the witnesses coming here today. I enjoyed hearing some of the information they brought.

My question is actually for Vanessa from Siloam Mission.

The federal government has established policing programs in various cities around the country, and often homeless citizens are involved in the justice system. There are additional costs to being homeless. Siloam Mission has been preparing one of the solutions, which has been very innovative, and that's the "housing first" strategy. I was wondering if you could talk about the housing first strategy.

• (1530)

**Ms. Vanessa Gamblin:** Currently we do have that operating. Siloam operates within that strategy.

What we are now doing on this side is just starting to work with and consult with the Winnipeg police. We're going to be looking at ways of better communication with the justice system for our homeless population. Currently we're seeing a staggering number of behaviours coming in, and our community members are being subjected to more violence within the police department. We're just trying to work with them now on different types of communication.

**Mr. Robert-Falcon Ouellette:** For the housing first strategy, essentially the housing is all provided in Siloam Mission. It's a group of three major homeless shelters in Winnipeg for 1,400 people, a main street project that helps with the sniffers. The Salvation Army and Siloam Mission work together, and the idea is to provide a holistic model in which everyone is working together. I believe that's what it is.

They provide the housing to keep people off the streets, so they're not involving police, ambulance drivers, and firefighters who are always trying to respond to issues time and time again, costing a lot of money and sometimes making the streets perhaps more chaotic than they need to be.

**Ms. Vanessa Gamblin:** That is correct.

**Mr. Robert-Falcon Ouellette:** Okay.

Mary, thank you very much for what you were saying.

Are there things we could be doing a little bit more to help out organizations like yours? You serve women from the age of 14 all the way up to 40, I believe. A lot of them come from very disadvantaged backgrounds and some from middle-class backgrounds, but it's a wide variety and diversity of people.

**Ms. Mary Pidlaski:** What we're trying to do is stop a cycle. We're trying to arrest a behaviour that might continue if children are born without the support that we're able to offer them. We basically wrap the mother in a metaphorical blanket where she has support on all sides, from teachers to social workers to the medical team. She is taught breastfeeding skills. She has someone come into her home after her child is born to help her with parenting.

There are schools. I've spoken to post-secondary teachers who are very happy when they have girls who have come from Villa Rosa, because they work very hard. They have a lot they want to offer, and they're learning that at Villa Rosa.

**The Chair:** Thank you very much, Mary and Mr. Ouellette.

I would certainly like to thank the witnesses this afternoon.

As of now, we've met with 92 witnesses over the last four days. It's been a long week, and I think you can tell from this panel that there has been a very broad spectrum of witnesses who have come before committee. I would say, because we're still getting briefs

coming in, that if any members get a call from someone—there is no question that we've missed some groups, and in fact one is sitting at the back of the room, representing universities—there will still be the opportunity, until 11:59 tonight, to get a letter or a brief on the website, and those will be considered as well in terms of the committee's final report.

With that, I thank the witnesses and thank committee members for their endurance over a fairly long week.

The meeting is adjourned.

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