HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

Standing Committee on Finance

FINA • NUMBER 021 • 1st SESSION • 42nd PARLIAMENT

EVIDENCE

Tuesday, May 17, 2016

Chair

The Honourable Wayne Easter

Standing Committee on Finance

Tuesday, May 17, 2016

● (1105)

[*English*]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): Order, please.

We are continuing our discussions under the order of reference of Tuesday, May 10, on Bill C-15, an act to implement certain provisions of the budget tabled in Parliament on March 22, 2016, and other measures.

Welcome to our witnesses. We have quite a number this morning.

I'll just mention that the committee will be disrupted by a vote sometime between now and the next hour. When the bells go, I will ask if there is the unanimous consent of the committee to stay until we're down to 15 minutes before the vote. We'll come back after that to continue our hearings. We know that people have travelled a distance and put a lot of work into their presentations, and we certainly want to hear from them.

We'll start with the Fonds de solidarité des travailleurs du Québec. Mr. Gaétan Morin is the president and chief executive officer, and Mario Tremblay is the vice-president.

The floor is yours.

[*Translation*]

Mr. Gaétan Morin (President and Chief Executive Officer, Fonds de solidarité des travailleurs du Québec): Thank you, Mr. Chair. I thank the committee for having us here today.

The Fonds de solidarité FTQ contributes to two main public-policy objectives: encouraging middle-class workers to save, and channelling these savings to businesses in order to stimulate economic growth. Every year, we invest more than half a billion dollars to support SMEs in all economic sectors, at all stages of development. We invest directly in businesses and indirectly in private venture capital funds, in the form of unsecured venture capital.

Since 2005, the Fonds has contributed $1.2 billion in financing to 55 private funds, which has helped sustain the venture capital ecosystem not just in Quebec, but also across Canada. That's why we have the unwavering support of the Canadian Venture Capital and Private Equity Association, or CVCA.

The decision by Mr. Trudeau's government to maintain the 15% tax credit for our investors is backed by strong economic evidence. A number of chambers of commerce and business associations, including the Canadian Chamber of Commerce, have said as much to the Minister of Finance, and have been doing so since 2013.

Furthermore, according to CVCA data, the Fonds was the most active non-governmental venture-capital investor in Canada in 2015. We invested in each of the most active private and independent funds, including Real Ventures, iNovia Capital, Relay Ventures, Cycle Capital Management, and Lumira Capital.

In addition, private, independent funds in Canada collected about $8.4 billion from 2004 to 2015. Forty-one private funds, for a total of $4.6 billion, benefited directly or indirectly from investments from us or from one of the two other tax-advantaged funds in Quebec.

When it comes to retirement savings, studies have shown that the behaviour of our shareholders helps improve individual saving habits. Through the use of deductions at source, they develop healthy saving habits and then go on to save money at other financial institutions.

Strengthened by its renewed partnership with the Government of Canada, the Fonds is opening a new chapter in its history. In recent months, we have been doing some strategic planning to identify the best ways to contribute more to economic development and job creation, objectives we share with the Canadian government.

On April 22, I made a public announcement, before the Board of Trade of Metropolitan Montreal, that the Fonds will invest $3 billion by 2020 to support certain sectors of the economy, such as life sciences, agri-food, aerospace, and forest products. Of this amount, $900 million will be new money that we will raise by selling shares and bonds we hold on large markets and that we will reinvest in the economy here.

Other than the sectors I mentioned, we also plan to invest more in innovative businesses. To stimulate innovation, the Fonds has launched some new initiatives. For example, the Fonds has partnered with Manufacturiers et Exportateurs du Québec to go on a big regional tour. We also plan to stimulate innovation with our business partners. We've already started targeting those that want to innovate and that could benefit from personalized support.

The development of socio-economic real estate infrastructure is also a big issue for governments. That's why the Fonds plans to invest $400 million to fund small and medium-sized real estate infrastructure projects, such as schools, libraries, sports complexes, and student residences. The projects we are considering will be developed in partnership with the cities, school boards, and governments. Eventually, as a result of the leverage effect, we estimate that our investments will generate more than $2 billion in new real estate projects.

● (1110)

As you can see, the Fonds has the means and the expertise to invest in businesses in all economic sectors and in all stages of development. We also have the means and the expertise required to stimulate innovation and invest in infrastructure. However, we do not work alone. We work with our shareholder-savers, with our business partners, and, of course, with governments.

We also work with our colleagues in the financial sector, including Investissement Québec, the Caisse de dépôt et placement du Québec, the Business Development Bank of Canada, and the venture capital funds across Canada we work with.

Thank you.

[*English*]

The Chair: Thank you, Mr. Morin.

With Restaurants Canada, we have Ms. Reynolds.

Ms. Joyce Reynolds (Executive Vice-President, Government Affairs, Restaurants Canada): Thank you for the opportunity to be here today to provide comment on the budget on behalf of Canada's $75-billion restaurant industry.

Restaurants Canada is a national association, representing a growing community of 30,000 businesses in every segment of food service, including restaurants, bars, caterers, full and quick-service restaurants, and food service management companies. With 94,000 locations and 18 million customers every day, the restaurant industry has a more personal, direct, and frequent connection with Canadians than just about any other industry. The restaurant and food service industry is one of the largest private sector employers in the country, with 1.2 million employees. We are most proud of the first job opportunities we provide for youth, which is more than any other industry in Canada. Restaurants also open doors for many new Canadians as they seek to establish themselves in a new country and to gain work experience and contacts in the Canadian job market.

With regard to the budget, some of the things that we like include the following:

First, there is the renewed youth employment strategy, with additional funding for vulnerable youth and for an expanded Canada summer jobs program. We are grateful for your commitment to youth and youth employment, and we look forward to working with your government on a youth employment growth strategy.

Second, we see $50 million in additional funding to promote Canada as a tourist destination. Restaurants account for 27% of total tourism jobs, the largest of any sector. Dining out is something that almost every tourist will do when they are here in Canada. Our cuisine can compete with the best in the world. We need to promote Canada as a culinary destination.

Third is a commitment to review spending and the tax system to make it more efficient and effective. Our members find the tax system overly complex, taking valuable time away from running their businesses. A more streamlined system, with an objective of more broad-based tax reduction, is something that we support.

Fourth are the tax breaks that will lead to an increase in disposable income for the middle class, and hopefully more spending in restaurants.

Fifth is higher permanent resident admissions, with more funding to process permanent residents and for settlement programs. Our diverse multicultural industry was built and continues to built by immigrants.

On the flip side, Restaurants Canada is very disappointed about the deferment of the small business tax reduction beyond 2016. This was one of the government election commitments that was strongly supported by restaurants. In fact, all parties committed to reduce the small business tax rate to 9% by 2019. While the rate will decrease this year from 11% to 10.5%, future cuts remain up in the air.

We were even more disappointed when the government's election commitment to implement an EI youth hires initiative was missing from the budget. Employers of youth were promised an EI premium holiday from payroll costs for youth hires beginning in 2016. Recognizing that the youth unemployment rate is more than double the unemployment rate for Canadians over the age of 25, we think that payroll tax reduction for youth employers should be the cornerstone of any youth employment growth strategy.

CPP enhancements were also part of the government's election platform and were touched on in the budget. As with EI, Restaurants Canada recommends that enhancements to CPP be targeted to Canadians needing additional retirement earnings support, without jeopardizing youth jobs. I'd be happy to expand on this during the question period.

Finally, I'd like to touch on one other issue that we included in our pre-budget submission that wasn't included in the budget, which is the high cost of credit card acceptance fees. These fees have long been a major source of concern for restaurant operators. Canadians are being incented to use their cards for all types of purchases, from their morning coffee to basic groceries, to take advantage of generous rewards points and cash-back deals. These rewards and deals are financed through the high processing fees charged to merchants.

We are encouraged that there is a private member's bill before Parliament, sponsored by MP Lapointe, which we will support and hope will lead to a regulatory cap on credit card acceptance fees. We hope that this committee will support this bill as well.

To conclude, I'm here representing the industry that's in every Canadian community, urban and rural. We build neighbourhoods, attract tourists, and provide more first jobs than any other industry. With the right measures in place, we can contribute even more to the employment of youth and to a strong and growing economy. I look forward to a productive discussion with you during question period.

Thank you.

● (1115)

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

From the Office of the Veterans Ombudsman, Mr. Parent.

If any of you want to indicate the sections of the budget implementation act you're speaking to, we'd appreciate that, as well.

I expect, Mr. Parent, that you're certainly on division 2 of part 4.

Go ahead.

[*Translation*]

Mr. Guy Parent (Veterans Ombudsman, Office of the Veterans Ombudsman): Thank you.

Mr. Chair, committee members, thank you for giving me the opportunity to share with you my thoughts on Bill C-15, budget implementation act, 2016, No. 1, as it pertains to Canada's veterans.

[*English*]

In my five and a half years as Veterans Ombudsman, I have met with and listened intently to the concerns of thousands of Canadian veterans and their families across Canada.

On October 1, 2013, I released my evidenced-based report on the new Veterans Charter and, for the first time with any report of this nature, it was supported by an independent actuarial analysis that pinpointed exactly where benefits were failing veterans, and would continue to fail them unless changes were made. In addition, on August 19, 2014, I published another evidence-based report on the permanent impairment allowance and the permanent impairment allowance supplement and recommended changes to better support our severely injured veterans.

[*Translation*]

Bill C-15 addresses several of my key recommendations in both of these reports. Although it is too early to provide you with an evidence-based analysis on the effectiveness or fairness of the proposed legislative changes—because we do not have all of the details yet—it is not too early to say that it is movement in the right direction.

[*English*]

Division 2 of the budget implementation act takes steps to help veterans and their families, first of all, by increasing the earnings loss benefit to 90% of an eligible veteran's military salary. According to Veterans Affairs Canada's numbers, this will provide increased short-term financial support to approximately 3,000 veterans while they participate in the department's rehabilitation programs. It will also provide increased long-term financial support to around 2,000 of the most seriously injured veterans.

The budget implementation act will also change the permanent impairment allowance grade determination. Although I do not as yet have the details of what this change will look like for veterans, I am hopeful that it will better support the more seriously impaired veterans with career-limiting service-related injuries. Also, I am pleased to see the program renamed “career impact allowance” in order to better reflect its original intent.

Moreover, the act will replace “totally and permanently incapacitated” with “diminished earning capacity”. There is no definition yet of “diminished earning capacity”, so it is difficult to assess at this point. However, I am hopeful it will lower the threshold for access to certain benefits.

The disability award will be raised to $360,000. This change will align the disability award for veterans with what Canadians can receive through courts. It will also provide retroactively to approximately 55,000 veterans to receive a one-time increase to the disability award that they have already received.

Another measure will increase the death benefit to $360,000. Once implemented, this will provide better support to the family members of those who have paid the ultimate sacrifice.

These changes, especially those to the disability award, will have a positive impact on all veterans receiving benefits under the new Veterans Charter. Other changes, such as those to the earnings loss benefit and permanent impairment allowance, will provide greater lifetime financial security to relatively few veterans, but they are the veterans who are the most vulnerable and have the greatest need of support.

I believe it is important for you in your deliberations to put veterans programs spending into context. Expenditures on veterans are approximately 1% of current federal expenditures, and current estimates suggest that these these expenditures will decline over the next year due to a decrease in the veterans population.

As the Veterans Ombudsman, my office evaluates fairness through the principles of adequacy. Are the right programs and services in place to meet the needs? In terms of sufficiency, are the right programs and services sufficiently resourced? On accessibility, are eligibility criteria creating unfair barriers? Can the benefits and services provided by VAC be accessed easily and quickly?

While it is difficult to evaluate the fairness of the proposed changes without more detail, as I said earlier in my remarks, they do reflect the recommendations I have previously made regarding the financial benefits in the new Veterans Charter.

In closing, I believe that the proposed changes represent an important step forward in Canada's support of veterans and their families. They deserve no less in return for their service and sacrifice to Canada and Canadians.

Thank you.

● (1120)

The Chair: Thank you, Mr. Parent.

Welcome, Ms. MacEwen, from the Canadian Labour Congress.

Ms. Angella MacEwen (Senior Economist, Canadian Labour Congress): I'm here on behalf of the 3.3 million members of the Canadian Labour Congress, and I want to thank you for the opportunity to present our views on this budget implementation act.

The CLC brings together Canada's national and international unions, along with provincial and territorial federations of labour and 130 district labour councils whose members work in virtually all sectors of the Canadian economy and in all occupations in all parts of Canada.

There are many elements of Bill C-15 that will affect our members, but due to the time constraints here, I will focus my comments on old age security and guaranteed income supplement changes, the Employment Insurance Act, and PPP Canada.

We're very glad to see several elements of this bill that will increase simplicity and fairness in taxation, and we expect the Canada child tax benefit to have a very positive impact on lower-income families with children.

With regard to old age security and GIS—I'm sorry I didn't write down their division numbers in the act—Statistics Canada's low-income measure shows that nearly 600,000 Canadian seniors were living on low incomes in 2013. The proposed increase to the guaranteed income supplement top-up for the lowest income seniors will directly help many who are struggling to get by. It's an important part of a wider strategy that includes affordable housing, home care supports, and an expanded Canada Pension Plan. Here I want to thank the government. It looks very much like something we put in the alternative federal budget, and we're glad to see that you're taking our advice.

With regard to employment insurance, we are happy about some things and critical about others. Reducing the 910-hour threshold for new entrants and re-entrants as of July 2016 will be a meaningful change in access for young workers, recent graduates, and new Canadians. Investments in front-line staff will reverse substantial cuts that had been made to administrative staff in EI, and we expect that will reduce delays and confusion for unemployed workers, improving access to the program.

Extending the length of work-sharing programs from 38 weeks to 76 weeks will help workers and employers who are facing tough times or who are going through some kind of structural transition. We encourage the government to work with employer and worker groups to increase awareness of this program because it can be very effective, but the take-up is often low.

Extending benefits to some workers was helpful, but the rationale for limiting benefits, the way that it was done, is difficult to understand. There was sufficient funding in the account to temporarily extend benefits to all unemployed workers in a fair and transparent way and that would have helped more unemployed workers.

Unfortunately some of Harper's changes to employment insurance remain in play. This includes the definition of the long-tenured worker, which Bill C-15 brings into the EI act instead of getting rid of it. Since one of the requirements to be long-tenured is seven years of EI contributions this automatically excludes young workers. The difference between benefits from a long-tenured worker and others is dramatic.

In 2014 the former government created additional regions for Prince Edward Island, Nunavut, Northwest Territories, and the Yukon. These new regions created significant discrepancies in access and duration of benefits for workers who are effectively operating in a single labour market. We would ask that the government immediately reverse these new regions.

I want to take this opportunity to repeat our long-standing call for a single national entrance requirement for employment insurance that will increase fairness of access to EI.

With regard to PPP Canada, we feel transferring responsibility to the Minister of Infrastructure and Communities will improve transparency and oversight, and we're encouraged by that move. However, the budget contained further signals that Ottawa intends to open up public infrastructure to private ownership, including through pension funds and asset recycling.

Along with the Ontario government, Ottawa is laying the groundwork for a major expansion of private investment in and ownership of infrastructure assets. We believe that public infrastructure should be publicly financed and operated. Therefore, we call on the federal government to completely eliminate PPP Canada incorporated and redirect its funding to public infrastructure projects.

We would also like to see comprehensive P3 accountability and transparency legislation to protect Canadians from high cost and high risk P3 projects.

Thank you again for your time.

● (1125)

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

Mr. Galimberti.

Mr. Joseph Galimberti (President, Canadian Steel Producers Association): First and foremost, thank you, honourable members, for the opportunity to present in front of you today on behalf of the Canadian Steel Producers Association.

Our association represents 10 primary steel producers and steel product manufacturers in Canada, with member facilities located in Quebec, Ontario, Manitoba, Saskatchewan, and Alberta. These operations directly employ over 22,000 Canadians and support an additional 100,000 Canadian jobs through indirect economic impacts associated with our operations.

We welcome the government's budget 2016 commitments to taking steps to improve Canada's ability to effectively remedy dumped and subsidized imports, as this is an area in which steel is particularly exposed. In light of the increased frequency of market-distorting trade in Canada, the CSPA views modernization of Canada's trade remedy system as critical to ensuring that our members and their employees are able to compete fairly in the global marketplace.

I'd like to provide some context, if I may, for the importance of these measures. The global steel sector today is facing an unprecedented overcapacity problem. Put simply, more steel is being produced than is required by the global market. This phenomenon is driven largely by China, where demand has declined while state-supported production has increased significantly. Through the maintenance of more than 425 million metric tons of surplus capacity, which is almost 30 times the size of the entire Canadian steel market, China's state-owned and state-supported steel sector has disrupted established trade patterns and degraded the pricing of steel products globally.

The result is the significant increase in market-distorting dumping and circumvention practices, both from China directly and from a host of other global producers whose home markets have in many cases suffered as a result of Chinese competition. Left with no choice but to export, these nations begin doing so aggressively, dumping yet more product on the global markets and further degrading global prices.

At the recent OECD high-level symposium on excess capacity and structural adjustment in the steel sector, the CSPA was encouraged to see the development of a consensus position from the governments of the European Union, Japan, Mexico, the Republic of Korea, Switzerland, Turkey, the United States, and, importantly, Canada that overcapacity and adjustment challenges facing the steel industry have an important global dimension that needs to be addressed through ongoing international dialogue. Unfortunately, China refused to participate in this joint statement or support its content.

The impasse here underscores Canada's need to fortify our domestic trade remedy system. Increasing instances of market-distorting trade in steel globally have been accompanied by an historic escalation in the number of new anti-dumping and countervailing duty cases initiated in 2015, with a continued escalation foreseen in 2016.

Understanding this trend, Canada should take immediate action to ensure that we do not as a jurisdiction become an attractive place to dump product. Our NAFTA partners in the United States have take significant action through the passage of the Trade Preferences Extension Act in June 2015 and the Trade Facilitation and Trade Enforcement Act in February 2016 to discourage dumping and circumvention in that market. Canada needs to keep pace.

With this in mind, the CSPA would express our appreciation for the inclusion in Bill C-15 of amendments to the Special Import Measures Act ensuring that investigations will no longer be terminated at the preliminary stage, which will allow investigators to more fully consider whether dumping and subsidizing are harming Canadian producers. We also welcome amendments that will address the timing of and process around expiry reviews, resulting in measures remaining in place for up to ten months longer before a decision is made as to whether to extend or rescind that measure.

Similarly, we're encouraged by the recent initiation, which was also promised in the budget, of a public consultation on potential future changes to the Special Import Measures Act, and we are hopeful of near-term legislative action to address: the calculation of dumping margins in situations where data in a given export market understates the degree to which products are being dumped; the enhancement of enforcement options available to the Government of Canada in instances of circumvention; and clarification in regard to the type and amount of evidence the domestic industry is required to put forward to get cases initiated.

The CSPA supports trade. We believe that with our efficient facilities and innovative workforces we can thrive in a free trade environment, but in order for trade to be free, it also has to be fair. Bill C-15 takes important steps to ensure fairness in Canada's trade remedy system, and we are hopeful that the consultation process will generate additional positive near-term results.

● (1130)

The Chair: Can I just interrupt you for a second?

The 30-minutes bells are going. I do have to ask if there's unanimous consent to stay until there are 15 minutes left on the bells. Are we agreed on that?

Some hon. members: Agreed.

The Chair: Good.

Could we also get unanimous consent basically to change the agenda so that the witnesses who are here in the first section will go until 1 o'clock? There are considerably fewer witnesses in the second section, so if we could have unanimous consent for the first section to go until 1 o'clock, it would give us the opportunity to question witnesses. Are we agreed?

Some hon. members: Agreed.

The Chair: Good.

Thank you, Mr. Galimberti. You can finish.

Mr. Joseph Galimberti: We would like to note that strong and consistent action defending Canada's fair market principles generates the needed confidence that investments in Canada will be protected against anti-competitive behaviours from other jurisdictions. In a highly capital-intensive and technology-intensive industry like steel, our members are in a constant competition with global affiliates to attract foreign direct investment into Canada. Maintenance of a free and fair market through WTO compliant policies, such as the modernization of our domestic trade remedy system and the continued enforcement of evidence-based, non-market economy provisions to applicable jurisdictions like China where state intervention in the economy is well established and harmful to Canadian industry, is crucial to securing future direct investments in Canada.

The CSPA and its members were also pleased to see domestic policy measures in budget 2016 that we believe encourage both continued investment and production in Canada. We welcome the government's $120-billion, 10-year infrastructure commitment, and our members look forward to the ability to contribute to the needed modernization and rehabilitation of Canada's public infrastructure. The CSPA shares the government's view of long-term infrastructure investment as an opportunity for contributions to national economic growth, and we believe that Canada's steel producers will play a substantial role in supplying critical inputs required by projects associated with infrastructure challenges of national significance. This is especially true since Canadian-sourced steel and Canadian infrastructure projects provide significant climate change benefits relative to imported alternatives.

Similarly, we are encouraged by budget 2016's extension of the automotive innovation fund through the end of 2021. We believe that this type of partnership between the federal government, the Government of Ontario, and the Canadian automotive industry for the purpose of attracting strategic, large-scale research and development projects is an important component of a collaborative effort to raise the profile of Canada's strong manufacturing capabilities.

In closing, I would like to thank the committee for the opportunity to appear today on this important legislation, and I'm happy to take any questions you may have.

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

Mr. John with the National Pensioners Federation, the floor is yours.

Mr. Herb John (President, National Pensioners Federation): Good morning. Thank you for the opportunity to present on behalf of Canadian seniors, the fastest growing and largest segment of the Canadian population.

My name is Herb John, and I'm the president of the National Pensioners Federation. With me is our counsel, Susan Eng.

The National Pensioners Federation is a national, non-partisan organization of 350 seniors' chapters, clubs, groups, organizations, and individual supporters across Canada, with a collective membership of one million seniors and retirees devoted entirely to the welfare and interests of aging Canadians. Seniors and those who care about them will welcome the measures announced in the federal budget, which are contained in Bill C-15, but more needs to be done.

Bill C-15 returns the OAS eligibility age to 65, which will be welcome news to those who were facing having to wait two extra years for the OAS benefit after struggling in their careers. An estimated 600,000 seniors live under the poverty line today, and this is not expected to change unless more is done to provide better income supports and reduce their critical expenses like home care and drug costs.

Bill C-15 increases the GIS for single seniors beginning in July 2016. Single seniors, especially women, face a far greater rate of poverty compared to their counterparts in couples. That will benefit 900,000 single seniors across Canada. While absolutely welcome, it is a maximum of just $2.60 per day.

Much more needs to be done to prevent poverty among seniors. The budget announced a proposal to introduce a seniors' index for OAS and GIS to help seniors keep pace with their cost of living. While that is a welcome change, the index should help seniors keep pace with the standard of living and should be tied to wage rate increases.

Also welcome is the announcement in the budget of $200 million over two years to fund seniors' affordable housing without requiring a cost match from the provinces, which has been a major barrier in the past. Secure housing, as we know, is a major social determinant of health. The funding of the Canadian Foundation for Healthcare Improvement and the Canadian Institute for Health Information is a welcome investment, provided that the Naylor report's call for a patient-focused approach to innovation is the centrepiece.

Unfortunately, the budget and Bill C-15 do not address several important election promises. There's no mention of the promise to remove the requirement for a terminal diagnosis to qualify for the EI compassionate care benefit, or an increased flexibility in how the benefit may be used. The requirement for a terminal diagnosis has in the past stopped people from applying for the compassionate care benefit. In addition, the flexibility in using the benefit better reflects how chronic illnesses play out.

There's no mention of the promise to invest $3 billion in home care and palliative care. There is an immediate need for sustained funding and national standards on home care. The patchwork of palliative care must be addressed immediately, and this new funding will be a major first step.

The promise to join the pan-Canadian Pharmaceutical Alliance will incrementally reduce the cost of many drugs, but a comprehensive national pharmacare system is necessary in order to ensure every Canadian is able to access needed medications regardless of income or postal code.

I will now turn it over to Susan Eng who has further recommendations for the committee.

● (1135)

Ms. Susan Eng (Counsel, National Pensioners Federation): Thank you, Mr. Chair and members of the committee.

As Herb John has already indicated, the changes in the budget and in the budget bill will go a long way to making sure that no senior ages into poverty. However, a lot more can be done.

For the immediate purposes of this committee study, there is an opportunity to both increase the amount of GIS increase beyond the $78 per month, and to make the change retroactive to January 1 rather than starting that change on July 1. That's an immediate step that this committee can take.

As this committee has mentioned in the past, there's a need to really look at a guaranteed minimum income. I encourage you to start immediately on the research of that. I know that this committee has recommended it in the past. I think there are some positive indications from the government at this point. It should happen as soon as possible. We want every Canadian not to face poverty, at whatever age they happen to be.

One of the measures that would helps us prevent poverty in old age is to make sure people have a good retirement income. As you know, we have been on the record that Canadians support an increase to CPP. At this point, while there has been a lot of talk, there has been very little action. There are a lot of promises at this point, which are also important, but we need to see some kind of action.

At this point, it also seems that the problem is with the provinces. This committee may have full-throated support for the increase to the CPP, but it will mean that each of the committee members and your caucuses will have to ask your provincial counterparts to step up. It has been quite a number of years that we have been talking about this, and even if there were change, it would take at least three years before it could be implemented. We're not getting any younger.

It is important for us to look at these issues when we're talking about the changes that are in the bill. They are targeted, after all, at making sure that people live without poverty at any age, and especially not in retirement.

Thank you very much.

● (1140)

The Chair: Thank you to all the witnesses.

We have time for the first question of the first round.

Mr. Ouellette, you have seven minutes, and then we will have to suspend for votes.

Mr. Robert-Falcon Ouellette (Winnipeg Centre, Lib.): Thank you very much, everyone, for coming here today.

I have a few questions, so we'll move to Joyce Reynolds from Restaurants Canada.

You talked about business tax. On the one hand, I understand that people want their taxes to be as low as possible, but there are so many other issues in our country that need to be addressed, and we have to try to balance these out. Often, many of these demands are costly. For example, with child poverty, there's Canada's child benefit, which is expensive. It's a major program. It's probably the largest expansion of the social safety net in living memory for many people. That's my comment on some of your testimony.

Have you ever thought about working with the convenience stores people? They've also been here previously, complaining about the high cost of credit cards and the rates. Have you considered looking at setting up your own co-operative using technology today, in order to create, not a regulatory framework but a competition in the market? You could actually challenge Visa and Mastercard and other major credit card companies—I believe those are really the only two. You could use the weight of your, I think, 29,000 members and combine it with the convenience stores—27,000—and all of a sudden you would have a very large group of people who could be working together.

Ms. Joyce Reynolds: We have worked very closely with the Retail Council of Canada, with CFIB, with the Convenience Stores Association, with the jewellery store association, in one of the largest coalitions to ever come together to try to take on Visa and Mastercard. It's a duopoly, and we have not been able to have any success.

The answer that we often get is to just say that you won't accept Visa and Mastercard. The fact of the matter is, there's always somebody that's going to accept them, and we can't afford to allow the business to go out the door.

We were very supportive of our competition commissioner, who took the case of unfair business practices by Visa and Mastercard to the Competition Tribunal. After studying it for some time, and those two companies putting in millions and millions of dollars, they ended up coming out with a ruling saying that a regulatory approach is the best approach on this issue.

There are 31 other countries around the world that have taken a regulatory approach, a different approach. Canada is still the country with one of the largest interchange rates in the world. It is five times higher than some other countries. We've been banging our heads against the wall for so long on this one that we're appealing to government for help.

Mr. Robert-Falcon Ouellette: The next question is for Mr. Galimberti of the Steel Producers.

I was just reading one of your presentations previous to this. You talk about China steel and how it's entering the marketplace and that there's an oversupply of steel. You highlight in one of your presentations here that the United States has taken significant action with the Trade Preferences Extension Act and the Trade Facilitation and Trade Enforcement Act.

Also, you quote Barack Obama, who on February 23, 2016 said, "What is possible is making sure everyone is playing on a level playing field and that people are operating fairly, and, frankly, I don't think it is any secret that China in the past has not acted fairly.... [This bill] allows us to take more aggressive actions, so you are going to see firm, tough enforcement of our existing trade laws."

Since you highlight this in your report, can you comment on the American experience?

Mr. Joseph Galimberti: Certainly they've taken some strong legislative action. It's an area to which the U.S. administration has really turned its attention from a trade perspective. The U.S. sent two very senior political representatives from the Obama administration to the OECD meeting that I mentioned earlier to try to get a deal done. The U.S. has a specific steel dialogue ongoing with the Chinese and they are trying to address the problem gradually. The pain in the U.S. market is extreme. They are a destination of preference for a lot of imports from China. We don't want Canada to become a back door for the Chinese into the United States. Without needed reforms to our own remedy system, we are a viable landing. We've certainly seen the administration grow quite serious about it very recently.

● (1145)

Mr. Robert-Falcon Ouellette: You also talked about how because they are our NAFTA partners, if we don't strengthen ours and if we don't work in conjunction with the people from Mexico, the U.S. and here, we could become the back door.

Mr. Joseph Galimberti: Absolutely.

We are a fully integrated steel market here in North America. We've seen some instances where ships that we believe were originally destined for the United States have instead come to ports like Hamilton because they believe it's a more attractive place to offload. That steel on the dock in Hamilton has a negative pricing effect on the entirety of the North American market and it can just as easily be rerouted to the States.

Mr. Robert-Falcon Ouellette: What's the average salary in the steel industry?

Mr. Joseph Galimberti: The average steelworker in Canada makes between $75,000 and $85,000. These are highly trained and highly educated individuals.

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

We will suspend for the vote. We will likely be gone for 25 minutes or so.

● (1145)

(Pause)

● (1215)

The Chair: Mr. Liepert, you have seven minutes as we reconvene for questions.

Mr. Ron Liepert (Calgary Signal Hill, CPC): Thank you all for being here. I know that this was a rather hurried exercise and has been a little disjointed today. Thanks for your patience.

I want to spend a little time, Ms. Reynolds, asking you a few questions relative to what isn't in the budget. You made mention of it: the promise that all parties made during the election campaign about reducing the small business tax. We've also heard from the Canadian Federation of Independent Business, and I think the parliamentary budget officer did a report on it as well.

What I'm interested to know is whether your organization has any data that lays out what a cut to the small business tax of, say, half a percent means in the way of job numbers and maybe even on whether not having the cut to the small business tax rate might result in such things as the closure of businesses?

Is there any data that you have to back up some of these issues?

Ms. Joyce Reynolds: I can go back and speak to our economist to find out specifically about the difference between the 10.5% and 9% and see whether he can do some calculations of what the job impact would be, but I have to say that I don't have them on hand.

Mr. Ron Liepert: That's fair. If you had something you could provide us, I think it would be very helpful.

I happen to represent a riding in Alberta, and the provincial government has started a very aggressive increase in the minimum wage. I know this is not necessarily tied into the federal budget, but what is the impact of the combination of no tax relief and being forced at the same time by government to pay a higher minimum wage and probably being impacted by—the government has certainly indicated federally that they're looking at doing this—increasing CPP premiums...? Do these issues also impact your members in a significant way?

Ms. Joyce Reynolds: The minimum wage issue in Alberta is very concerning to our members. We are looking at many restaurants that are struggling to hold on to their businesses and hold on to their employees, given the huge downturn in the economy. We surveyed our members on the impact of the minimum wage increase that happened last September and the potential of a $15 minimum wage under the current economic situation in Alberta, and 49% said that it's going to result in a reduction in staff. They're obviously going to have to raise their prices. I don't have all the stats in front of me right now, but I know that 94% said it would have a huge negative impact on them.

● (1220)

Mr. Ron Liepert: Have your members raised any issues around CPP contributions?

Ms. Joyce Reynolds: We're getting a lot of feedback is about the ORPP in Ontario. There's huge concern about the impact it will have on jobs, going forward. We are a very labour-intensive business—food and labour account for the lion's share of our operating expenses—so when labour costs increase significantly for us, as a very small-margin industry, it always has an impact on our ability to provide hours and jobs.

The Chair: I don't want to interrupt you, but it would be best if we could stay as close as possible to the federal budget implementation act, because that's what we're here to discuss.

Mr. Ron Liepert: Okay.

One thing in the federal budget act is the Canada summer jobs program. Are you familiar with it?

Ms. Joyce Reynolds: Yes.

Mr. Ron Liepert: Is there much take-up on this program within your industry?

Ms. Joyce Reynolds: Yes, there is take-up on the program. I'm sorry I don't have stats on that, but I know that it's a program that is used by our members in different parts of the country.

Mr. Ron Liepert: I have just a couple of questions to Ms. MacEwen. I think we had discussions previously. I think you made a presentation prior to the budget.

You made some comments in your opening remarks today on private-public partnerships. I can't remember the exact terminology for it, but it's basically the P3 initiative by the federal government. What basis do you have to make the comment that the P3 process is more expensive? I think, both federally and provincially in the country, we've had good indications that in certain projects—not all of them, but in certain areas—P3s work very well.

Ms. Angella MacEwen: Actually, the Auditor General did a report showing that in Ontario it's more expensive and that the risk stays in the public sector, and what we're sold is that the risk is privatized. The profits are privatized, and the risk remains in the public sector. Also in Saskatchewan the Auditor General showed that this was the outcome, what has actually taken place.

You could possibly design a system that didn't operate that way, but that's not what we've had. That's why we're calling for transparency.

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

Mr. Caron.

[*Translation*]

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

I thank the witnesses for being here today.

I have a number of questions. Since I have just seven minutes, I'll probably ask four questions to four witnesses, to cover all the points that interest me.

Ms. Eng and Mr. John, thank you very much for appearing before the committee. Ms. Eng, I believe we've worked together in the past.

My first question has to do with changes to the guaranteed income supplement, which will not come into force until July. My political party and I are proposing that these changes be applied retroactively to January 1, 2016.

Do you have any concerns about the date? You mentioned your concerns about the amount of money and about the people who are excluded. Can you speak more to that?

Do you think there will still be a very high number of seniors in poverty after these changes are implemented? Can you give us an estimate of how many?

[*English*]

Ms. Susan Eng: Absolutely. Thank you for the question.

Today, using the low-income measure, there are about 600,000 Canadian seniors living in poverty. The poverty line is different for each geographic region. It's not to say that all those who are living in poverty are just under the poverty line; rather, many are in the mean, which is sometimes in the range of $9,000 a year. This is clearly not enough for people to live on, and when they live in poverty, it's severe poverty.

The amounts that are in the budget today and the other help for improvements to housing and so on will of course make a difference; in fact, the increases to GIS are supposed to help 900,000 seniors. That is also commendable, but will it lift every one of them out of poverty? The answer is no. The exact amount that is necessary has not been identified, but the fact remains that this is not enough to reach the actual goal that we should be reaching for, and that is to make sure that no senior is living in poverty in Canada.

Obviously, the patchwork that we have, while welcome, needs to be improved. We could make improvements, within the context of this committee's mandate, by increasing the amount, or by broadening the date on which it happens.

● (1225)

[*Translation*]

Mr. Guy Caron: Thank you.

Mr. Parent, you spoke about the challenges of evaluating the fairness of the measures and compensation promised in the bill. You're well aware that before, the bill was separate and was known as Bill C-12. It's now integrated into Bill C-15.

These are exactly the kind of questions we could have asked and could have gotten answered if experts had appeared before the Standing Committee on Veterans Affairs, to which Bill C-12 would have been referred. If we could have heard what came out of a study by the Standing Committee on Veterans Affairs on this bill, it would have been better than integrating the bill into another bill that also requires discussions with venture-capital representatives, restaurant owners, and retirees, for example.

Mr. Guy Parent: Thank you for the question.

It is important to realize that all of the measures taken by the previous government and the current government have attenuated the negative aspects of the new veterans charter. At the very least, experts could have established objectives.

This budget contains measures to fill the gaps, but they are not necessarily elements that were planned. People say that the benefits were introduced over the years and combined with other things. We do not necessarily have the shared goal of determining what we want for our veterans. Do we want them to reach the poverty line or surpass it? We haven't talked about that. The committee would benefit from getting a better sense of what our veterans and their families need.

Mr. Guy Caron: Which will be impossible because the bill is part of a bill that amends 35 different bills.

Mr. Guy Parent: Exactly.

Mr. Guy Caron: Thank you.

Ms. MacEwen, I have a quick question for you because I have just a minute left.

You talked about asset recycling and P3. Is there a connection there? Many people see asset recycling as privatization. What impact do you think asset recycling will have? What plans do you think the government has for this?

[*English*]

Ms. Angella MacEwen: Our research shows that asset recycling is very often used in order to privatize. It's kind of a back door to privatization. It's sold as something to increase efficiencies. We would sell something that has a revenue stream to the private sector and then we get more money to make more investments. Very often the theory behind that is that the private sector can do it more efficiently. The way that the private sector does things more efficiently is by lowering wages and benefits to workers or by adding fees for users. Either we're not getting the service that we need or the workers aren't getting a fair shot, so we think that it's better to find other ways to raise money to invest in the public infrastructure that we need.

There's no such thing as a free lunch. This seems like it's too good to be true, so it is.

[*Translation*]

Mr. Guy Caron: Thank you.

I have one last question for the Fonds de solidarité des travailleurs du Québec representatives. We worked together quite a bit when the tax credit was eliminated.

The government and opponents of the venture capital fund tax credit claimed the funds were under-performing and the tax credit therefore promoted ineffectiveness. Can you talk about the performance and the work that has been done for shareholders over the past year, three years, or five years?

Mr. Gaétan Morin: Thank you for the question. It gives me an opportunity to provide more detail about the dual mission of the Fonds de solidarité des travailleurs du Québec and tax-advantaged funds.

The first part of the mission is, of course, to invest in Canadian funds and businesses. The second part of the mission is to promote saving. We are accountable to our shareholders and our investors, who are members of the middle class. The average annual contribution is $2,500. We also have to provide them with an adequate return. The return over five years was 6.1%. Over three years, it was 7.3%. Calculated over a longer period since the fund was created in 1983, the 30-year return was 4%.

● (1230)

Mr. Guy Caron: Thank you.

[*English*]

The Chair: Thank you both.

Mr. Sorbara, you have seven minutes.

Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.): Thank you to our panel for your patience this morning as well.

I could probably speak to each witness, ask questions and stuff, but I would like to focus my remarks on Mr. Galimberti from the steel association.

On a personal level, my riding president is a member of the buyers' side, and another good family friend has their own steel company in Brampton. I was speaking to the first individual, who is a buyer of steel, and I asked him this morning, "Are the Chinese dumping steel?" His comment was, in two words, "Big time", and he gave me an example.

There were 30,000 tonnes of steel destined for our largest trading partner, the United States. The U.S. put duties on steel, so the steel came to Canada and was sitting on our docks. Then the internal price for steel was around $50 cwt, versus what this steel was selling at, which went from roughly $18, from some upward price pressure, to the mid-$30s.

I do get it, I do understand it. The jobs that are generated by all of the steel industry and the ecosystem around are well paying, have good benefits, and are in highly skilled advanced manufacturing, and we need to protect this industry. We know that there are steel producers in the world where there is over-capacity, and they're dumping steel. We know that the steel producers in Canada and the whole ecosystem is much more environmentally friendly than the steel industry back in some of the Asian countries, in China specifically.

Within Bill C-15 there is part 4, division 10, on the Special Import Measures Act. I take it, Joseph, you're familiar with that.

Mr. Joseph Galimberti: Yes.

Mr. Francesco Sorbara: I want to get your comments on part 1 and part 2 and the amendments that we have offered in our bill and how potentially beneficial or significant they can be to the steel industry.

Mr. Joseph Galimberti: First, to touch on the point you were making about the prevalence of dumping, we know it's going on. Our producers are very aware of it. To give you a particularly prescient example, I get all kinds of solicitations in my email to buy Chinese steel. I get about five or six a week. They're not particularly sophisticated, but the solicitations come in.

I followed up on it. I'll give you a really recent demo, because every once in a while I'll offer or suggest that I might be interested in buying steel, just out of personal curiosity. The willingness on the other end of the email to tell you how to circumvent existing duties, to import product through third countries to get around even the laws or the measures we currently have in this country, is extraordinarily easy to find. I give domestic buyers a lot of credit for staying with domestic producers, because if you're willing to overlook a terrible practice, there are other options out there.

The steps proposed in this bill are certainly meaningful. The continuance of investigations, no more sort of parking investigations at the preliminary stage, giving CBSA more time to get to the bottom of what's going on, is extraordinarily important from our perspective. The changes around the process of expiry reviews that ultimately move the initiation of the review closer to the day of the expiration, change some timelines, and redefine some process, ultimately mean that when the CITT, the Canadian International Trade Tribunal, makes a finding, this will functionally extend that finding, that evidence-based or procedural-based finding, for 10 months.

The ongoing consultation on another range of issues we hope is going to provide additional legislative benefits very shortly. We appreciate that the Department of Finance needs to consult on these matters. That consultation is scheduled to end around the end of June. We're hopeful of additional legislation shortly thereafter to continue keeping us on a level footing with our NAFTA partners.

Mr. Francesco Sorbara: Not only on a personal level, but as an economist by training, I do believe in the benefits of free trade. I think that it's obviously been beneficial to our economy. We are an open economy, and we are a trade economy, but I'm also very acutely aware of practices that are poor for the environment and poor for our domestic industry.

Whether it's a normative judgment or whatever word you want to use to describe it, I think that in this case we must act like our U.S. partners and not be the boy scouts of the world. Thousands of jobs are dependent on this in various industries across Ontario, and in the riding I belong to, and we need to make sure we're standing up for them. I think these amendments are a big step forward.

● (1235)

Mr. Joseph Galimberti: You make an excellent point about fair trade and free trade. We believe that all of the measures proposed here are WTO-compliant. This is really about a level global playing field. We're talking about the prevention of dumping and subsidy. We're not talking about the prevention of fairly traded goods.

Mr. Francesco Sorbara: Mr. Chair, how long do I have?

The Chair: You have about one minute left.

Mr. Francesco Sorbara: I'm going to give the last minute of my time to Mr. MacKinnon.

[*Translation*]

Mr. Steven MacKinnon (Gatineau, Lib.): I thank my colleague.

Thank you, Mr. Chair.

My question is for the Fonds de solidarité des travailleurs du Québec representatives.

I would like to begin by thanking you for joining us today. We were so pleased to make what turned out to be very fitting changes to this budget.

The committee is discussing venture capital and the venture capital climate in Canada. Since I don't have much time left, would you briefly describe your role in Quebec with respect to venture capital and tell us about some success stories?

Mr. Gaétan Morin: I will respond by talking about our role in Quebec as well as Canada.

We do our work two ways. Over the past 10 years, we have invested $2 billion in pure venture capital. We do this indirectly by investing in funds.

One of those funds is Lumira Capital, a Toronto-based biotechnology and life sciences fund.

In our field, you often hear about “lead order”. Even in tough times, we have always been there. Our consistent activity in the life sciences sector has enabled the sector to thrive in Quebec and Canada. In Lumira Capital's case, we invested $35 million in a $125-million fund. We were the lead order. The people at Lumira will tell you that without our investment, the company would not have managed to raise $125 million.

That has knock-on effects. Lumira Capital itself then invested $20 million or $25 million in a Vancouver company called Zymeworks, which is in cancer research. We ourselves invested directly in Zymeworks with the help of Lumira Capital. You often hear about a multiplier effect on the order of four to one or five to one for the investment we made.

We have been investing directly in the life sciences sector for about 20 years. The FTQ's Fonds de solidarité was an investor shareholder in BioChem Pharma, which had discovered an HIV drug at the time, a drug that has saved hundreds of thousands of lives around the world.

Following our success with BioChem, we have steadily invested close to $1 billion—$950 million—over the past 20 years in the life sciences sector. BioChem is a good example. There are plenty of other good examples that have propelled the biotechnology sector forward not just in Quebec but across Canada in collaboration with funds in Toronto, Vancouver, and elsewhere.

I don't know a lot of institutional investors that have committed $2 billion in pure venture capital over the past 10 years.

[*English*]

The Chair: Thank you, Mr. Morin.

For the witnesses who have come in for 12:30, due to the vote, we have decided to extend this session until 1.

Mr. Aboultaif.

Mr. Ziad Aboultaif (Edmonton Manning, CPC): My first question is for Ms. Reynolds.

I was a restaurant owner more than once in my life. The last time was in 2015 before the election. I see that two things that impact the industry are the CPP premium and the employment insurance increases.

Could you please tell us a little bit about the impact of these on business ownership? The restaurant industry is very fragile, as I call it. It is one of the businesses that is exposed to being closed down in a matter of time because of low profits or no profits and running around the clock to see if one can find a balance to make money. Could you tell us what the impact is going to be on the number of restaurants we have in Canada and how that's going to affect the industry at large?

● (1240)

Ms. Joyce Reynolds: Payroll taxes tend to have the biggest impact on the restaurant business because it's so labour intensive. As I mentioned before, we're a number one first-time job provider. We have about 25% of our workforce under the age of 25, and payroll taxes are regressive in a sense, because you pay disproportionately more when you have entry-level workers at a starting wage. It does have a very detrimental effect on businesses.

That's why we are very supportive of the year's basic exemption in the Canada pension plan, which helps to make CPP a little bit more progressive. What we are looking for with the CPP is the restoration of inflation protection to $3,500 and the inclusion of something similar to the year's basic exemption as a part of EI. We don't want youth losing out on those foundational skills they get in their first job, reaching the age of 28 without ever having held a single job and losing the opportunity to progress within the labour force, but instead can have that all important experience on their resumé so they can increase their earning power at a later date.

Yes, for all those reasons, payroll taxes have a very big impact.

Mr. Ziad Aboultaif: Ms. MacEwen, historically we know in business that public-private partnerships or P3s, when governments invest or take on projects on their own using public money, the experience seems to be unsuccessful because governments should not be in business. At most, governments should be involved with legislation, making the rules, and putting in place the proper tools. Don't you believe that's where we fail with the P3s—and you mentioned some reports from Ontario and others—as a result of government negotiations with the private sector rather than our using the business model?

Ms. Angella MacEwen: No. There are public services that can be efficiently and effectively provided by the public sector. The private sector is not necessarily better at providing those services, because those services don't necessarily generate profit, which is what the private sector is interested in. Those services serve the welfare of society as a whole.

I'm talking about services that businesses benefit from: having efficient water, roads, electricity, education, and health care all publicly provided. You get better service, and it's more efficient if the public sector is providing it. The research shows that to be the case.

Mr. Ziad Aboultaif: I have to disagree.

Ms. Angella MacEwen: You can disagree.

Mr. Ziad Aboultaif: I want to disagree but I don't want to turn this into a debate. You talk about raising money. Where is the government going to raise money to fund such projects? That means going back to taxpayers to ask for more money instead of using private sector money that could be negotiated up front. At least you know that your costs are fixed and you know that you don't have some surprises down the road. That's exactly where I see this. I believe with better negotiation, governments can get better deals for people without having to go to the public treasury for taxpayers' money.

The Chair: Do you have a quick response?

Ms. Angella MacEwen: Absolutely.

I think taxes are the price we pay for a fair and healthy society. If we have progressive, fair, transparent taxes, we all benefit. We can always borrow. Borrowing costs are really low right now.

The Chair: Mr. Grewal.

● (1245)

Mr. Raj Grewal (Brampton East, Lib.): Ms. MacEwen, you spoke about infrastructure funding, so you'll be happy to know that we have repealed the public-private partnership screening on the Building Canada fund. That's a little good news to start.

In your press release on budget 2016, you mentioned the national framework on early learning and child care, for which the budget sets aside $400 million. I want to know if your organization has a framework for how we're going to spend this money or has done research in this area.

Ms. Angella MacEwen: Yes, we have worked with a coalition of child care workers and providers about where we think it would be best spent and how we would like to do that. That coalition has a framework.

Mr. Raj Grewal: Could you send that document to the clerk so we could have it for review?

Ms. Angella MacEwen: Absolutely.

Mr. Raj Grewal: The court challenges program was highlighted by your organization as an important service that was cut by the previous government. Could you explain how often or by how many Canadians this program was used on average prior to being cut?

Ms. Angella MacEwen: That's not my area of expertise. I'm sorry, I don't know.

I do know that it's valuable. and I can send the committee a copy of our research on that.

Mr. Raj Grewal: That's perfect. Thank you.

My next question is moot, based on that point, because I was going to see the correlation between increasing the funding and the extent to which the program was overadopted. Nonetheless, if you could send us those statistics that would be great.

Mr. Chair, I will be giving Mr. Champagne some of my time. If there's time left over I'll come back.

[*Translation*]

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

[*English*]

Thank you all for your time here today.

[*Translation*]

I'll start with some questions for the Fonds de solidarité des travailleurs du Québec representatives.

I know that my colleague, Mr. Caron, also studied the impact of the credit. How many workers benefit from your investment program? If I am not mistaken, I believe it is around 600,000. I would like to understand the impact that the fund has on investors as well as on the companies it invests in. Many of our discussions here in committee are about support for small and medium-sized businesses. This issue is of interest to all members because we know that Canada's economy relies heavily on SMEs.

I would like to understand your role. First, how many contributors do you have, and what do you do for them? Second, what is your role in the investment world and in supporting SMEs in this country?

Mr. Gaétan Morin: We play an important role in enabling members of the middle class to save money. As I said earlier, our shareholders are not rich and famous. They really are middle-class people. A big part of what we do is educating people and helping them invest for the long term, for retirement.

Many of our 630,000 shareholders made their first RRSP contributions through the Fonds de solidarité. Our Quebec-wide network of volunteers helps us raise Quebeckers' awareness. We really focus on making sure that our volunteers, who are in workplaces, are near potential shareholders. Raising awareness is important, but what counts in the end is the proximity of those who encourage others to save.

As I also said earlier, the people who contributed to RRSPs for the first time—I believe it's more than 60% of them—continued to do so in other financial institutions. The tax credit was certainly advantageous for labour-sponsored funds, but it also prompted Canadians to invest with other financial institutions for retirement.

With respect to the effect of that, if the tax credit had not been there to encourage those individuals to save the $2,000 or $2,500, I'm not sure that money would have been invested. It would definitely not have been invested in venture capital. According to one study, people would be less likely to save for retirement. That money would probably be spent instead. That's not bad for the Canadian economy, but I think we need to recognize the importance of saving too.

If we were not there to enable people to save with the help of the tax credit, that money would not have flowed to Canadian companies, and certainly not to venture capital. Of the 2,500 companies that have received a Fonds de solidarité investment, 80% are SMEs with fewer than 100 employees.

Our primary mission, our work, is to invest in SMEs, which, may I remind you, have created a lot of jobs in Canada over the past decade.

● (1250)

[*English*]

The Chair: Mr. McColeman, the floor is yours.

Mr. Phil McColeman (Brantford—Brant, CPC): Mr. Galimberti, I just want to go down the road a little more of your comment on overproduction and surplus, but first let me frame the question.

About a week and a half ago, on a weekend, I met with an owner of a local steel company in my riding in southwestern Ontario. They employ just over 400 individuals and have very good wage structures, as you had mentioned. He was expressing to me the fact, first, anecdotally, that they dealt with four other companies in the Cambridge area. I'm from Brantford, and so this company's in Brantford. He said all those companies were gone.

That leads me to what I want to ask you, what are the prospects in the future? They burn somewhere in the neighbourhood of $80,000 a month worth of natural gas processing the steel. He said that with the cost of electricity; with a projected carbon tax that they're looking at costing, when they break it down by employee, of about $9,000 more overhead a year per employee; and the prospect of additional payroll taxes because of what was mentioned, I think, by another witnesses, including the Ontario pension plan that is being put in place—

The Chair: Mr. McColeman, this is on the federal budget. I'm assuming that you're getting to it.

Mr. Phil McColeman: I'm framing the question around a manufacturer who has to deal with these implications—

The Chair: It seems to be about Ontario politics, but let's get to the budget implementation act.

Mr. Phil McColeman: I want to ask you in general terms, on the issue of overproduction and surplus that you brought up, and the issues that companies such as this face in your industry, and the impact of these additional costs on businesses, what are you hearing from the people you represent in the industry? What are you hearing, even if it's anecdotal, about the process? Frankly, I walked away feeling rather depressed about the prospect of this company staying in Canada.

Mr. Joseph Galimberti: I don't want to minimize the challenges facing the domestic industry. A couple of our larger members are currently in CCAA processes. They're doing restructuring for sale. We are optimistic, or they have expressed optimism, that there are viable assets there; that these will be successful sale processes going forward; and that they'll attract investment.

I also don't want to minimize the challenges associated with things like the cap-and-trade program in Ontario. Although there are—and I know this is a federal thing—allowances until the first compliance period in 2020, we don't have clarity beyond the first compliance period or as to the capacity of electricity. These are business uncertainties, and business does not like uncertainty for the purpose of investment.

You talk about the importance of maintaining manufacturing in Canada. If we're going to achieve goals like GHG reduction, Canadians feel it's much more environmentally responsible when you're building something in Canada to use Canadian steel. We benefit from Ontario's green power grid in the province of Ontario specifically. These are all things we need to preserve if we're going to help with global warming.

Also, this goes to what I was saying about the federal infrastructure program. We hope Canadian companies have an opportunity to participate in this. It cannot be lowest-common-denominator sourcing. If governments, writ large, are going to consider costs of carbon or commodities for the purposes of cap and trade or carbon tax, then when they are sourcing green infrastructure projects, they cannot simply go to a lowest-common-denominator procurement strategy.

We hope our producers are going to be able to participate. The amount of money is meaningful, and when you're looking at making an investment in this country, I believe that kind of a program colours it.

● (1255)

Mr. Phil McColeman: I'd like to go to Madam Reynolds. You mentioned early in your comments that the tax system is overly complex. Of course, with the implementation bill, we're adding more and more complexity to the system, because we're changing things and adding new requirements for restaurateurs and such in terms of payroll taxes.

In terms of the cost to the average restaurateur, as far as red tape and the things they have to do to run their businesses and comply with government regulations go, do you have any statistics regarding what that cost is as a percentage of their overhead costs?

Ms. Joyce Reynolds: No. It's cumulative. You have a lot at the municipal level or the local level, and then you have the provincial level and the federal level. Also, what's required provincially could contradict what's required federally. It varies from region to region, so it's really difficult to sort out.

If there is any way it can be simplified...and if there's help to operators in terms of interpreting what the requirements are, that's important, as well.

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

Ms. O'Connell, we have about four minutes.

Ms. Jennifer O'Connell (Pickering—Uxbridge, Lib.): Mr. Parent, I wanted to ask a question with regard to some of the changes you spoke about in your testimony. I looked for the transcripts from our meeting when we had officials testify, but I couldn't find them. They're not prepared yet.

I'm going to be paraphrasing a little bit. I'm just wondering if you watched the testimony by our officials. If you didn't, that's okay.

When we're talking about some of the changes like diminished earning capacity and things along this line, I know you mentioned in your testimony here today that it's a step in the right direction but that you're not quite sure how some of the implementation will be; and I get that.

However, from the officials there was some discussion with regard to things like case assessments and, with this new language, the opportunity to assess individual cases. Again, I'm paraphrasing, because I couldn't find the exact wording. Is moving towards that type of case-by-case assessment, now with the new language, what you and your organization are hearing about from veterans?

Mr. Guy Parent: Yes, that's a good point. I think that changing the language will facilitate access, assessment, determination. In fact, the allowance was called the permanent impairment allowance before, and it's now called the career impact allowance; yet, when Bill C-55 introduced this particular benefit, it did say that it was to compensate for the loss of capacity to earn for retirement and to progress in the armed forces through the different rank structures. It has nothing to do really with the impairment per se, but with the ability to earn. I think it's probably a lot easier, too, to interpret a situation in a case management context based on someone's capacity to earn rather than the physical deficiencies of that individual.

Ms. Jennifer O'Connell: When the testimony, the transcripts, come out, I would encourage you to take a look to see if it is going in the direction your organization hopes.

Mr. Guy Parent: Yes, thank you. I should correct that: I personally didn't want a transcript, but my communications team has them. We certainly have that information.

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

I don't have that much time, so I just want to move to Ms. MacEwen.

You started to speak about how if the PPP program were to be changed or improved...and then your time ran out. It was a comment about independence or integrity. I'm not sure what it was, as you didn't finish your statement. Could you just maybe elaborate a little bit so that I know what you were asking for?

● (1300)

Ms. Angella MacEwen: The Canadian Union of Public Employees has done a lot of work around this. What we're asking for is comprehensive P3 accountability and transparency legislation.

Ms. Jennifer O'Connell: That was simple. Thank you.

Finally, Mr. Galimberti, I understand the dumping of steel from Asian markets, particularly China. In my previous life as a municipal councillor, we heard some concerns from industry about that quality as well. Is that a concern? Notwithstanding that I've heard your presentation and I completely understand the dumping issue, should we also be worried about the quality or integrity of this steel product, which can change from what it was in its original form. Is it a concern too that an unsuspecting buyer, lets say, doesn't realize that they're not buying a domestic product and that the product they are buying lacks quality assurances? Is that also something that you're concerned about or that your organization is looking at, or are you mainly dealing with just the trade aspect?

Mr. Joseph Galimberti: We're primarily focused on trade, but I would say there are enough actors and bad actors in the system that there is going to be an element of product that arrives here that is probably not going to be satisfactory. I'd certainly leave that with the building code folks, or the industries that end up being the end-users of this. I can speak to the domestic product, which is an extraordinarily high-quality product that is extensively monitored and tested, with tremendous investment. Whatever is arriving as imports....

Ms. Jennifer O'Connell: Great. Thank you.

The Chair: We will cut it there. I will thank the witnesses.

I believe, Ms. Reynolds, that you are going to provide us with a paper as a result of a question on this side.

Ms. Joyce Reynolds: I'm going to have our economist look into it to see what he can do.

The Chair: Mr. Galimberti, based on the discussion between Mr. McColeman and you, I believe you are aware that we will be holding pre-budget hearings in the fall. We hope those may be along the lines of what negative things impact growth and what positive things would improve growth. You might want to keep that in mind for the fall.

Ms. MacEwen, I think there were a couple of documents asked of you.

Thank you very much all of you for your presentations. We'll suspend for a couple of minutes while the next series of witnesses comes up.

● (1300)

(Pause)

● (1305)

The Chair: I would ask the witnesses and members to come to the table. We will have to leave 10 minutes at the end of this session for the business of the committee.

We are starting this session with the Canadian Teachers' Federation, the PEI Coalition For Fair EI, and the Conference Board of Canada.

We will start with Mrs. Smith and Mr. McGahey from the Canadian Teachers' Federation. You have five minutes.

Mrs. Heather Smith (President, Canadian Teachers' Federation): Thank you for the opportunity to address you regarding Bill C-15.

My name is Heather Smith, and I am president of the Canadian Teachers' Federation. With me here today is Bob McGahey, CTF director of advocacy and labour rights.

After our comments, we do have a written brief that expands on the points that we are going to make.

CTF is a bilingual, non-partisan alliance of provincial and territorial teachers' organizations in Canada. We represent over 200,000 teachers, and that number is growing. As a unified voice of teacher organizations in Canada on education and related social issues, we promote high-quality public education, the status of the teaching profession, and the freedom to learn.

The CTF is on record as being generally pleased with the progressive nature of the most recent federal budget. Teachers do, however, have some concerns about specific initiatives, especially as they relate to the improvement of mental health for students and teachers, the need for education to be a priority for the government's overseas development assistance, and the alleviation of child poverty.

We believe these issues should be government priorities. Our comments today focus on the alleviation of child poverty, and we look forward to future opportunities to comment more broadly on some of our other issues.

Turning to the child tax benefit, the alleviation of child poverty is of critical importance to teachers. Each day in our classrooms, Canadian teachers engage with children and youth who are hungry, tired, and struggling due to poverty.

The Canada child benefit program is a good first step towards alleviating child poverty. We agree with the rationale of the Dignity for All campaign's national anti-poverty plan, which calls for strong federal leadership in reducing and ultimately eliminating poverty. While the Canadian Teachers' Federation commends the government for taking action, we believe that more needs to be done.

With regard to the Canada child benefit, we recommend that, one, provisions be put in place to ensure the benefit is indexed to inflation and, two, the Government of Canada enter into agreements with the provinces and territories to ensure the benefit does not adversely affect entitlement to other social assistance programs.

I will only briefly mention employment insurance, as I believe colleagues from the Canadian Labour Congress have expanded on this, and more information is contained in our brief.

The recommendations are, though, that categories of workers be eliminated from the EI program and all workers be treated equally under the system, and that claimants be provided with a choice regarding the duration of the waiting period so that they may choose to waive the waiting period entirely, take a one-week waiting period, or take the two-week waiting period.

Lastly, I want to focus on the school supplies tax credit. First, as a bit of context, the Canadian Teachers' Federation firmly believes that governments have a responsibility to fully fund the education system so that all children and youth have access to an equitable, quality, publicly funded public education.

Teachers should not have to subsidize the system, yet we know that chronic underfunding has led to a situation in which teachers are spending significant amounts of money to support student learning. A 2010 CTF national study confirmed that out-of-pocket expenditures by educators for classroom materials or class-related activities averaged $453 per educator, and that figure is increasing.

Given that teachers have been subsidizing the education system for years now, the CTF does appreciate that teachers will now be reimbursed at least for some of their out-of-pocket expenses. To improve the credit, however, the CTF has two main suggestions. The first is that Bill C-15 be amended to remove the requirement of a written certificate from employers. This change would recognize the professional judgment of teachers, who are in the best position to determine what needs to be purchased. It would also prevent the potential blurring of this credit with other taxation provisions provided to goods required as conditions of employment.

● (1310)

Our second suggestion is that the list of prescribed items in Bill C-15 be amended to include a subsection E stating “other non-consumable educational resources“. We suggest this addition, as we do not believe it's possible or helpful to enumerate an exhaustive list of the non-consumable items a professional teacher may deem necessary to support student learning in the diverse K-to-12 classrooms across our country.

Thank you for your attention, and I welcome your questions.

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

Turning to, Ms. MacKay, from the PEI Coalition For Fair EI, welcome. It's always good to have another Islander in Ottawa.

Ms. Lori MacKay (Chair, PEI Coalition For Fair EI): Of course.

The PEI Coalition For Fair EI would like to thank the members of the committee for hearing from us. I am pleased to be able to appear before you on behalf of the coalition. We formed this coalition with community groups, citizens, and unions as a response to the 2012 changes to the employment insurance program by the previous government.

The 2012 changes were incredibly punitive to workers in the seasonal industries on Prince Edward Island, and largely still remain so after Bill C-15 was introduced. Some improvements were made, but little for seasonal industries.

The PEI Coalition continues to call on the Liberal government to fulfill its election promise to completely reverse all of the 2012 EI changes. This has not yet been done despite the Minister of Labour's comments in the House of Commons.

We welcome the changes to reduce entrance hours and the reduction of one week from the waiting period for some EI recipients, as was announced in Bill C-15, but they do little to help seasonal workers. The reduction of one week from the waiting period will certainly help to get much needed funds into the hands of unemployed workers who do not use their full number of weeks of benefits, but it will not be helpful to the many seasonal workers in Prince Edward Island who do not have enough insurance to last the entire period of unemployment, especially since 2012. This change means that they will run out of benefits one week sooner.

Bill C-15's response to the downturn in the oil industry, in giving an additional five weeks of benefits to regions that have experienced a 2% increase in unemployment in the last year, certainly will help some workers, but definitely not all that are affected. It creates an unfair gap.

The budget completely ignores P.E.I. and our neighbouring provinces, New Brunswick and Nova Scotia, who lost the additional five weeks in 2012. Despite the fact that P.E.I. has an 11.5% unemployment rate—the second highest in the country, and up 1% from last year in April—this budget bill did not return the five weeks lost. Now the many displaced oil workers from Prince Edward Island are returning home without the five additional weeks that their co-workers are receiving, despite the fact they are returning to areas of higher unemployment and access to fewer jobs—unless of course they're returning to Newfoundland.

Just as important as the need to return the five weeks of additional benefit to our province is the need to immediately remove the additional zone for Prince Edward Island. P.E.I. was always considered one economic zone for the purposes of EI for a reason. Despite the fact that P.E.I. has two cities, with our population size of only146,000, we are a rural economy when it comes to jobs.

There is no large industry that gives much more access to jobs in one part of the province than another, but in February 2014 our province was divided into two zones: urban and rural. This meant that those living in the urban zone had far fewer weeks and less benefits than those in the rural zone, despite the fact the folks living in the urban zone do not have access to more jobs.

The map used to divide our island makes absolutely no sense. There are two cities in P.E.I. with federal government jobs in both. One city is considered urban and the other city rural.

I'll use an example of an area our chair knows well. One small fishing community, North Rustico, located close to the tourist area of Cavendish, is located in rural Prince Edward Island. Its neighbour, only four kilometres away, Mayfield, with many workers from the fishing industry and the tourist industry, and farther from the city of Charlottetown, is considered urban. Workers working side by side in jobs, and making the same money for the same number of weeks, are getting treated very differently when it comes to EI benefits.

The new zone on P.E.I. must be removed immediately. It doesn't work, and it pits Islander against Islander.

To conclude my opening remarks, seasonal workers have been unfairly treated by the last government, and Bill C-15 does little to rectify the situation. We need a jobs strategy in this country that recognizes that some industries are seasonal, but that workers want full-time year-round work.

The planned reduction of EI premiums must be stopped. The experience of the sudden downturn in the oil industry, and the natural disaster of the wild fires in Fort McMurray, highlight the extreme importance of a fully funded EI program for our capitalist economy.

I will be happy to answer any questions the committee members might have.

Thank you.

● (1315)

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

Mr. Hodgson, with the Conference Board of Canada, you have five minutes.

Mr. Glen Hodgson (Senior Vice-President and Chief Economist, Conference Board of Canada): Thank you very much, Mr. Chairman.

Committee members, it's nice to be back again.

I thought I could most add value to the committee's hearings by talking about things from a macro perspective and linking the budget to economic growth. I have four points I want to make on that front.

First of all, Canadian growth remains anemic. That's the nicest word I can come up with. Alberta is in a recession, which will probably be a little worse in the near term thanks to the Fort McMurray fires. It may be a bit better towards the back end of the year. Newfoundland is also struggling with a recession. Saskatchewan is growing fairly weakly. There are some pockets of stronger growth. B.C. will probably have growth of around 2.7% this year, and with Ontario, Manitoba, and Nova Scotia, these are the four provinces we list as the strong growth areas. You get a very uneven story across the country.

The single-most depressing variable in our forecast is private investment growth, which we see contracting for the second consecutive year. In fact, our capital base at the end of this year in the private sector may be smaller than it was three years ago. That's a concern for ongoing growth, for productivity, for competitiveness for our economies. I'll come back to that.

Secondly, I think I said in the pre-budget period that some rebalancing of macroeconomic policy was warranted. Most macroeconomists agreed. In fact, the Bank of Canada said that it was probably time for the fiscal authorities to step up a bit because we were effectively pushing on a string. The rebalancing that's gone on in the last six months was generally supported by macroeconomist people in my field.

On the budget itself, our estimate is that the budget will add a bit to growth both this year and next year. We had actually anticipated certain actions in our pre-budget forecast, so we've added 0.2% to growth this year, 0.1% to growth next year. However, the growth effect fades. In fact, it's important to note that you can only stimulate for so long through fiscal deficits, because the effect does fade after two or three years.

Frankly, I'd also like to commend Minister Morneau. The budget is based on really prudent assumptions. I know he's been criticized by some. There are some who think, for example, that the deficit may end up being much smaller than was forecast. Given the uncertainty with things like oil prices, not knowing where inflation is going, I have advised finance ministers for about a decade now to be prudent in their assumptions, and if they're going to surprise people, surprise them on the upside. I actually like prudent assumptions, building a contingency into the budget. If we end up having a deficit which is only half the size, I think that's actually good news. It means we have to borrow half as much on a going-forward basis.

The real issue for me is the long term. I do think that the federal budget has to get reanchored at some point, for fiscal credibility, for credible management. That's certainly the advice I gave to Minister Morneau: I would like to see what your plan is in year three, four, and five for the debt-to-GDP ratio. We don't automatically have to go back to balanced budgets, but I do think that over time you have to be aware what your stock of debt is and how you're managing that, because there is an opportunity cost to running deficits year after year. The federal government will spend about $27 billion this year on interest alone. That's 9% of the federal budget. The more you run deficits, the more debt you'll have built up and the more you're going to squeeze out other programs. That's really the fundamental economic reason for having a long-term plan for your fiscal strategy.

On growth itself, we think 2% is now the new normal for Canada. In fact, 2% growth would be a good year, based on what's happened in the last three or four years. There's no easy path to stronger growth. We think infrastructure investment is a really important element, but it should complement and not be a substitute for private investment. I mentioned earlier that we're troubled by the private investment growth numbers that we're seeing. Infrastructure investment by the public sector can fill in for a while, but it can't fill in forever. It has to build a foundation for stronger private investment growth going forward.

I do think there's scope for rethinking our tax system and for tax reform.

Mr. Chairman, I've noticed your comments in the media about tax reform. I think you and I are on the same page. It probably is time to have a rethink of our tax system to see whether we can do things that will actually strengthen the growth potential of our economy. I'd be happy to talk about that, if you're interested.

Free trade agreements also add a little to our growth potential. It's a small amount, but I do think in our long-term interests we have to find ways to reach out and connect with the rest of the global economy. Of course, things like innovation strategies will be part of the growth plan. Ultimately, we need growth in private investment and also stronger productivity growth, if we're to have stronger economic growth down the road.

I'll offer that as my opening comments.

● (1320)

The Chair: Thank you very much.

Turning to questions, we'll go to five minutes instead of seven, starting with Mr. MacKinnon.

[*Translation*]

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

[*English*]

For the record, Mr. Easter is not the only Islander in the room.

Voices: Oh, oh!

Mr. Steven MacKinnon: Thank you, Mr. McGahey and Ms. Smith for coming.

My first question is for Ms. Smith. I would like you to expand on your comments, particularly in respect of child poverty.

We're very proud of the new Canada child benefit, the fact that it will take several hundred thousand children out of poverty, and of our government's role in doing that. Can you perhaps comment on the positive effects on learning for children entering the classroom, whether from a nutritional point of view, a cognitive point of view, and others, when you see children emerging from poverty?

Mrs. Heather Smith: I can tell you that I was a teacher—a teaching principal, actually—in rural New Brunswick until June of 2015, so I know very well the effects of poverty on a child's learning. When you have children arriving at school without having had breakfast or perhaps not a healthy supper the night before, their last thoughts are on learning. Their thoughts are on food. Your brain just does not work properly if it's not had sufficient sustenance.

I know that in our school and in many schools there are breakfast programs. There are schools that are fundraising in order to have enough or that are applying for grants that will supplement any provincial budget that they may have for food. We're providing breakfasts, we're providing lunches, and we're ensuring that kids do not go hungry—or we're hoping to. There are even places where children are given backpacks of food to take home for the weekend.

Schools are doing that and community groups are doing that, because we know the importance of food for learning. Your brain just doesn't work properly unless you have it, and the thoughts of a child are not on what the task at hand is but on their belly that's rumbling.

Mr. Steven MacKinnon: As a long-term economic growth strategy, it sounds like a pretty good one.

Mrs. Heather Smith: Well, it certainly does. If we're not going to put our support behind our youth, then I think the future of our country is certainly in jeopardy.

● (1325)

Mr. Steven MacKinnon: Thank you very much.

Mr. Hodgson, I'll turn to you. This committee I think always appreciates your insights and advice. I know that as we debate Bill C-15 and subsequent budgets and economic strategies for the country, a number of us feel there are a couple of ways in which we can contribute. You touched on a couple of them.

You speak of the “new normal”, of “anemic” growth, and also of taxation and the need for tax reform in the country. They converge in this way, and I'd like you to expand on this, if you would. What are the regulatory, institutional, fiscal, or other impediments to growth in the country? How might we rearrange those tools and perhaps lighten the load in terms of regulation or taxation in order to achieve or accelerate growth beyond this new normal?

Mr. Glen Hodgson: I think for today's purposes, I'll touch on two things.

The mandate of this committee is to examine all things fiscal, so let's talk a bit about tax.

As a starting point, are we taxing the right things? Economists would prefer to tax consumption rather than taxing work effort or investment, for example. We've built up a huge array of tax expenditures.

Last time, Mr. Chairman, I mentioned the over $100 billion in leakage, and then the Department of Finance put out a paper three days later confirming that there's about $100 billion of leakage. That's a lot of lost revenue that could be directed towards lower tax rates, for example, as part of the tax system.

I believe that we should be taxing carbon, for example. There's a question about whether the federal government, in addition to the three provinces—soon to be four—that are doing that, should be trying to shift the balance in our economy towards a lower-carbon economy down the road. I think there's a lot of scope to rethink the tax system in its entirety or piece by piece, but we've built it up piece by piece, so maybe this is the time to take a wide view.

I'll pick up your prompt. I do think there are things we could do to reduce barriers within the country to the interprovincial mobility of goods, capital, and ideas. The past government actually took this on. I think there's more to do. Anything we could do to ensure that we have a single Canadian market, a national federation, by reducing what are often really subtle regulatory barriers between sectors and regions would be a step ahead.

I've spent most of my 12 years at the Conference Board trying to think about what a national growth strategy would look like, and those are just two examples.

The Chair: We're out of time.

Mr. Steven MacKinnon: Thank you.

The Chair: Thank you very much, Mr. MacKinnon and Mr. Hodgson.

Mr. Aboultaif.

Mr. Ziad Aboultaif: I have a question for you, Ms. Smith. Have you run the calculation on the difference between the old child benefit program and the new one to see how much of a difference there is?

Mrs. Heather Smith: I'm going to pass that one to Mr. McGahey.

Mr. Robert McGahey (Director of Advocacy and Labour Rights, Canadian Teachers' Federation): We've been relying on the publications of the CLC and the Canadian Child Care Advocacy Association to do those calculations. We're of the opinion that, for the most part, it is going to be a net benefit to families and children in Canada. However, we're also of the belief that this is only one piece of a comprehensive anti-poverty plan that needs to be put in place to fully address the problem.

On the previous question about food, for example, we're one of the few OECD countries, if not the only one, that does not have a national food program for schools. If that money didn't have to be used exclusively for that, because those people in poverty could get a meal at school, then.... You see it as part of an integrated program, a national plan that has to be developed.

Mr. Ziad Aboultaif: Just for your information, the difference is $1 billion, equal to $27.77 per capita based on 36 million population in Canada. So I don't know how much this is going to help pull nine out of ten, or hundreds of thousands of, children out of poverty. That's just for record, and I'd like to make the following point to you.

Looking at another point, about $453 is spent out of pocket on average by teachers, and you've got 200,000 teachers in your organization. That's probably about $90 million a year. I hope those numbers are not really there, because it's really concerning if that's the case. Can you explain where in the budget it helps on that front?

● (1330)

Mr. Robert McGahey: Thank you.

Just to clarify, you mentioned $27 per capita. That's an average?

Mr. Ziad Aboultaif: Twenty-seven dollars and seventy-seven cents.

Mr. Robert McGahey: That's an average? On average.

Mr. Ziad Aboultaif: Yes. If you divide $1 billion—

Mr. Robert McGahey: As you may know, it's the same with the expenditures for teachers. Those expenditures by teachers in the classroom range from $200 to up to $2,000 per teacher. It averages down in the same way as the benefit is going to benefit those who are in the lower income percentiles more than it's going to benefit those in the higher.

To get to the teacher tax credit, the amount that teachers are paying—and the number of teachers in Canada is closer to 300,000, or maybe more than that—ranges between that low of about $200 per teacher to a high of up to $2,000. At the high tend, unfortunately, tend to be those younger teachers who are just starting and just setting up their first classroom and are making the least amount of money.

Mr. Ziad Aboultaif: Are you aware of the elimination of the textbook tax credits? Can you explain that? Again, that's taking away something from students, from parents, on this front. That's really putting a levy on every Canadian family.

Mrs. Heather Smith: Do you mean the university textbook credit?

Mr. Ziad Aboultaif: Yes.

Mrs. Heather Smith: Well, we're representing K-to-12 education, but I can comment as a parent of a student in university. Yes, I'm aware of it.

Mr. Ziad Aboultaif: Okay. What do you think of that? Is that the right move?

Mrs. Heather Smith: I can't comment on that in my role as president. As my role as a parent, yes, I'll see the difference in my taxes next year.

Mr. Ziad Aboultaif: So we'll be looking for results next year to see the impact? Is that what it's going to be?

How much time do I have?

The Chair: Time for one quick question.

Mr. Ziad Aboultaif: I have a quick question for Mr. Hodgson. The budget includes a projection of 1% GDP growth, and the baseline numbers also include a unilateral decision by the finance minister to downgrade private sector GDP forecasts by $40 billion. Are these numbers credible?

Mr. Glen Hodgson: Well, those are really the bottom end of the range. I have the privilege of being part of the circle of economists who give advice directly to finance ministers, and I told Mr. Morneau that he was the eleventh minister in my career. I was surprised, in fact, by how cautious some of my colleagues were with their forecasts.

We were actually at the higher end of the range, so a real economic growth forecast around 1% wasn't that far below the bottom of the band; it was kind of forming the bottom of the band.

I do think it's prudent to build some contingency into the budgets on a going-forward basis. Historically, finance ministers have often had a contingency reserve between $3 billion and $5 billion on a budget of $275 billion or $280 billion in spending. That's a very, very thin margin when you can't control revenues.

The federal government can control spending; it can't control revenue. That's really very much driven by the growth path of the economy. So as a matter of good practice, I think building a bigger contingency in is the prudent thing to do. How you do it is open for debate. I would probably advise to put it right into the budget as a reserve, but Mr. Morneau chose to be prudent, and I have a hard time taking exception to that.

The Chair: Mr. Caron.

[*Translation*]

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

My first question is for Ms. MacKay.

I am so pleased that you talked about seasonal workers in the Atlantic provinces and eastern Quebec. I represent a riding in eastern Quebec. That is a reality in those regions because seasonal work accounts for such a significant part of the economy.

Before 2012, there was a provision—it was a pilot project—that extended the benefit period by five weeks. In many cases, regions with high unemployment rates are those that depend on seasonal jobs.

The Conservatives got rid of that provision, so we now have the “black hole” from when benefits end to when work starts up again for seasonal jobs. It can last three months.

Then the five-week benefit extension was reintroduced. It applies only to certain regions, not necessarily those with the highest unemployment rates, but those where unemployment rates have gone up. That excludes pretty much everyone in the Atlantic provinces and certainly everyone in Quebec. It is limited to 12 regions across the country, soon to be increased to 15.

What does this budget bill really do to help seasonal workers? What could the government have done for seasonal workers that would really have addressed their reality?

● (1335)

[*English*]

Ms. Lori MacKay: Obviously, repealing all of the 2012 changes would help seasonal workers, because almost every aspect of those changes is a tax on seasonal workers. You talked about the black hole that exists now in the Atlantic and a lot of seasonal areas. I want to say that seasonal work is also happening all across this country. It's actually in cities now. We're creating jobs in this country that are precarious, that are part time. Seasonal workers are everywhere, although they are predominantly in areas that depend on the weather; we can't pull potatoes out of the ground in January.

We also need to reverse the classifications of workers, the categories of workers, because that has actually enhanced the black hole. We lost the five weeks, but if you're a seasonal worker, and you've accessed EI a number of times, you actually lose benefit each and every year you go back to EI. Your black hole is increasing. Most certainly we need to repeal that.

As for working while on claim, apparently the budget will address the fact that people can actually opt back into the old working while on claim pilot. We're concerned that the eligibility requirements around that are still in place. We have to make sure that those eligibility requirements are removed so that people will actually be able to opt in.

I'll use the mussel industry as an example of a seasonal industry. There's one day of work per week through the winter season, because they can harvest mussels in the ice. It's not a week of work, it's one day a week. That's why the working while on claim in the old system for the seasonal industries is so very important.

The other part is the “best 14 weeks,” a pilot project that needs to be put back in. That was just basically deciding what the benefit was in the areas because of the precariousness of the work.

Again, I want to stress that I'm speaking from P.E.I.'s perspective, because that's where I come from. But this is a seasonal industry issue that goes straight across this country. It's in rural Quebec. It's in rural Ontario. It's in rural Manitoba. It's in rural Alberta. It's in rural B.C. It's everywhere. And it's in the urban areas as well.

Mr. Guy Caron: You talked about the mussel industry, so let's look at the fish industry for a moment. If you take these changes, or lack of changes, and add the fact that the government will exempt the fish and seafood processing industry from temporary foreign workers regulations, or tighter regulations, would you say that the situation, especially in New Brunswick, Nova Scotia, and P.E.I., is actually worse than it was before 2011 definitely, and maybe even before this bill was proposed?

Ms. Lori MacKay: I'm not as up on the temporary foreign workers situation as I probably should be. However, we are concerned that there will be an influx of workers who'll take the seasonal jobs and, therefore, that we'll have more displaced workers living in our region. That's for certain a major concern for our area.

I want to make this next point really clear: when Prince Edward Island is in full throttle, as I call it, when all of our seasonal industries are going, we have the second-highest rate of employment in the country. Islanders want to work. Atlantic Canadians want to work. The attitude around the fact that we just want to work 15 weeks and then draw EI is a barbaric, old idea, and it needs to be go away. The policies in 2012 were actually based on that idea, that seasonal workers just want EI.

[*Translation*]

Mr. Guy Caron: Thank you.

[*English*]

The Chair: Mr. Ouellette

Mr. Robert-Falcon Ouellette: My first question is for Mrs. Smith from the Canadian Teachers' Federation. It's related to investment in first nations education. This is a major part of our budget. We're investing around $2.6 billion in first nations education and in schools. I would just like to have your opinion how this could be used to really improve the education system. It's easy just to throw money at a problem, but I think we really need to use that money to great effect and to understand how we can actually make a better education system—perhaps not just the stand-alone schools, but what we could actually do to ensure that parents feel that the education system represents them, that it represents schools, and that it's beneficial for the long term for Canada, especially for the children and their long-term future.

● (1340)

Mrs. Heather Smith: All right. I'll start, and maybe Mr. McGahey, if permitted, will finish.

I do want to say that the Canadian Teachers' Federation, for the most part, does not represent teachers in first nations schools on reserve. However, we do represent teachers who teach the many first nations students across this country who are in public schools. That's not your question, but I just wanted to make that clear.

We know that first nations schools are severely underfunded. Yes, we don't want to just throw money at this, but certainly the money is desperately needed. I think we need to have the conversation. Those teachers and those education people on first nations reserves across this country know best what is needed. There are some examples of schools on reserve that are working in collaboration with provincial governments and with provincial teachers' associations. I think that certainly is a place to start.

I know that in B.C. there is a loose federation of on-reserve schools, some of which do work in coordination, so that it's not just those 300-and-however-many stand-alone schools across the country.

Those are things I suggest, and I think we need to work in concert. That said, I certainly don't have the answers. There could be some expertise you could into from those who are presently working in the education system, and we'd certainly be willing to do that collaboration.

Mr. Robert-Falcon Ouellette: My final question is for the Conference Board, and Mr. Hodgson. It's related to productivity. I was reading a quick report here by the Library of Parliament for the House of Commons of the United Kingdom. They're talking about productivity. How can we improve productivity through the use of our investments in infrastructure to best effect?

Mr. Glen Hodgson: Infrastructure investment by the public sector builds a foundation for your entire economy. We're arguably in catch-up mode now. We've probably gone 25 years in this country of chronic under-investment in infrastructure, and that's one of the many contributing factors to a weak productivity growth. As a foundational piece, whether it's our road system, bridges, or ports, all the way across the economy, it really provides a foundation for stronger productivity growth.

The Chair: Mr. McColeman.

Mr. Phil McColeman: I'll yield the first minute or so to Mr. Caron.

The Chair: Go ahead.

Mr. Guy Caron: That's greatly appreciated.

[*Translation*]

Thank you very much.

[*English*]

Mr. Hodgson, there is a big bail-in provision in this bill for bank recapitalization. Did the Conference Board study the bail-in provisions? Knowing that this comes from an international attempt to protect the taxpayer, to protect the banks, to ensure more stability, there are still some worries that eventually, through regulation, deposits could actually be redefined as long-term debt, so that they could be used to come back and save the banks. Could you talk about your perception of this provision and about its advantages and risks for the small-time depositor?

Mr. Glen Hodgson: Monsieur Caron, I'd love to be able to give you a material answer. Unfortunately, it's not a topic that we've studied in detail.

I've learned that there are certain topics where angels should fear to tread, and so I think that on that one I'd just as soon take a pass. We can either have a conversation bilaterally, or we can identify it as an area that needs deeper research. There clearly are risks in how you build in backstops for your banking system, but it's not something we've examined in detail.

Mr. Guy Caron: Thank you very much.

[*Translation*]

Thank you, Mr. McColeman.

[*English*]

Mr. Phil McColeman: Mr. Hodgson, I want to ask you about a couple of comments you made. You alluded to balanced budgets. The federal budget has no specific commitment to return to a balanced budget and no plan whatsoever, over the short or long term, to balance the budget. Is this the right direction for Canada?

Mr. Glen Hodgson: First off, I think we probably put too much weight on a balanced budget per se. That's an easy communication tool with the broader public. For an economist, the really important thing is your debt-to-GDP ratio. You're right that the ratio at the end of the budget planning period is pretty much the same as it is at the beginning of the period. We have said this publicly as well. I would have preferred a clear commitment to have a falling debt-to-GDP ratio over time to ensure that we don't have a repeat of the 1970s, 1980s and the early part of the 1990s in this country, when we learned very painful lessons about not having a long-term plan for a fiscal policy. It's a bit of a shortcoming in the budget, which of course could be addressed in future budgets.

● (1345)

Mr. Phil McColeman: You also mentioned the decreasing amounts of money in private investment. I come from a business background, and having owned my own business, I know it's the entrepreneurs, private business individuals, who pay the taxes for the social programs for all the benefits that we have in this country.

What is the long-term perspective if it continues to be the case that private investment continues to invest somewhere other than in Canada?

Mr. Glen Hodgson: If private investment doesn't grow, if we don't grow our capital base in the private sector, we can't become more competitive and productive down the road. We have clearly been affected by a loss of confidence in our economy. Since about 2010, in fact, we can track the data and see that, year after year, firms are sitting on cash rather than investing. So it is one of those sleeper issues but a really fundamental one for our economy over the coming generation.

Mr. Phil McColeman: You mentioned that 9% of our revenue is going to an expenditure item called debt repayment. That's growing. It's growing not only federally but when we add the provincial debt onto the national debt, we find that the debt-to-GDP ratios are amazingly high compared to OECD countries.

What is your belief about when it's appropriate to reduce that number and not have it as large a percentage as it is today?

Mr. Glen Hodgson: This is actually a topic I raise at almost every talk I give. Because we are a federation, we have to take the federal debt and actually add the provincial debt, because there is only one taxpayer by province. I don't mean to pick on Quebec, but Quebec has the highest ratio, with a provincial debt burden of 50% of GDP, and our federal level, depending upon how you measure it, is 34%. Combined, that's the same level as the U.K. or France, which are seen as countries with too much debt.

There's a general consensus that at somewhere between 80% and 85% of GDP, capital markets start to pay far too much attention to debt burden, and you may start to lose access to capital. You're certainly going to pay a higher price for it. You have to develop a serious strategy to ensure your debt is under control.

The Americans are there now. As I mentioned, the U.K. and France are. As a federal government, we're a long way from that. We're clearly the best performer in the G-7, but as a federation, we have to be very mindful of what each province is doing with its own debt strategy.

The Chair: Thank you very much, Mr. McColeman and Mr. Hodgson.

I have one point I'd like to raise with Ms. MacKay. It relates to the P.E.I. zones, just so that committee members are aware.

Prince Edward Island is about 250 kilometres long. We have 146,000 people. In my riding, the split between the zones is a place called the Riverdale Road, which is 20 kilometres from the edge of Charlottetown. I have one constituent who is on one side of the Riverdale Road, and the other is on the other side. They both work at the same place, in the seasonal eatery called New Glasgow Lobster Suppers. One barely qualifies for EI and gets a few weeks, and the other one qualifies substantially.

Do I have that summed up right, and would you have any dollar figures on what the difference would be between their access to safety net of the EI system?

Ms. Lori MacKay: I don't have the dollar amounts. That example is straight across the province.

One of the things I said when this started was that we have people living in Charlottetown who work in a federal government job in Summerside, and we have people living in Summerside working in a federal government job in Charlottetown, and they criss-cross each other on the road.

We have a unique situation in Prince Edward Island where there's no industry, as I said, that creates more work for folks, and there's one area in the province that says you have more access to jobs. Right across the province, we have people working in the same job who live side by side, as you have said. It's everywhere; it's in every industry.

For the seasonal workers in the city of Charlottetown, they got hit in 2012 with a loss of weeks, with a loss of benefits, and then in 2014 they got hit again simply because of where they lived. I would ask for some folks, certainly in the Liberal caucus, to really take a look at why that zone was put in place. It was political in nature, and it's really unfortunate, because it's....

One thing I would like to mention is that the new MP in the Egmont riding has fully supported repealing that zone change, even though every one of his constituents benefit, because he has constituents walking into his office who say, “It's unfair that my fellow Islander is being mistreated, and we want it changed.”

Now having said that, all of the 2012 changes have to be repealed in order for that to happen.

● (1350)

The Chair: I'll have to cut you off there, Ms. MacKay.

I would thank the witnesses for their presentations. We have a little bit of committee business that we have to do. Thank you all for appearing.

We need a motion on the budget for working meals so we can continue to hear witnesses. That budget requested would be $11,500.

Mr. Steven MacKinnon: So moved.

The Chair: Is there any discussion?

(Motion agreed to)

The Chair: There's one thing I should mention for tomorrow. Tomorrow's meeting was scheduled from 3:30 until 6:30. There will be remarks in the House, an apology for the *Komagata Maru* incident. The whips have agreed to move committees back from 3:30 to 4. That will mean that our meeting tomorrow won't start until 4, instead of 3:30. I expect that all the leaders will speak. I'm not 100% sure of that, but I do know that the whips agreed.

Are we in agreement on that change?

Mr. Ron Liepert: Are we still suspending at 6:30?

The Chair: Is there difficulty with ending later than 6:30? I would say that we could go from 4 to 7 if we can, but if there's difficulty, we can tighten it up. When we're done, we're done.

Mr. Ron Liepert: Okay.

The Chair: We'll try to finish it earlier than 7 for sure.

Mr. Robert-Falcon Ouellette: Is that the officials who are coming so that we can ask questions?

The Chair: Yes. We didn't get through the list of officials last time, and there are a number of divisions that weren't covered.

Mr. Ron Liepert: Can I get confirmation again of when the committee of the whole is scheduled, and for what time frame?

The Chair: The committee of the whole is scheduled for the night of May 30, starting at 7.

Mr. Ron Liepert: For four hours?

The Chair: Yes. From 7 until 11 or 12. It's for four hours, I think.

Mr. Ron Liepert: Thank you.

The Chair: Mr. Caron.

[*Translation*]

Mr. Guy Caron: When government officials appeared here last time, I asked questions about the repeal of the Federal Balanced Budget Act. The officials were unable to answer my questions. I asked if someone from the Department of Justice could come answer the questions.

Mr. Chair, can we be sure that someone from the department will be here tomorrow?

[*English*]

The Chair: They will be. We have already made that request.

The meeting tomorrow will likely be in room 752 at 131 Queen Street. It's not our regular time slot, so we're being moved elsewhere. The clerk will send out the notice.

I have one other point, on the documents from KPMG. Then we'll get to Mr. Caron's motion.

KPMG contacted the clerk yesterday. The documents are expected to be delivered to the clerk at the end of the day today. They're on their way now. There's a large volume of documents, one and a half inches thick, with 25 tabs, and they're in one language, the original language of the document. It's impossible to translate them to meet the motion's timeframe.

The documents would be distributed by messenger on Wednesday morning. We'll be asking for a signature to confirm receipt of the documents. But in order to receive them in one official language, we need a motion to allow the clerk to distribute these documents in one language.

The motion would read:

> That, notwithstanding the routine motion adopted by the Committee on February 4, 2016, where all documents distributed to Members must be in both languages, the Clerk be allowed to distribute to all Members the documents received from KPMG pursuant to the Committee's request from May 5, 2016, although these documents are currently only available in one language.

Does somebody want to move that?

Mr. Guy Caron: So moved.

The Chair: Is there any discussion?

(Motion agreed to)

The Chair: That will be done.

We are on Mr. Caron's motion.

Go ahead.

● (1355)

[*Translation*]

Mr. Guy Caron: I'm told that the wording of the motion is out of order.

[*English*]

The Chair: Just wait. I'm not getting translation.

[*Translation*]

Mr. Guy Caron: I'm told that the wording of the motion is out of order, so I would like to withdraw it. Nevertheless, I want to be clear that I still have concerns about the form of this bill.

We debated at length about whether this is an omnibus bill. I think it is. It has all the features of an omnibus bill. For example, it includes measures that, though they appear in the budget, should be studied by other committees.

One of those measures is Bill C-12 on veterans' compensation. It was introduced and was supposed to have been studied separately not by the Standing Committee on Finance, but by the Veterans Affairs committee. I think that is the clearest indicator that this is an omnibus bill. We would have liked the government to show some good judgment when introducing this bill by separating the parts that would have been better studied by other committees.

It seems that will not happen, and that is a great shame. I hope this government will not make a habit of doing this with future budget bills. Clearly, Parliament and the House of Commons will be at a disadvantage if they cannot study these bills in depth. I will now withdraw my motion.

[*English*]

The Chair: Thank you, Mr. Caron.

You are withdrawing your motion. I think we get the message that you've stated concerning the omnibus bill. Even as I look at it, there are several section in there that I would honestly question.

Is there any further business?

The meeting is adjourned.