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Chair

The Honourable Wayne Easter

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● (1530)

[*English*]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): Let us come to order. As witnesses know, this meeting is, pursuant to Standing Order 83.1, on the pre-budget consultations for the 2017 budget.

I offer my apologies to the witnesses before we even start. We found out yesterday that we have votes tonight at six o'clock. I think the clerk has informed people that we're under a really tight time frame for both presentations and questions. We felt it was probably wiser to tighten up a little bit rather than have witnesses on the next panel sit around waiting for however long it might take us to do the votes. That's why we tightened it up.

We will hold presenters to five minutes with their presentations so that we can get through and then have at least two questioners from the government, two from the official opposition, and one from the third party.

We'll start with the Canadian Convenience Stores Association, Mr. Chera, president, and Mr. Scholten, past-president.

Mr. Satinder Chera (President, Canadian Convenience Stores Association): Thank you, Mr. Chair.

Good afternoon, everyone.

My name is Satinder Chera, and I'm the incoming president of the Canadian Convenience Stores Association. I'm joined today by my colleague the outgoing president, Alex Scholten.

This year's pre-budget process asked respondents to discuss their ideas for improving the lives of Canadians, communities, and businesses. I wanted to briefly highlight how Canada's convenience stores contribute in all three areas.

Our stores help Canadians by providing employment opportunities to more than 225,000 individuals across the country. We support communities by providing essential consumer products in urban, rural, and remote locations. Our sector is the face of small businesses, with over 26,000 retail locations serving more than 10 million Canadians every day. In 2015 alone, Canadians purchased more than $56 billion in goods and services from our stores, resulting in over $21 billion in tax revenue for governments.

Our pre-budget recommendations for 2017 are focused around three challenges facing our industry.

I will start with credit card swipe fees, which remain for Canada's small businesses among the highest in the world. Credit card fees for our retailer members range from 1.5% to 4% on individual purchases. In other countries, such as Australia and the European Union, there are specific hard caps in place to support small business. We believe that lower credit card fees not only have a positive impact on businesses, in that they allow them to free up additional revenue to support their businesses, but also help consumers, who presently bear the costs as businesses are forced to increase their product prices.

That's why we're calling on the Government of Canada to reduce these excessive swipe fees by introducing caps that are in line with what other countries have done. To that end, we would like to thank the Minister of Finance and MP Linda Lapointe for their recent efforts and commitment to review this issue and land on a fair and equitable solution.

Another challenge facing our stores is what we believe to be unnecessary and costly regulations, specifically the proposed plain packaging requirements for tobacco products. At present there is a plethora of tobacco control requirements that our retail members are tasked with implementing—stringent age-testing requirements, restrictions on advertising and promotion, display bans, and graphic warning labels.

All of these regulations together have had a positive impact in reducing youth tobacco consumption rates, which recently Health Canada through its surveys found were at an all-time low. Make no mistake, our association and our retail members strongly support efforts to prevent young people from accessing tobacco products, and we will continue to work diligently with our members and with our partners in government in this regard.

That being said, we do not believe that the proposed plain packaging requirements will have an impact on youth consumption rates. If you were to review the impact of such regulations in the only country in the world that has implemented similar requirements, Australia, what you'd find is that youth tobacco rates have not changed since the requirement was introduced. What has changed, however, is the negative impact on retail operations. Retailers are struggling with inventory control, staff training, and customer transactions, all of which have increased costs for retailers without any of the accompanying consumption reduction benefits.

Lastly, our association supports the government's commitment to reduce Canada's small business tax rate to 9%. We believe the lower rate will free up additional revenue for businesses to invest in their business, to train their employees, and to provide the best possible service to their customers. In this regard, we would like to see the reduction implemented as soon as possible.

To support the government's desire to promote healthier product choices for Canadians, we are also recommending tax incentives designed to help Canada's convenience store operators purchase, store, and sell fresh fruits and vegetables in a more effective manner. We would be more than happy to support the government on this going forward.

Thank you. We would be happy to take any questions you might have.

● (1535)

The Chair: Thank you very much, Mr. Chera. I might mention that members have all your presentations on their mobile units as well.

From the Canadian Medical Association we have Mr. Avery, president, and Mr. Adams, chief policy adviser.

Go ahead, Mr. Avery.

Dr. Granger Avery (President, Canadian Medical Association): Thank you, Mr. Chair.

On behalf of the Canadian Medical Association and our 83,000 members, thank you for the opportunity to appear as part of your pre-budget consultations. The CMA strongly supports the federal government's commitment to work with provinces and territories toward a new health accord with defined objectives and long-term funding agreements.

To help deliver on this commitment, we've outlined six recommendations for prompt federal action to ensure Canada is prepared to meet the health care needs of its growing and aging population.

First is additional funding to the provinces and territories targeted to support seniors' care by means of a demographic top-up to the Canada health and social transfer. Second is a targeted fund for home and palliative care innovation. Third is infrastructure investments to improve and provide for more long-term care. Fourth is coverage for highly expensive prescription medications. Fifth is more financial support for family caregivers. Sixth is an exemption for group medical structures from the federal proposal to alter access to the small business deduction, which threatens research, teaching, and specialized services.

I would like to briefly expand upon three of these.

First, we know that jurisdictions are struggling to meet the health care needs of our aging population. That is why the CMA is recommending new seniors' care funding be provided to the provinces and territories by means of a demographic top-up to the Canada health and social transfer. This needs-based funding would be delivered in addition to the Canada health and social transfer, which currently disadvantages jurisdictions with older populations. This fair method of distribution ensures there will be no losers, avoids opening up the funding formula, and may be delivered immediately.

Second, the CMA was pleased to hear the federal government commit to providing more and better home and palliative care services. To deliver on this commitment, the CMA is recommending a targeted home and palliative care innovation fund. This fund would encourage innovation in home care and help scale up best practices, the silos of excellence such as the Bruyère Foundation, and address critical shortages. This fund would also support development of a much-needed national strategy for palliative and end-of-life care.

Finally, I would like to take a few moments to discuss the federal proposal to alter access to the small business deduction. The CMA welcomed the finance committee's acknowledgement of the economics of medicine as a small business and your recommendation to maintain the incorporation framework for professionals. Despite the committee's recommendation, however, budget 2016 introduced a proposal to alter access to the small deduction.

The CMA estimates that this change will affect nearly 15,000 physicians incorporated in group medical structures, mostly in teaching hospitals and universities. In doing so, this proposal will hinder medical research, training for the next generation of physicians, and patient access to specialized care.

If the proposed changes are enacted, these partnerships will likely wither and die as the federal government will be incentivizing solo practice over group practice. This concern was reaffirmed by a recent survey of physicians that found that over 60% would dissolve their group structure should this proposal go through, even though most of these group structures are within academic health sciences centres and were not formed for commercial or taxation purposes but rather mandated by provincial negotiations.

To avoid these unintended negative consequences, the CMA is strongly urging the federal government to exempt group medical structures from the application of this proposal. In summary, the CMA is offering six clear and actionable recommendations for the federal government to deliver on its commitment to invest in Canadians and support economic growth.

I welcome any questions you may have. Thank you.

● (1540)

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

Turning to the Chicken Farmers of Canada, we have Mr. Janzen, chair, and Mr. Dungate, executive director.

The floor is yours; welcome.

Mr. Dave Janzen (Chair, Chicken Farmers of Canada): Mr. Chairman, thank you for inviting us before you today to share our perspectives on the 2017 federal budget. Specific policy changes can help Canadian chicken farmers and the Canadian chicken industry grow our economic contribution and create more jobs to support Canada's middle class across the country from coast to coast.

Chicken Farmers of Canada represents 2,800 farmers, and we work with our value chain partners, who include 244 hatching egg farms, 40 hatcheries, 76 feed mills, and 191 processing plants. We take pride in the valuable contribution we make to Canada's rural and urban communities while contributing $5.9 billion to Canada's GDP, sustaining 78,000 jobs, and paying $2 billion in taxes. Our industry generates employment in farming, processing, veterinary work, transportation, retail, restaurants, and more.

The chicken industry in Canada relies on the stability and predictability provided by supply management in order to maximize our contribution to the Canadian economy. This stability and predictability has been compromised by the persistent circumvention of Canada's importing rules.

On October 5, 2015, the previous government announced its commitment to implement changes in order to address the losses that have been caused in our industry by increasing fraudulent imports over the past several years. Chicken Farmers of Canada requests that the federal government fulfill this commitment by implementing our three recommendations for re-establishing the integrity of the import control pillar. Our recommendations come at no cost to government; in fact, they will create more jobs, increase our contribution to GDP, and generate more taxes.

Our first recommendation is to implement a mandatory certification for imports classified as spent fowl and to use the DNA test to guarantee proper classification. Spent fowl are laying hens at the end of their production cycle, while broiler chickens are raised specifically for meat consumption. Broiler chicken is subject to import controls and spent fowl is not, meaning an unlimited amount can be imported; yet a substantial volume of chicken broiler meat continues to be illegally imported into Canada labelled as spent fowl. These illegal imports became noticeable in 2012, and so far in 2016 Canada has imported 114% of the United States' entire spent fowl breast meat production. This is impossible, of course, and points directly to import fraud.

There is no means of visually distinguishing between broiler meat and spent fowl meat at the time of importation. With our support, Trent University developed a forensic DNA test that verifies whether a given product contains chicken, spent fowl, or a combination of the two. We recommend that this test serve as part of the mandatory spent fowl import certification verification process. Based on conservative estimates, 37 million kilograms of chicken was illegally imported as spent fowl in 2015, which is equivalent to 3.4% of our domestic chicken production.

Our second recommendation is to exclude chicken from the duty relief and drawback programs. These programs were never designed for such perishable agricultural goods as chicken, meaning companies can take advantage of the program in order to circumvent import controls.

Firstly, the programs provide a four-year timeline to import, process, and re-export chicken, greatly exceeding the shelf life of frozen chicken products. In addition, product substitution is permitted whereby high-value cuts can be imported but the re-exported product can contain less valuable domestic cuts. Finally, unreported or misreported marinating, glazing, sizing, and yields result in less chicken being re-exported than was imported, with the difference being diverted into the domestic market. Imports through the duties relief program have increased exponentially over the past few years, reaching 96 million kilograms in 2015, representing more than 9% of our production.

Chicken Farmers of Canada would like the government to make chicken ineligible under the duties relief program. Companies can use the Global Affairs Canada pre-existing import for re-export program, a program specifically designed for goods such as chicken.

Our third recommendation is to reinstate into the customs tariff definition the sauce and cooking requirements of the specially defined mixtures as contained in Canada's WTO commitments. Chicken combined with as little as 13% of other ingredients is labelled as a specially defined mixture and is not considered chicken for import control purposes.

● (1545)

Some companies have identified this as an opportunity to circumvent trade rules by adding sauce to a box of chicken wings or by creatively packaging two distinct products together. Chicken Farmers of Canada recommends that the Government of Canada reinstate the sauce and cooking requirements of the definition in the customs tariff. This reinstatement is fully consistent with our WTO and NAFTA obligations.

The Chair: Dave, I'll have cut you off there. I think you're through all your recommendations according to my reading. Do you want to add one more point?

Mr. Dave Janzen: I'd like one paragraph to summarize, please.

Implementing our three recommendations to stop illegal imports of chicken as spent fowl, to exclude chicken from the duties relief program, and to reinstate the sauce and cooking requirements into the customs tariff will create 4,500 new jobs, add an additional $335 million to Canada's GDP, and generate $112 million in additional taxes.

Thank you, Mr. Chairman.

The Chair: I suspected you'd be saying that would be contributing to economic growth.

Thank you, gentlemen.

Turning to the Federation of Francophone and Acadian Communities, we have Ms. Lanthier, president.

[*Translation*]

Mrs. Sylviane Lanthier (President, President of the Table nationale de concertation communautaire en immigration francophone, Fédération des communautés francophones et acadienne du Canada): Thank you, Mr. Chair. Good afternoon, everyone.

Mr. Chair, members of the committee, thank you for inviting the Fédération des communautés francophones et acadienne du Canada to outline the priorities of francophones in minority situations in nine provinces and three territories with respect to the upcoming federal budget.

Established in 1975, the FCFA is the main voice of the 2.6 million French-speaking Canadians who are living in a minority situation in the country. In the brief we submitted last August, we presented six very specific recommendations. Those recommendations are the following: include the funding for the next official languages plan in the 2017 budget; also include in the budget an increase in Canadian Heritage's funding envelope for francophone organizations and institutions; provide support for French-language skills development and training; implement measures to promote the employment of young francophones; establish a strategy for supporting francophone community media; and establish a real coordinated national strategy for high-speed Internet access.

We made those recommendations while recognizing the social, cultural and economic value of the francophone communities we represent. Building the capacities of organizations, infrastructure, services and resources in French in our communities is essential if we want those communities to continue being the champions of promoting French, as they currently are.

When our organizations don't have the resources to keep up with the growing demand for services in French, our communities become weakened. When kindergartens in French are unavailable, our children end up in English kindergartens, and they often attend English school after that. When our community radio stations and newspapers don't have the means to go digital, thousands of francophones must turn to English-language media for information about their community.

[*English*]

When the social infrastructure in our communities, such as our cultural or community centres, is inadequate, and when there's a lack of resources to offer French-language programming, it's a missed opportunity for Canadians who have gone through French immersion to practice and experience the language in everyday life. Thus, it's a missed opportunity for linguistic duality.

[*Translation*]

This may seem big, but the message I want to communicate today is that support for the vitality and development of minority francophone communities, as required by the Official Languages Act, can often be done through existing envelopes and investments.

More specifically, the Government of Canada announced, in its winter 2016 budget, significant investments for infrastructure, digitization, early childhood and youth employment. Those are meaningful actions and solid priorities. However, the one fact that a federal program is open to all Canadians, in both official languages, does not mean that minority francophone communities will benefit. An initiative designed for the majority may well not benefit the minority, unless the government includes special measures for that minority.

I will give you an example. When it invests in infrastructure, the Government of Canada generally deals with the provinces, territories or municipalities. But given their minority status, our communities all too often escape the attention of those levels of government. However, for us, infrastructure funding can mean community centres that have been renovated or have been better adapted to francophones' needs. It can also mean French-language kindergartens that, as the Commissioner of Official Languages was once again saying a few weeks ago, are a critical need in several parts of the country, or cellular coverage and high-speed Internet services, which currently don't exist in communities such as Port-au-Port, in Newfoundland and Labrador.

So the federal government could truly change things for our communities by reviewing investments in social infrastructure and by adding measures adapted to the realities of minority francophone communities. For example, a small percentage of those investments could be invested directly under agreements between the federal government and the communities. Similarly, the government could create mechanisms using the investments for the youth employment strategy, announced in the latest budget, so that young people from francophone and Acadian communities can benefit.

The most important thing is that the government use various levers through different federal institutions to support the vitality and development of minority francophone communities.

Thank you. I am ready to answer your questions.

● (1550)

[*English*]

The Chair: Thank you very much.

Turning then to the Canadian Mental Health Association, we have Ms. Gerner and Mr. Smith.

Mr. Patrick Smith (National Chief Executive Officer, Canadian Mental Health Association): *Merci*, Mr. Chairman.

Thank you for inviting me here today. My name is Dr. Patrick Smith. I'm the national CEO of the Canadian Mental Health Association, Canada's most established mental health organization, on the cusp of our 100th year anniversary and with more than 10,000 staff and volunteers in over 100 communities across Canada. I'm here to talk today about investing in evidence-based services and supports for the broad range of mental health problems and mental illness. Mental illness, including substance use disorders, which we've often overlooked and separated out in Canada, affects 6.7 million Canadians, one in five.

Before joining CMHA, as a clinical psychologist I worked in the hospital sector and the community-based sector in mental health. I worked with the B.C. government as the project principal for the development of their 10-year mental health and addiction plan and co-chaired the development of Canada's national addiction treatment strategy. We started both of these plans and the investments of various other jurisdictions to better understand the patient outcomes, system outcomes, and population outcomes that resulted from various investments from a health, social, and economic perspective.

Of all the G8 countries, Canada spends a lower percentage of its total health spending than any other on mental health, 7%. The next lowest is 9%. The Mental Health Commission of Canada and various other stakeholders as well have called for Canada to increase to 9%. We wouldn't be leading the pack; we would just be tied for the lowest.

This historic lack of funding, the 2% gap, isn't just about a number. The result has been that there are significant foundational gaps in our mental health response. Basic evidence-based services and supports that are foundational building blocks in systems around the world in other developed countries are fundamentally missing in Canada. Imagine, if you will, if we learned that across Canada there was wide disparity in access to the educational continuum for kids, one town having fourth and fifth grade and nothing else and a town a hundred kilometres away having only first grade and eighth grade. We wouldn't research the problem. We wouldn't have a strategy or a task force to figure out the problem. We would simply invest in a full developmental continuum of educational offerings.

I graduated with my Ph.D. in clinical psychology in 1991 and had to demonstrate proficiency in CBT, cognitive behavioural therapy. It's an evidence-based treatment for many things, including depression, substance use disorder, and anxiety. It's universally accepted as a gold standard treatment. It's not new, but it's mostly not available in Canada unless you pay. It's just one example of the significant gap as the result of years of deferred maintenance on the mental health file.

Other countries and jurisdictions have very recently been in the same boat but quickly turned it around. The U.K. is a great example of that. The young royals—Prince William, Kate, Prince Harry—have recently launched the heads together campaign. Their initiative recognizes that unmet mental health needs lie at the heart of their country's greatest social challenges.

It's the same for Canada. We know what we need to do to dramatically and relatively quickly change the landscape on this, but the first step is to accept the reality that has resulted from this deferred maintenance and demonstrate the leadership to address the problem.

You have an electronic version of our brief. Our submission shows how mental health, including addictions, has a real impact on society. It shows that here in Canada we have some way to go. I'll gladly speak to the details in the question period; however, I'd like to focus on key areas that we believe would help ensure affordable, widely available, and effective mental health solutions for a greater number of Canadians.

While other countries have had the same problems, they have demonstrated a whole-of-government approach. This isn't a health care issue alone. Here in Canada we're seeing some encouraging signs that mental health deliverables are in nine of the ministers' mandate letters. Our hope is that the budget will provide the financial investment to support these deliverables through initiatives such as the Canadian Military and Veterans Mental Health Centre of Excellence for veterans and their families. We need to address the areas in which the gaps are most significant.

This calls on all of us to respond to the mental health needs in indigenous communities. We need to respond to the mental health aspects of truth and reconciliation.

● (1555)

Prime Minister Trudeau has also shown leadership by announcing the federal government's intention to work with the provinces and territories on a health accord to guide the future. The Honourable Jane Philpott, at a recent round table on the health accord, asked why 2017 couldn't be the year that we transform mental health funding in Canada.

I am happy to discuss the tiered model in the question and answer period.

The Chair: I hate to interrupt, but there are a number of recommendations in your report that hopefully we can get to in the questions. My apologies.

We'll move to the Canadian Red Cross. Mr. Sauvé, go ahead.

Mr. Conrad Sauvé (President and Chief Executive Officer, Canadian Red Cross): Thank you, Mr. Chair.

I am Conrad Sauvé, the CEO of the Canadian Red Cross. I'm going to talk to you today about emergency response in Canada.

[*Translation*]

I will speak in English, but it would be my pleasure to answer your questions in French, as well.

[*English*]

As just a reminder, when we talk about context, the Canadian Red Cross was created by an act of Parliament in 1909 as an auxiliary to the government for emergency measures. The Red Cross is not an NGO. Through the years, emergency response has become the pillar of our responses in Canada.

Although we are known for international responses, we respond every three hours to a disaster in Canada, from basic personal disaster assistance to evacuations in floods and fires, or a response like the one in Lac-Mégantic in terms of an explosion. We do that because we have a network of over 5,000 volunteers trained as responders throughout the country, with agreements with 800 municipalities and every one of the provinces. As the number of disasters and the size of the responses grow every year, our preoccupation remains on how prepared we are to respond to a major event in Canada.

In Fort McMurray, we've taken on the response on behalf of the provincial government to register and support 80,000 Canadians who were displaced from the city. As they left, many of them heading back to Atlantic provinces, we saw the complexity of emergency response, not only within the province but throughout the country. How do we respond and support these Canadians everywhere?

What we are looking at, as we go forward, is preparing a shared responsibility in the response to dealing with not just 80,000 but up to 200,000 Canadians in evacuation. We say “shared response”, because we are investing and responding thanks to the support of the Canadian public, with about $80 million a year for responses in Canada. What we are looking at is three recommendations.

One is to enhance our preparedness at the community level by increasing the number of community responders from 5,000 to 10,000. It's not just about a response at the community level. It's the ability to pool resources in one place and one event. In the Saskatchewan forest fires, we brought in over 1,000 responders from the outside to support that specific response. In the initial phases of Fort McMurray, it wasn't about Fort McMurray; it was about supporting the evacuees everywhere else.

More and more, technology is playing a key role in how we respond. As a reminder, in the first week of Fort McMurray we raised $50 million. We used direct cash transfers to support everybody. Since we had everybody's email, we dealt with their specific needs. Going forward, how do we use technology in supporting people?

The last part, of course, is our work with first nations across the country. We've put in a recommendation to increase our partnership with the training of 500 first nations responders.

Recent polls have shown that only 50% of Canadians are ready to deal with an emergency. These emergencies are growing. The amount the federal government, the provinces, and the municipalities are spending on responding is increasing every year. We are looking at this shared proposal going forward on behalf of supporting Canadians in these needs.

Thank you, Mr. Chair.

● (1600)

The Chair: Thank you very much.

Next is the Federation of Canadian Municipalities. Ms. Goneau and Ms. Lavoie, welcome.

[*Translation*]

Ms. Sylvie Goneau (Second Vice-President, Federation of Canadian Municipalities): Thank you, Mr. Chair. I want to thank the committee for agreeing to hear from us today.

As you mentioned, I am joined today by Alana Lavoie, who is the manager in charge of research and policies at the Federation of Canadian Municipalities. I am a City of Gatineau councillor and Second Vice-President of the Federation of Canadian Municipalities. Many of you already know that the FCM is the national voice of Canada's local communities. Our 2,000-odd municipalities account for 90% of Canada's population.

[*English*]

I am pleased to be here this afternoon to discuss phase two of the federal government's infrastructure plan. Phase two is a remarkable opportunity to transform this country, create jobs, grow our economy, and improve the lives of Canadians.

FCM understands that to address the challenges Canadians face in their daily lives, we need to invest in the places where Canadians live. Municipal leaders are natural partners in this work. Municipalities, after all, own roughly 60% of Canada's public infrastructure. We are effective partners, too.

[*Translation*]

Local communities have solid experience in the effective, fair, responsible and transparent delivery of infrastructure projects. We have the expertise needed to determine what structuring projects meet our communities' needs and provide the most return on investment.

[*English*]

The federal government has made bold commitments in transit, green, and social infrastructure. They're framing this as a project in nation building, and we agree. Community building is nation building. After all, it's in our communities where we tackle national challenges like climate change and job creation.

How do we get there in phase two? First, phase two should empower local governments to plan for the long term and leverage local expertise to move the most cost-effective projects forward. Phase one, set the right standards by choosing predictable, allocation-based investment, starting with transit. To ensure progress across Canada, phase two should continue to empower local governments to act.

Second, phase two needs to get cost sharing right.

[*Translation*]

In the past, levels of government would each provide one-third of project funding. Phase 1 recognized that, once the construction is completed, the burden of costs incurred throughout the life cycle of the new infrastructure falls to municipalities, which already have to deal with very tight budgets. Therefore, the federal government has increased its contribution to 50% for some projects. That formula should be maintained.

[*English*]

It's also important to ensure that other supports, like financing through a federal infrastructure bank, are in addition to phase two commitments.

Third, building a strong Canada means investing in communities of all sizes. Phase two must recognize that rural communities are central to Canada's economic, social, and environmental health. Building on the proven small communities fund, a new rural infrastructure fund can provide targeted funding to rural priorities not fully addressed anywhere else in phase two.

Fourth, in 2016, no serious nation building plan can shortchange housing. Last Friday, FCM published its comprehensive recommendations for the national housing strategy, which is a road map for ensuring that every Canadian can find a safe and affordable home.

● (1605)

[*Translation*]

Our analysis clearly shows that, in order to address the housing crisis, a total of $12.66 billion will have to come from the phase 2 social infrastructure fund and be earmarked specifically for housing.

Return on investment includes economic growth, lower costs for our health system and our social services, as well as citizens who are capable of contributing fully to their community.

[*English*]

In short, designing a successful phase two means building on phase one and really unlocking the potential that already exists in our cities and our communities.

I'm here to tell you on behalf of all the leaders across the 2,000 municipalities in Canada, we want to build tomorrow's Canada in partnership with you.

The Chair: Thank you very much.

Turning to the C.D. Howe Institute, Mr. Laurin. Go ahead.

[*Translation*]

Mr. Alexandre Laurin (Director of Reseach, C.D. Howe Institute): Thank you, Mr. Chair.

Members of the committee, it is my pleasure to appear before you today as part of your pre-budget consultations.

[*English*]

I'll start by mentioning our pretty shadow budget.

This is a document we publish every year around budget season here at the C.D. Howe Institute. It contains all of our pre-budget recommendations. There's a lot of detail in there. The policies I'll present today are from this shadow budget, but since I only have a few minutes I'll be presenting only a few of these ideas.

Basically, today, I'll be proposing three things: first, supporting labour mobility by eliminating regional differences in the employment insurance program; second, supporting fiscal sustainability by tightly managing government's compensation costs; and third, expanding workforce participation by raising the age limit for tax-deferred retirement savings and by reforming the tax recognition for child care costs.

Recent, very loud voices against free trade and immigration mean that Canada must continue to be a leading proponent for both free trade and immigration. But even here at home we can help our workforce face the competitive pressures of globalization by making sure that skills get to where they are most needed. In particular, regional differences in the EI program encourage dependency for many workers and discourage migration. Longer benefit durations in areas with higher unemployment hurt the economy by subsidizing industries in places where the prospects for long-term, stable jobs are relatively poor.

The next budget should phase out EI's region-based entrance requirements and benefit duration. We should adopt coast-to-coast, uniform requirements linked to the national unemployment rate, which would provide counter-cyclical income stabilization and encourage efficient migration of labour.

Turning to another topic, we are faced with a “low-for-long” situation of lower growth and lower interest rates. Therefore, the next budget should take a cautious approach to budget balance and debt accumulation to make sure that the government would be able to respond appropriately in the event of a downturn in the economy, thereby giving businesses the confidence they need to innovate and take risks. In particular, employee compensation per hour of work remains notably higher in the federal government than in most other industries in the economy, even higher than in industries requiring advanced qualifications, such as professional and scientific services or finance and insurance.

In the next budget, containing employee compensation growth, in particular by limiting exposure to pensions and other future benefits, such as sick leave, remains front and centre.

● (1610)

[*Translation*]

Finally, many people are concerned about the distribution of proceeds of foreign trade and innovation. The next budget must improve opportunities for all Canadians. In particular, raising the age limit for making contributions to RRSPs and other related plans would help those who are ready to remain in the labour market longer adapt to the increasing life expectancy.

In addition, an in-depth reform of tax provisions for child care costs to make the system more generous could encourage more parents to enter or re-enter the labour force.

This concludes my short presentation. Thank you for the opportunity to speak before you today. I would be happy to answer your questions.

[*English*]

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

We will have the shadow budget paper sometime as well. I'm not sure if it's on my iPad or not.

Mr. MacKinnon, you have five minutes, if we can hold it pretty tight.

[*Translation*]

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

I apologize, but we will have to proceed very quickly today for the reasons mentioned by our chair.

I will begin with the representatives of the Federation of Canadian Municipalities. I want to thank Councillor Goneau who, with her usual passion, has done a good job of representing her federation and her city today.

Tomorrow, we will hear from Mr. Barton. I am sure he will talk about his recommendation to the Minister of Finance with regard to an infrastructure bank. You briefly mentioned that in your presentation, but I am giving you an opportunity to clarify FCM's position or to say more about other infrastructure funding streams.

Ms. Sylvie Goneau: Thank you very much, Mr. MacKinnon.

From the perspective of Canadian municipalities, it is definitely very beneficial to be able to develop innovative tools that help us support infrastructure and meet communities' needs going forward. That said, the government should not set aside infrastructure funding as it is currently proposed, be it by allocation or by program, but rather consider the infrastructure bank as an addition, another element in the toolbox municipalities can use to provide their constituents and the population in general with better services and a better quality of life.

At the Federation of Canadian Municipalities, one of our responsibilities is to ensure that the government will enhance the offer, perhaps through a tool such as the infrastructure bank. However, the bank should not replace the current funding. The government should also not prevent municipalities, in their current programming, to carry out projects that are already planned. That is our biggest concern.

Mr. Steven MacKinnon: Okay. Thank you, Ms. Goneau.

Mr. Smith, I have a very quick question for you.

In the current debate on the health accord, there is some back and forth between the federal government and the provinces when it comes to jurisdictions. Do you suggest imposing conditions for funding, be it in the area of mental health, home care or other spending?

[*English*]

Mr. Patrick Smith: Yes, absolutely. Granger and I were both at a health round table that the minister held, and it was unanimous. Everyone around the table, including Canadian medical, Canadian nursing, Canadian home care, and Canadian mental health, all think there needs to be leadership and direction.

We are saying that there are two things we need. One is to transfer to the provinces the monies earmarked for mental health, and if it's not ring-fenced or earmarked, it won't happen. A psychologist would say the best predictor of future behaviour is past behaviour. It isn't because provinces don't want to invest in mental health. It's never getting to the front line. Most of the provinces we've talked to behind closed doors are not that opposed to directed funding for mental health.

Second, we're also asking the federal government to take a bold leadership approach, and that is to have a dedicated mental health transformation fund because, to close the gap, there needs to be systemic investment in some basic building blocks. Similar to the drug treatment funding program that Health Canada holds, this calls for direct funding, directly to specific things, and you'll be able to tell Canadians exactly what you invested in and exactly what outcomes we can expect.

● (1615)

[*Translation*]

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

Mrs. Lanthier, why is it important for the next budget—that for 2017-2018—to advance the required funding for the next steps, for the roadmap expiring in 2018?

Mrs. Sylviane Lanthier: It's a matter of equal access to federal funding and to federal programs that also help, in this case, develop services for francophones in terms of official languages. It is important to understand that, in order to ensure the vitality of both official languages, we also have to develop services intended for francophones across the country.

We also feel that it is not enough for our program to be considered accessible, including when it comes to federal investments in infrastructure. We also have to ensure that access measures are implemented to enable community organizations, in some areas, to submit a request, despite the fact that they may not have as much support from their province or their municipality. In fact, they are not really supported by all the new governments. There are still needs in terms of kindergartens, community services, digitalization, and so on.

In short, we want to ensure equal access to that funding.

[*English*]

The Chair: Thank you, both.

Mr. Deltell.

[*Translation*]

Mr. Gérard Deltell (Louis-Saint-Laurent, CPC): Thank you, Mr. Chair.

Ladies and gentlemen, welcome to your House of Commons.

I will first address Mr. Laurin, from the C.D. Howe Institute, who is joining us by videoconference.

Good afternoon, Mr. Laurin.

Mr. Alexandre Laurin: Good afternoon.

Mr. Gérard Deltell: Mr. Laurin, you warned us earlier that we would never be safe from negative growth and that we had to be very careful in the new year that is about to start. In fact, a little earlier this week, the Governor of the Bank of Canada revised Canada’s economic growth downwards. So did the Parliamentary Budget Officer. However, in response to a question from us two days ago, the latter made it clear that the previous government had left a surplus of $2.9 billion.

My question deals with the impact on small and medium-sized businesses of the measures proposed by the current administration. Three weeks ago, a new carbon tax was announced. For some investors and entrepreneurs, that tax will be coming into effect much too quickly.

In the House at the moment, we are debating Bill C-26, which proposes to increase the Canada Pension Plan. I say “increase” because the contribution from workers will go up by approximately $1,000. For businesses, it will be $1,000 per employee. The proposal is for the tax rate for SMEs to stay at 10.5%, whereas some people had committed to reduce it to 9%.

In your opinion, what will be the effect on economic growth of the combination of those three factors: the carbon tax, the increase in the Canada Pension Plan, and the SME tax rate remaining the same?

How will that affect those who create jobs and the small and medium-sized businesses that form the backbone of our economic strength?

Mr. Alexandre Laurin: That is a complex question, so it will be difficult to deal with it in its entirety in a few minutes.

You mentioned a lower tax rate for small businesses. But SMEs form a very varied group that include some businesses that are showing strong growth, young businesses, businesses that are investing heavily, other businesses that one might call “mom-and-pop” operations like convenience stores, which have no growth objectives, and incorporated professionals. In short, businesses come in all shapes and sizes and they react to incentives differently.

A lower tax rate would be very helpful for innovating and young businesses, those that want to grow. For incorporated professionals, it is mostly about tax planning, which is not necessarily the right way to grow the economy. For family businesses too, it is not going to contribute to economic growth. So you have to be careful there.

The C.D. Howe Institute proposal is that a lower tax rate be more targeted to young businesses that are making investments and that wish to grow. With a better target, that tax option could bring about growth.

● (1620)

Mr. Gérard Deltell: There is talk of additional charges to the Canada Pension Plan and of a tax on carbon. Do you believe that those new measures could help young, innovating businesses?

Mr. Alexandre Laurin: Absolutely not.

Pension plan premiums are a tax that does not take profits into account. Even if a company makes no profit, it still pays the premiums. In terms of investments, that has a more adverse effect than taxes on profits. Actually, economists who study social premiums often say that they have a harmful effect on the economy. A number of empirical studies also confirm that.

As for the carbon tax, everything depends on what is done with the tax dividend, on whether it is reinvested or not.

[*English*]

The Chair: Thank you both.

Mr. Caron.

[*Translation*]

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

As I have very little time, I am going to quickly choose the people I want to talk to.

This question goes to the Canadian Convenience Stores Association.

Last year, one of the issues we spent a lot of time on was credit cards. You alluded to Linda Lapointe’s Bill C-236. It is very short. I can even read it. It has these two short paragraphs:

> 5.1 (1) The credit card acceptance fees that a payment card network operator may charge a merchant must not exceed the limit prescribed by regulation for each category of users.
>
> Regulations
>
> (2) The Governor in Council may, by regulation:
>
> (a) define “credit card acceptance fees”;
>
> (b) establish categories of users; and
>
> (c) set limits on credit card acceptance fees.

This comes down to saying that the government can do anything it likes. I don’t think that really solves the problem. With a situation that is extremely harmful to retailers, you would like a solution that goes a little further.

[*English*]

Mr. Alex Scholten (Past-President, Canadian Convenience Stores Association): The main question or main concern we had about Madame Lapointe's bill was that it didn't set the rates. We wondered as well, similar to your question, what that would mean in the future when those rates would be established. What we like that we're hearing from the finance ministry now is that they're going to study this. Madame Lapointe's bill did not suggest that either.

As an industry, we recognize the need for a vibrant credit card system in Canada. Our retailers want to see customers having access to debit. Ensuring that everyone is treated fairly in a resolution is very important. We think that having Finance look at this now and study it in greater detail will be a much better way to approach this issue.

[*Translation*]

Mr. Guy Caron: I look forward to seeing that, but I feel that there will be another consultation about it.

Thank you.

Ms. Lanthier, let me give you a little history. In 1991, I was a workshop leader when the Fédération des communautés francophones et acadienne was formed to replace the former Fédération des francophones hors Québec.

You mentioned cellphones and the Internet in small, more remote francophone communities. I can guarantee you that the problem is not limited to remote francophone communities. In Témiscouata, eight out of the 19 municipalities still do not have a cellphone connection.

You have probably looked at federal investments in Internet or cellular technologies. Generally, when the current and former federal governments invested in the area, they invested in high-speed Internet. They always forgot the cellphone issue.

Does the federal government need to commit to improve cellular access as it is doing for the Internet? How could that be done?

Mrs. Sylviane Lanthier: As I am no expert in cellular and Internet access, I am not sure that I could give a very intelligent answer to the second part of your question. However, to the first part, I can tell you that, in the communities we represent in the Yukon, the Northwest Territories and some remote parts of Ontario and the Maritimes, people have problems accessing high-speed Internet. In addition, the cost of accessing those services is prohibitive in some places.

There are inequities at that level, and they have an effect, for example, on the ability of schools to do distance education, on the potential for economic development in those communities, and so on. All that is a reality.

As cellphones are in tremendous use these days, we cannot talk about the Internet without also talking about cellphone access.

● (1625)

Mr. Guy Caron: Thank you very much.

I will finish my time with you, Mr. Laurin. I have so many questions to ask you.

You have probably studied public policy history a little, specifically in terms of the Canada Pension Plan.

The arguments that we hear at the moment, including from my colleague, are the same as we heard when the program was improved in the 1990s in order to deal with the long-term situation. Actually, they are the same arguments that we heard in 1965 when the Canada Pension Plan was created.

Each time that we talk about a program like this, we always have to deal with the same concerns. In 1965, people said that it was going to be disastrous for business. They said the same thing in 1996 or 1997 when it changed.

Mr. Alexandre Laurin: I can comment on that.

The new CPP will certainly have negative effects on the economy, but that does not mean that I am saying that it will destroy the economy.

There are other aspects of the new CPP that have to be examined to find out whether it meets the needs. In my view, the needs have been studied a lot. There are several studies on the matter, but most of them focus on the needs of a very specific category of workers, those with a higher income on average, and on a sub-category of those workers. But the CPP is a universal and mandatory plan.

If you are asking me for my personal opinion, as I wrote, the CPP does not do enough for those who really need it. Basically, overall, it is not enough, but at the same time, it is much too much. In fact, it is not focused at all for the majority of Canadians, who really do not need it. In my opinion, there was an opportunity to do much better.

[*English*]

The Chair: Thank you, both.

Mr. Sorbara.

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

Welcome, everyone, and thank you for your presentations.

Obviously, time is truncated today so I'll try to be quick.

To the Canadian Mental Health Association, in your brief I think you mentioned directed funding for dollars that need to be invested in mental health. In another presentation we heard about ring-fencing those dollars. What is your view on that? I think it's very important. I've been to Mens Sana. I've been to about three or four events on mental health issues in the last two weeks, and it's just amazing. It's troubling, but it's amazing.

Mr. Patrick Smith: It's because of the years of deferred maintenance. This isn't pointing fingers. Many countries have found themselves in the same position over the years. The gap between what we know we need and what we have is so significant that the transformation fund that we're talking about needs to be held centrally to specifically invest in the building blocks that we need in the country.

Second, since every province has been working on their own mental health plans, the transfer of monies should be earmarked and ring-fenced so that it's dedicated to spending on mental health. At the health round table there was a concern that sometimes the Canadian health transfer doesn't even get spent on health. If it doesn't get spent on health, and even if it does, the evidence suggests that it doesn't get spent on mental health.

This fix is significant, and it's also going to be economically important for our country to do that.

● (1630)

Mr. Francesco Sorbara: Thank you.

To the Canadian Medical Association on dealing with the small business deduction, could you elaborate for 30 seconds on the implications of that legislation, please?

Dr. Granger Avery: I have a couple of observations. First, the Canadian Medical Association does not negotiate and does not represent doctors financially. We are presenting this issue as a risk to Canada's health system. We are very pleased to see responsible tax policy, and we're pleased that the budget recognized physicians as a strong economy within Canada.

The issue has some complexity, and it is around the group medical structures. These structures are put together by provinces and imposed upon physicians in universities and in teaching hospitals so that specialized services, research, and teaching can be supported. The doctors don't actually have an option; they have to join a structure like this.

What the proposed legislation does is make the small business deduction applicable to the group as a whole, so one deduction, rather than each individual physician within that group. That means that the 6% or so of money from the dedicated funding that the provinces supply goes into a pot so that we can support that research and teaching, which is not otherwise paid, or at least not significantly paid.

If these structures are dissolved, surveys of our physicians who are affected in that way indicate that at least 60% of those doctors will eventually leave those structures, and that will significantly impair teaching, research, and specialized services.

Mr. Francesco Sorbara: Thank you, sir.

I have one question for FCM about the $12.66 billion ask. With TCHC, the Toronto Community Housing Corporation, you get a backlog of repairs. Is that $12 billion ask for a completely new build, or does that include the operating costs on a year-by-year basis so we don't get into a situation where a housing authority has a huge backlog of expenses and repairs two or three years out?

Ms. Sylvie Goneau: The $12.66 billion dollars is spent over 10 initiatives. That encompasses keeping the agreements that are coming to an end to be able to keep our buildings in good, livable conditions. It's also for building rental units, being able to afford, also, sustainable and affordable housing. There is $5 billion in repairs and maintenance on existing social housing, $3 billion to keep housing affordable, $4 billion for new affordable housing, and $700 million for portable housing allowance. That's just an idea of the breakdown of the $12.6 billion.

The Chair: Thank you, both.

Mr. Liepert.

Mr. Ron Liepert (Calgary Signal Hill, CPC): Thank you, Mr. Chair.

Mr. Sauvé, I don't have a question for you, but my colleague Mr. Aboultaif and I are members of Parliament from Alberta, and I think I speak on behalf of probably all of my colleagues here in thanking the Red Cross for all the great work that was done during the Fort McMurray time frame. You just didn't hear anybody complaining about how the Red Cross handled it, so congratulations to your organization for a tremendous job well done.

I am going to ask a question to the Canadian Convenience Stores Association and the Chicken Farmers of Canada. I'm not going to repeat the question my colleague Mr. Deltell asked the C.D. Howe Institute, but I would be interested in getting your responses. I presume you heard the question that Mr. Deltell asked, but in a nutshell, how does the sort of piling on of all of these taxes, whether it's increases in CPP contributions, carbon tax, the failure to reduce the small business tax as promised, or in Alberta's case, increases to minimum wage, impact your organizations, and how does that contribute to growing the economy in the country?

● (1635)

Mr. Alex Scholten: That's a very good question.

Any cost increase for small business retailers creates a difficult situation for them to remain competitive and to succeed. We certainly are concerned about all of the areas you're discussing. We do recognize there is need for some of these things, as well, and we're hoping that our industry will be consulted when they come about, so that we have an opportunity to express those concerns and to understand how it may impact us. Yes, it certainly has us concerned.

Mr. Ron Liepert: Thank you.

Mr. Janzen, could you give us your thoughts?

Mr. Dave Janzen: Certainly. We would want to see if a carbon tax were implemented that it would be consistent across the country. As you heard, we have chicken production in all 10 provinces. Even though our footprint offers a very low impact of greenhouse gases, we are a significant user of natural gas, so in answer to your question, this would definitely increase our production costs, especially in the colder climates.

Mr. Ron Liepert: I have a little time left. I'll let my colleague, Mr. Aboultaif, ask a question.

Mr. Ziad Aboultaif (Edmonton Manning, CPC): I have a couple of quick questions.

Thank you all for your presentations.

For the Federation of Canadian Municipalities, you're proposing $12.6 million, which is a very significant amount, for affordable housing. As a municipality, you are your own authority, so how much are the municipalities doing within their own jurisdictions to put up more of these affordable homes?

Ms. Sylvie Goneau: Depending on where we are in Canada, because different municipalities are under different provincial jurisdictions, we are well positioned to know the needs in our municipalities as far as housing, social housing, and the occupancy rate. All of those are addressed in the submission we did on a national housing policy.

In some jurisdictions, municipalities do invest in complementarity with the federal government, with the provincial government, and also with local organizations on the ground that are required to invest in infrastructure to be able to house different people

[*Translation*]

in some vulnerable communities.

The services provided to the public in response to demands for housing, whether it is affordable housing, social housing or housing to address homelessness, are largely a municipal responsibility. Funding from the federal and provincial governments can make a great difference in people's lives and also for the municipalities that would be able to provide all their citizens with affordable, reasonable, safe and accessible housing.

You are aware that 1.5 million Canadians have to spend more than 30% of their income on housing. This is completely unacceptable. Without adequate funding from all levels of government, we will not be able to address and overcome the housing crisis in Canada. I feel that it is one of the essential services that we must provide to our people.

[*English*]

The Chair: Thank you all.

We'll have to end it there. I thank everyone for their presentations and for trying to stick to a tight time frame.

The meeting is suspended for five minutes.

● (1635)

(Pause)

● (1640)

The Chair: Could we come to order?

I think we have all our panellists. Welcome to the second panel. As you know, we're doing pre-budget consultations in advance of the 2017 budget. We're trying to emphasize the theme of economic growth.

In case you weren't here before, panel, we are under a very tight time frame. We have to depart no later than 5:45 for a vote in the House of Commons. I apologize for that in advance. We will hold everyone to a five-minute time frame. You may end up having to sum up pretty quickly.

We're starting with the Canadian Union of Public Employees and Mr. Sanger. Welcome.

● (1645)

Mr. Toby Sanger (Senior Economist, Canadian Union of Public Employees): Mr. Chair and honourable members, I know you've had many long weeks of hearings, and so on behalf of 640,000 CUPE members who work hard to deliver quality public services in communities all across Canada, I want to thank you for the opportunity to be here.

We submitted a brief in August and I'll summarize our main recommendations.

The average pay of our members is about $42,000 a year, and without quality public services, they could barely survive. Because of continued austerity, CUPE members' base wages will increase by an average of just 1.5% this year and next. Average base increases for all unionized workers have been below 2% every year since 2009. You heard on Monday from the Governor of the Bank of Canada about how expectations for economic growth have declined. Next week we'll hear something similar from the finance minister.

When household spending accounts for about two-thirds of our economy, but workers' wages continue to be repressed, should there be any wonder the economy isn't growing any stronger? We don't need more tax cuts or subsidies for corporations that already have over $700 billion in cash they aren't investing in the economy. We also don't need more trade deals that expand the powers of large, multinational corporations and undermine workers' wages and our sovereignty in different ways. We do need more and better quality jobs with decent wages and benefits in a diversified and sustainable economy, in other words, inclusive growth.

We also need improved public services and public infrastructure supported by fairer taxes and not further privatization. We need to increase workers' wages but we also need to increase the social wage that all Canadians receive through public education, health care, pensions, and other public services. One of our top priorities should be to establish and fund an affordable, quality, public early childhood education and care system with professional child care workers. This could pay for itself in fiscal and economic terms, promote equality, and generate hundreds of thousands of jobs. A new health accord should provide significant increases in funding strictly tied to improvements and expansion of public health care, including a national pharmacare program, expansion of publicly provided continuing care and primary health care, and additional support for mental health.

We support reducing and ultimately eliminating undergraduate and college tuition fees. One-half of the cost of this could be paid by eliminating federal education tax credits and loan-based financial assistance. We also need more support for literacy and essential skills.

The green economy network's proposal to invest billions more annually in public transportation, renewable energy, and energy efficiency could generate one million person-years of good green jobs over the next 10 years. Climate change plans should also include transition measures to ensure that vulnerable workers' industries and communities are assisted.

The federal government has shown leadership on a national minimum carbon price. This could provide enough revenue to pay for these additional investments and offset the hardship for those most affected. We support increased funding for public infrastructure in the government's priority areas, but more should be done to ensure that it achieves the greatest social, economic, and environmental return on investment, and creates decent jobs for all Canadians. Federally funded projects should meet a platform of social and ethical standards, including provision of decent wages, labour rights, pay-equity representative work forces, apprenticeships, and high standards of corporate responsibility including payment of taxes.

Public infrastructure should be publicly financed and operated. The P3 fund and PPP Canada should be eliminated, with funding redirected to public infrastructure projects.

We oppose the advisory council on economic growth's proposal for an infrastructure bank. These would mean much higher costs for private finance and cannibalize our public infrastructure for private profit. The public would ultimately pay these higher costs directly through higher user fees and indirectly through higher payments from and lower revenues to governments. Experts such as Matti Siemiatycki have proposed much better suggestions for a national infrastructure bank that would reduce costs and increase accountability and transparency.

Lastly, we need progressive tax reform. Priorities here include closing regressive tax loopholes, taxing income from capital at the same rate as income from labour, increasing corporate tax rates, cracking down on tax evasion and avoidance, and ensuring that large, multinational digital economy corporations such as Uber and Netflix and others pay their fair share of tax.

● (1650)

Thank you. I very much welcome your questions.

The Chair: Thank you very much, Mr. Sanger. For all present, we have your submissions on the mobile units.

Next, from the Canadian Climate Forum, is Ms. Laframboise.

Ms. Deirdre Laframboise (Executive Director, Canadian Climate Forum): Thank you, Mr. Chair and honourable members, for this opportunity.

Canadians are facing a climate urgency. Natural disasters are ever-increasing in frequency and intensity. Think of Hurricane William and Fort McMurray as recent examples. There are ever-increasing needs and costs to protect Canadians from these disasters. International commitments on climate are helping drive our low-carbon economy. It is an exciting time and a new way of doing business, but time is not on our side, and global warming waits for no one.

The Canadian Climate Forum is unique in Canada. We are the only national, independent, apolitical agency that addresses all climate issues across all sectors and jurisdictions. We've built upon our distinguished past as the foundation and today focus on the science-to-policy interface to drive best strategies and policies. Our network is deep. It's Canada's leading climate scientists and academics, as well as a wide range of others from sectors of industry, economy, health, sociology, NGOs, national centres of excellence, and so on.

Our approach is to break down silos, form strategic partnerships to enrich expertise and avoid wasteful duplication, and convene across sectors and issues. A recent example of how we operate is provided by our national and international symposium, which was just last week, entitled “Moving Towards Sustainable Energy”. Every sector of the climate spectrum was represented, and our world-class speakers included Minister Catherine McKenna, Minister Jim Carr, Elizabeth May, Chris Ragan, Dominic Barton, Paul Boothe, and Dr. Mark Jaccard.

We also had a blue ribbon panel of clean-tech CEOs, and this came as a request from Mr. Jim Balsillie. These clean-tech CEOs said very clearly to the room that policies are lacking for them to do their business in this country, to scale up, and to keep jobs here.

We've been listening carefully to bureaucrats for the last 10 months and personally have met with more than 70 since January. We hear the consistent message that they are under huge pressure and that they need help with developing climate policy for adaptation and mitigation. Mitigation is new to many, and integration, while it is embraced, is a cultural shift. It's taking time, and it's time that really there isn't much of.

Recently we completed a contract on emergency management with Public Safety Canada. We were asked to develop a national inventory and engagement strategy of stakeholders who are absent from the discussions under way for a national emergency management plan for disasters. Because of the forum's network and expertise we were able to produce a 43-page report in a matter of weeks, identify more than 200 stakeholders whose voices have not been heard to date, and design an engagement strategy that Public Safety can implement immediately, with a range of cost options.

We heard from senior bureaucrats that two other major areas that lack help and knowledge are in the north, particularly engagement on traditional knowledge issues, and first nations and major infrastructure challenges such as thawing permafrost, sea level rise, snow and ice loss, and disruption of traditional ways of life.

Lastly, another main theme that appeared across different ministries concerns data. There is a massive and major lack of standardized data and guidelines in this country, driving everything from flood mapping to snow load guidelines to projections for agriculture practices. How can Canada build back better or build new without the best evidence?

In the private sector—the second part of our request in our submission—there is in this country a major gap in the private sector's voice in public policy related to climate change. Every department we met with told us that they would value an opportunity to have regular dialogues with CEOs in this country. Nobody is doing it, and the forum would like to be the one. We have recommended a business round table for climate resiliency, similar to the National Round Table on the Environment and the Economy, which disappeared, but much broader and more integrated.

We also propose to house ARISE Canada, which is the UNISDR's disaster risk reduction international initiative.

ARISE Canada just launched in October in Toronto, but there is no secretariat. I want to make it clear that the funding we ask for is not to sustain the secretariat; it's to launch it and to get it going. We see that 12 to 24 months would be plenty of time to have private sector funding to have the round table continue. This is a win-win. We have Public Safety Canada and other ministries hosting the world regional platform for disaster risk reduction next March, so you could announce this as a government initiative, and it would be a voice for government to go to for industry input.

● (1655)

To close, there is an urgency for knowledge and climate advice. It's a whole-of-society approach that will involve every sector and multitudes of stakeholders, and the forum is here to serve this government.

Thank you.

The Chair: Thank you very much. We have those figures and those monies in the brief, I note.

From the Conference for Advanced Life Underwriting, we have Mr. Blatt.

Mr. Warren Blatt (Chair, Government Relations, Conference for Advanced Life Underwriting): Thank you, Mr. Chair and committee members, for the opportunity to be here today with you.

I'm Warren Blatt, and in addition to being an independent financial adviser, I'm a member of the CALU board of directors, as well as chair of its government relations committee.

CALU and our sister organization, Advocis, represent approximately 11,000 insurance and financial advisers, who in turn provide financial advice to millions of Canadians. CALU appreciates this opportunity to comment on behalf of our members and their clients on two recommendations contained in its 2017 pre-budget submission.

By way of background, it is readily apparent that the boomer generation has had and will continue to have a significant social and economic impact in Canada. Notably, the first boomers turned 65 years of age in 2011, and over the next 20 years this group will expand the number of Canadians over the age of 65 to 23% of the population.

As Canadians age and retire, two of their greatest concerns are receiving quality health care and cultivating their personal savings. It is therefore critically important that all levels of government focus on encouraging Canadians to save and invest to be more financially self-sufficient during their retirement years. By doing so, this will also reduce reliance on public programs and institutional support.

The current and previous governments have taken important actions in this area, including the reduction in the RRIF minimum, a factor that took effect in 2015, and the recently announced enhancement to the Canada Pension Plan. These modifications will help Canadians retain more of their savings, increase future retirement benefits, and protect them from the longevity risk.

With a significant portion of the Canadian population moving into their retirement years, advancing age will drive a corresponding need for increasing long-term care services. The C.D. Howe Institute recently released a report that estimated that the total cost of long-term care will more than double to $140 billion over the next 20 years. The C.D. Howe report concluded that the provinces will need to shift more of the cost of long-term care to those who can afford to pay. This will be an additional retirement financial burden that most Canadians are not currently planning or prepared for. CALU believes that long-term care insurance can play an important role in helping address this funding gap.

Long-term care insurance provides a cash allowance to individuals who are unable to manage the activities of daily living. Greater ownership of this type of insurance is critical in helping to manage private costs associated with long-term care services.

CALU, therefore, urges the federal government to continue to take a leadership position in preparing Canadians for what lies ahead. This could be achieved by educating Canadians about their financial obligations relating to long-term care services, by working with the provinces to develop a more unified approach to determine who qualifies for subsidized access, and by enacting tax rules that will encourage more Canadians to own individual long-term care insurance.

CALU's second recommendation relates to the impact of an aging population on business owners who have built successful family businesses. Small businesses play an extremely important role in the Canadian economy, making a significant contribution to the employment and economic activity of the country. However, it is estimated that close to 75% of current business owners will sell or exit their businesses in the next 10 years, and many may want to pass on their businesses to family members. Unfortunately, existing tax rules can penalize the owner of incorporated businesses who transfers shares to a corporation controlled by other family members. A similar transaction involving an arm's-length purchaser would not result in the application of these rules. As a result, a business owner may be forced to sell their business outside the family to preserve more after-tax proceeds to fund their retirement income.

CALU supports the call for other interested stakeholders to review and amend these rules to permit the transfer of incorporated small businesses to the next generation of family owners on a more tax-neutral basis. We believe this action will facilitate the successful transfer of family businesses, and in turn protect local jobs generated by these companies.

I thank you for your time and attention. Of course, I'm pleased to answer any questions you may have.

● (1700)

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

With the Green Budget Coalition, Mr. Van Iterson.

Mr. Andrew Van Iterson (Manager, Green Budget Coalition): Thank you, Mr. Chairman and honourable committee members. Thank you for inviting the Green Budget Coalition to speak to you today.

The Green Budget Coalition, or GBC, is unique in bringing together the expertise of 17 of Canada's leading environmental organizations, collectively representing over 600,000 Canadians and ranging from Ducks Unlimited to Greenpeace. Our mission is to present an analysis of the most pressing issues regarding environmental sustainability in Canada and to make a consolidated annual set of recommendations to the federal government regarding strategic fiscal and budgetary opportunities.

The GBC appreciated the funding in budget 2016 for many of its priorities, including the low-carbon economy fund, marine protected areas, green infrastructure, first nations communities, and tax benefits for electricity storage technologies. However, much more is still needed to put Canada on a solid path towards environmental sustainability and to play a responsible role in addressing climate change.

I would like to highlight the Green Budget Coalition's key recommendations for budget 2017. They include a suite of measures to achieve Canada's climate change mitigation and adaptation objectives, related nature conservation objectives, and freshwater programs.

In particular, the Green Budget Coalition recommends taking action to implement a well-designed, pan-Canadian carbon price starting at a price level that respects the social cost of carbon with appreciable annual increases for several years and with revenues directed towards compensating low-income and other vulnerable individuals and families, supporting emission reductions, clean economic growth, and adaptation to climate change, including natural solutions.

We welcome the Prime Minister's announcement regarding a carbon price as an important step forward. We have two key concerns, one being that it will be many years before the price level is significant enough to significantly reduce emissions, and the second being that we would have preferred an incremental $10 per tonne increase until 2030 with annual reviews every five years so that we not get stuck in inertia, which seems to be happening in British Columbia.

The GBC also recommends phasing out exploration and development subsidies to the fossil fuel industry, which effectively work against the effectiveness of a carbon price and have strong public support.

We recommend directing 30% of green infrastructure funding to natural infrastructure options such as wetlands and coastal strengthening, and 10% of annual funding from the pan-Canadian framework on clean growth and climate change to help Canada's ecosystems adapt to climate change.

We recommend taking strategic, nationwide, multi-year conservation action in three areas: expanding and better protecting our terrestrial protected area system, expanding measures to conserve unique and ecologically significant wildlife habitat and to ensure ecological connectivity, and fulfilling Canada's commitments to reach and exceed international marine protection targets and to ensure ocean health and sustainable fisheries.

In this area, we're also supportive of the guardians proposal from the indigenous leadership initiative. We also support renewing important freshwater programs that are sunsetting in March 2017, regarding Lake Simcoe and Georgian Bay and investing in the quality, comprehensiveness, and accessibility of freshwater monitoring data.

We've been engaged in a series of meetings over the past month with deputy ministers and finance officials regarding our preliminary recommendations for next year's budget. We will be issuing a final version in mid-November and would welcome the opportunity to meet with you then.

Our final document will include a number of complementary recommendations across issues of climate change mitigation and adaptation, energy, transit, nature conservation, radon mitigation, and measuring ecological goods and services.

We are also supportive of the Assembly of First Nations' proposals for reducing diesel use in indigenous communities and for clean energy funds.

Thank you very much for your time and attention, and I look forward to your questions.

● (1705)

The Chair: Thank you very much.

With the Macdonald-Laurier Institute, Mr. Cross, senior fellow.

Go ahead.

Mr. Philip Cross (Senior Fellow, Macdonald-Laurier Institute): Thank you.

I'd like to summarize a paper on macroeconomics that will be released shortly by the Macdonald-Laurier Institute.

Almost all economic analysts agreed on the necessity of adopting extraordinary monitoring and fiscal stimulus at the worst of the recession in 2008 and 2009. However, few at the time imagined such stimulus would be maintained and even augmented nine years after the onset of the crisis.

A growing number of analysts and organizations, including the Bank for International Settlements, are critical of maintaining such stimulative fiscal and monetary policies for such an extended period of time. These reservations centre on whether the negative impacts of stimulative policies on long-term potential growth exceed their short-term benefits, whether the short-term benefits even exist anymore, and whether the risks they cultivate in the global financial system threaten to aggravate the turmoil they were originally designed to redress.

Briefly, there are two types of macroeconomic policy: cyclical policies aimed at quickly bringing the economy out of recession or cooling off an over-heating economy; and structural policies, such as trade to boost long-term growth potential. These two types of policies, cyclical and structural, are often in opposition to each other. The dynamics of growth in the long run are different and often the opposite of the determinants of growth in the short run.

Containing inflation involves slower growth in the short term, which is tolerated because lower inflation boosts the long-term potential of the economy. Policies designed to stimulate the economy in the short term, such as budget deficits, dampen long-term potential growth. Policy-makers accept this trade-off because the harmful social and economic effects of a recession are worth minimizing, even at the cost of somewhat lower growth in the longer term.

Conversely, policies that boost long-term growth potential often dampen growth in the short term, such as moves to increase labour market efficiency or liberalized trade. In the words of Robert Shiller, “We must therefore consider the short run and the long run separately, and the policy responses to the two are very different.”

As William White, former deputy governor of the Bank of Canada and chief economist at the BIS, observed, the long run is not just a series of short runs. Because of the harm to long-term potential growths, counter-cyclical policies should only be implemented for short periods of time.

That policies designed to stimulate the economy are harmful for the long-term trend of growth is demonstrated by the way nobody advocates ultra-low interest rates, quantitative easing, or budget deficits throughout the business cycle. These policies are considered extraordinary medicine only to be administered when the economy is faltering and needs stimulus. They were not meant to address persistently slow growth, which is increasingly what they're being asked to do.

Chronically slow growth reflects structural forces, notably low productivity gains, that can only be addressed by structural reforms. Most macroeconomic stimulus policies inhibit productivity growth. At the worst, they encourage excessive debt growth that results in unstable financial conditions and a prolonged and severe slump in the economy.

The main argument of this brief is that the damage to long-term potential growth from nearly a decade of extraordinary measures has outweighed their usefulness for some time. They've failed to return growth to normal rates and have reduced the long-term potential growth rate of the economy. The constant stimulus applied to most advanced economies may even plunge the global economy back into recession by increasing the financial system's exposure to risk from either asset price bubbles or a destabilizing of international capital flows.

There are reasons to believe that beyond damaging long-term potential growth, monitoring and fiscal policies are exhausting their ability to stimulate growth in the short term. These diminishing returns partly reflect, after years of stimulus, that there's little spending left to shift from the future to the present. As the BIS observed, tomorrow eventually becomes today.

As well, both monetary and fiscal policy are reaching the absolute limits of stimulus, particularly as we approach zero interest rates in North America. There are clear implications of this line of analysis for the “new normal” thesis that the western world is mired in an era of slow growth due to weak demand and the aging of the population.

An alternative view, as laid out by the BIS, is that the protracted slump in growth reflects the dulling impact of monetary and fiscal policies adopted in response to the 2008 crisis and since amplified as the recovery has sputtered. As the years have passed, these economic chickens have come home to roost in the form of structurally lower potential growth. Worse, the possible formation of bubbles in several asset markets raises the possibility of another financial crisis for which policy-makers will have fewer tools than in 2008.

● (1710)

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

We turn to the Chartered Professional Accountants of Canada.

Welcome, Mr. Gallant, an oft-time visitor to P.E.I., I know. Go ahead.

Mr. Gregory Gallant (Board Member, Chartered Professional Accountants of Canada): Thank you, Mr. Chair, and members of the committee.

I am Greg Gallant, and I am a member of the board of Chartered Professional Accountants of Canada, also known as CPA Canada, and I'm a partner with Grant Thornton in Toronto.

Let me start by stating the obvious. We are in a long period of slow growth in Canada and in most advanced economies. However low it may be, economic growth matters. The pursuit of policies and investments that will spur growth and support social development is the aim of this budget process. It is also CPA Canada's desire to play a role in helping the government achieve growth for the benefit of Canadians.

Before I share a few of our recommendations for budget 2017, let me tell you about our organization.

CPA Canada serves as the national and international voice for Canada's more than 200,000 chartered professional accountants who work at home and abroad. CPAs are in executive, finance, business, and accounting roles in the private and public sectors.

There can be no doubt that the tax system plays a critical role in Canada's economic growth and the prosperity of our citizens. Canada's tax system has become complex, unfair to some, and costly to comply with and administer. Major national organizations, including CPA Canada, as well as the economists, academics, and think tanks have all called for a comprehensive review of Canada's tax system.

Canada has not had a thorough review of its tax system for over 50 years, and consider how much has changed since 1966. It's time for change. That is why CPA Canada applauds this committee for passing a motion to undertake a comprehensive review of the Income Tax Act and the Canadian tax system, and prepare a report.

In our pre-budget submission, we outlined the principles and outcomes necessary to guide this tax review. Canada needs a 21st-century tax system, a simple, predictable, fair, efficient, and transparent tax system. We need low internationally competitive tax rates where everyone pays their fair share, so that all Canadians prosper.

We urge the committee to launch its study at the earliest opportunity, so that your recommendations can be considered for the next federal budget. We look forward to the opportunity to contribute to the committee's work on this review.

Time does not permit us to speak on all policy recommendations in our submission. They include maintaining the importance of strong fiscal management, making responsible investments in infrastructure that focus on long-term sustainable goals, integrating internationally trained professionals in the workforce quickly, strengthening financial literacy, and continually innovating and adapting, so that Canada maintains its enviable quality of life.

I will speak briefly on the last point concerning innovation and climate change adaption.

First, on innovation, we recommend the government implement a patent box, enhance the SR and ED tax credit program, and adopt standardized business reporting. The government's focus on innovation is most welcome for its potential to improve Canada's productivity. Too often the discussions of innovation involves largely around research and development. We think Canada must seriously look at how to boost demand for Canada's innovations, target high-potential firms, focus on human resources, and create a business landscape that encourages firms to invest and commercialize their innovations.

Secondly, regarding climate change, we are encouraged by the government's commitment to transition to a low-carbon economy through its pan-Canadian framework. CPAs are helping businesses to manage that transition and to adapt to climate-related impacts that are so costly to our economy and society. For these reasons, we recommend the government build on its leadership role and develop a national adaptation plan that engages all affected stakeholders, including the private sector.

CPA Canada appreciates this opportunity to provide the accounting profession's views and recommendations on public policy issues that contribute to inclusiveness and sustainable growth.

We welcome your comments and questions.

Thank you.

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

Turning to video conference presentations, first we have the Forest Products Association of Canada video conference from Vancouver. Mr. Nighbor, the floor is yours.

● (1715)

Mr. Derek Nighbor (Chief Executive Officer, Forest Products Association of Canada): Thank you, Mr. Chair, and thanks for the flexibility.

Although based in Ottawa I was touring the Port of Vancouver today, and I think if we need a reminder about how critical infrastructure is to the future growth of our economy, I'd encourage anybody who hasn't had the opportunity to tour the port. It really impressed me today on how important critical infrastructure is.

It's a challenging time in Canada's forest sector and it's got me to think about the challenges of the last decade in the sector. I'm reminded about how far we've come and how innovation is in our DNA. Our industry has faced many challenges in the past, but our focus on innovation in products, including market diversification, productivity, and evolving forest management practices, are at our core. We have a track record of innovation and continually adapt our operations and practices to meet the demands of changing global markets and consumer preferences.

Partnerships are at the heart of what we do. The forest products sector has been at the heart of the Canadian economy with 230,000 direct jobs and one million indirect jobs in communities, where increasingly, or I would say in a big way, our mills and our forest families are really the backbone of these local communities. Our sector is one of the largest employers of indigenous people in Canada and we're proud to say that we have 1,400 indigenous-owned forest businesses across the country. We're the third-largest manufacturing industry and we lead the greenest workforce in Canada.

Our industry also has the best environmental reputation in the world, achieved by embracing strong environmental standards and committing to continuous improvement. We were one of the first sectors to launch our climate change challenge and our commitment to deliver 13% of the government's overall target in terms of carbon mitigation, carbon reduction.

From the forest sector, in your presentation you'll see clearly mapped out a few of the things that we believe are important for the committee and Minister Morneau to consider.

Firstly, on investments in science networks, we innovate through collaboration, partnerships, and science networks with government, business, and academia. Long-term and stable investments in private-public partnerships such as FPInnovations, research and development projects, and business clusters will strengthen Canada's innovation capacity. We're recommending that the federal government renew FPInnovations' core funding of $100 million over four years.

FPAC also recommends that the federal government invest $100 million over four years for fundamental and applied science networks related to industry, in addition to $40 million over four years for business clusters. The innovation minister, Navdeep Bains, has said that the government is betting heavily on networks or innovation clusters as part of the innovation agenda, and we believe he is right to do so.

On commercialization and the adoption of clean technology, Canada's forest sector is a global leader in adopting new technology and in embracing clean technology. The government's support for commercialization of clean technologies is vital if our sector is to remain competitive. We are recommending that the government support commercialization of advanced wood products, bioproducts, and clean technology with $200 million over four years through the investments in forest industry transformation program.

I'd like to talk a bit more about that program in the Q and A, if I can, because it's been really successful in the past. That program is set to expire in 2018, but we believe it should be renewed because for every dollar that was invested in IFIT under the previous government, $2.60 was generated in return.

Further, we believe the government should support subsequent replication of technology across the forest products industry under the clean resources initiative, with a $250-million investment over four years to address our sector's unique needs.

Government support can accelerate technology and innovation replication and ensure that Canada's forest sector keeps pace with international competition in the widespread adoption of clean technology. That will also contribute to helping us tackle climate change.

Finally, I'd like to mention the importance of closing gaps in market access. The government could take action on a number of fronts to ensure that businesses in our industry are meeting expansion, innovation, and prosperity goals to better contribute to economic growth, for example, updating building codes and standards to incorporate consideration of the carbon footprint, renewing the expanding market opportunities program, and funding for Canada Wood.

FPAC members are diversifying into higher value niche areas like bioenergy, biochemicals, nanotechnology, and advanced construction materials. More than ever this kind of innovation is fundamental to improving our competitiveness in the global marketplace.

● (1720)

Mr. Chair, in conclusion, strategic investments in the forest sector in budget 2017 to support better investments in science networks and business clusters, commercialization and adoption of clean tech, and closing gaps in market access will contribute to Canada's economic growth and modernize how we innovate as a country.

I'm happy to answer any questions. Thanks again for your time today.

The Chair: Thank you very much.

We do have your brief on our mobiles.

With the Canadian Council of Refugees, we have Loly Rico.

Go ahead, the floor is yours.

Ms. Loly Rico (President, Canadian Council for Refugees): Thank you for the invitation.

We have 180 organizations in the Canadian Council for Refugees. Among them we have private sponsorship groups, settlement agencies, community groups, and lawyers who work with immigrants and refugees.

Thank you for this invitation because we want to bring the contribution of refugees into the budget, and how they can contribute more. I want to address refugee resettlement.

As you saw, this year Canada received a lot of Syrian refugees. When they resettle in Canada, they come with a debt, their transportation loans. They need to pay for their transportation to come to Canada. Because they cannot afford the expense, the Government of Canada gives them a loan that they need to pay back with interest. That will limit their contribution, because when they arrive they need to start paying that. As a recommendation, the Canadian Council for Refugees calls on the government to wait and absorb all the costs for transportation and expenses for refugees. From April of next year, the Government of Canada is absorbing their medical costs. We are looking to see if they can absorb the transportation loans.

Also, one of the things we have been doing, in terms of refugees making a contribution, is providing settlement services. It's a big investment. We are asking the Government of Canada if they can increase the resources for settlement services for refugees and immigrants, especially for refugees who come with high needs, and if it can provide different levels of support during the time they receive these settlement services.

Other services we are looking at are in relation to refugees when they are in Canada. We need to talk about some limitations. For example, one of the things that we are looking at is family reunification. We are looking into whether the government can commit more resources to family reunification and reunite families in six months, at a minimum. Family reunification is taking too long. Instead of concentrating on their contribution here in Canada, the refugees send some of the remittances to their families.

We are also looking into any refugee, and especially refugee claimants, having access to work permits. They do have access to work permits, but it takes too long, more than four months. In that case, the Canadian Council for Refugees is recommending this year that refugees, even refugee claimants, have immediate access to work permits when they arrive in Canada. That way they can start contributing in Canada.

As you know, we receive a lot of temporary foreign workers. We also have survivors of human trafficking, and we have also persons from other countries whom Canada cannot remove. One of the things we are looking into is whether the Government of Canada can amend their policies in favour of these categories. Having access to permanent residency will make a better contribution to Canadian society.

With that, I want to say thank you. If you have any questions, I'm willing to answer.

● (1725)

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

For people's information, you are on a video conference from Toronto.

With that, we will turn to questions. Try to keep them pretty tight.

Ms. O'Connell, you're up.

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

Thank you all for coming.

Unfortunately, I won't have time to ask all of you questions. I'm going to ask a more broad question for both groups, the Green Budget Coalition as well as Canadian Climate Forum. I just returned from a forum in London talking about economic policy and climate change and how to meet all our Paris agreement goals. I hear you in terms of the funds, and the things you'd like to see. One of the things we talked about extensively was the need for a specific policy that is going to be overreaching, that would create private investment in innovation.

I'll give you a quick example. In the U.S., their defence procurement policy has put out a contract asking for someone to design a gun that shoots around a corner, and if there's anyone who can design that, they'll buy a lot of them. That puts a lot of the risk and the innovation in the private sector, with the benefit of the technology with the government in that case, as well as any technology that comes from it that might not be intended.

Funds run out and funds are short term. What are economic policies that would change and move the process forward to have innovation in things that are going to help us meet these goals?

The Chair: Who wants to start?

Ms. Deirdre Laframboise: It really would be more appropriate on the Green Budget Coalition side.

The Chair: I can't imagine you've been stumped by a question.

Mr. Andrew Van Iterson: Where to start? We focus relatively explicitly on policies that can go into the budget, so fiscal and funding measures. You're absolutely right. I was having a conversation yesterday with someone.... How to stimulate the innovation that drives and helps to transform the economy is a pivotal measure and will require some competence on the government's part.

We have in our backyard Sustainable Development Technology Canada as a good example of how to drive green innovation. They have staff who are willing to take the risks and understand that to get the three big winners, you may have seven losers. I know that's not necessarily a perspective that everyone in government is comfortable with, but that kind of idea would be very positive.

Ms. Deirdre Laframboise: I'm not an economist, but if there's one thing we know, it is that the dialogue is new in this area. Our symposium only emphasized that. Having long discussions with Mr. Balsillie about the first time ever that 12 clean-tech CEOs came to Ottawa to speak to the federal government, it was last week, and he brought them. That's the role that we see. The dialogue needs to happen. The silos need to open, and you need all those people around the table to come up with the best policies.

Ms. Jennifer O'Connell: Thank you.

Perhaps then I'll throw that out as a challenge. I was with Chatham House, so following Chatham House rules, I can't tell you who said what or who was there, but I can tell you the investment banking industry understands this. There are trillions of dollars in private investment looking for renewable funding.

What I'm looking for, and what I'd like to bring forward—and if it's not this budget then in the future—is knowing what the policies are that create that stable environment so that investors choose Canada. I'll leave that as perhaps a challenge, but I want to move on quickly because I know I don't have a lot of time here.

CPA, you mentioned in your brief—and I know you're aware of our motions, and that's great—why a fair and efficient transparent tax system is needed. You mentioned that sometimes it's unfair to certain folks. I'm sorry I don't have the exact quote in front of me.

Could you highlight an example of where it is unfair, and therefore, demonstrates the need for a simplification or a review?

Mr. Gregory Gallant: That is right. This tax system has had a number of changes over a period of time. We believe a full review is required at this point in time.

Look at the SR and ED program and stand back from that program, and ask if it is achieving what we want it to achieve. There's an impact on that program where there is a tax credit. The tax credit is very useful to a lot of smaller businesses, but a lot of larger businesses, which have to compete internationally with their various divisions, find that tax credit is not a very effective method of doing their innovation. That's an area we have to have a look at in the tax system, to see where the SR and ED should go and see if it is achieving what we want to achieve.

● (1730)

The Chair: That will be it.

Mr. Deltell.

Mr. Gérard Deltell: Thank you, Mr. Chair.

Thank you, everybody, for being here in Ottawa. I would like to pay my respects to those who are with us by video conference.

By the way, for my question I will go to Vancouver, British Columbia, to talk with Mr. Derek Nighbor from the Forest Products Association of Canada.

Sir, I wish you the best even if we don't have a deal on wood. We are with you all the way. Speaking of that, I would like to know what you think about the imposition of a new carbon tax for your industry. How will it affect your business?

Mr. Derek Nighbor: That's a good question, thank you.

We've long been on the carbon, climate change-fighting train, if you will. We're one of the few sectors that lent our support to the Kyoto Protocol many years ago. As I said, we're one of the few sectors that has launched a comprehensive plan.

There are a couple of outstanding questions I would say to the member. One is the significant impact on transportation costs, especially in rural communities and northern and remote communities where most of our mills are, and then also there's the question of global competitiveness, which either this committee or the international trade committee has been doing some work on to better understand how we would benchmark against our global competitors in this space if they don't move in a similar direction.

On the other side, we see opportunity. We are using a lot more fossil fuel alternatives based on biomass in the forest sector, so although we see some challenges on the one side, we see a lot of opportunity as well. The way this national program is rolling out, it is going to be absolutely critical. Most of the power here clearly is going to be with the provinces, so we're right now working with our provincial counterparts to see how this is going to track across the country.

Mr. Gérard Deltell: Thank you—

The Chair: I have to interrupt for a minute. The bells have started and I think we have agreement, but technically we need the unanimous consent of the committee to stay an additional 15 minutes. Do we have that? Are we okay until 5:45?

Some hon. members: Agreed.

The Chair: That's agreed. Go ahead.

Mr. Gérard Deltell: Thank you, Chair.

I will share my time with Mr. Aboultaif.

Mr. Ziad Aboultaif: Thank you all.

I have just one quick question for Mr. Cross.

You mentioned cyclical policies and structural policies, short term, long term. Economically speaking, and you're better at economics than I am, for the short-term policies, mostly the results of these should be predictable. At least you can gauge what you're going to get out of it. Long-term policies can be hit and miss within margins.

What are we doing wrong? The short-term policies for spending money based on last year's budget and this year's budget aren't working. We're not creating jobs. Things are not working really. What are we doing wrong and what can we do right in order to be able to be safe moving forward, and at least dealing with the issues? Is the situation bigger than us? Is the problem deeper than we think?

Mr. Philip Cross: It's certainly a problem that is bigger than us. It's affecting all the major western advanced industrialized nations. In fact, many of them appear to be in a much worse position than Canada. Think about Japan, which has had 15 fiscal stimulus packages over the last few years. Europe is in much worse condition. North America is relatively well off. We have a younger, faster-growing population than these other areas. Canada, in particular, has another advantage. Our banking system wasn't destroyed in the last crisis. Guess what? That actually helped a whole lot.

We do have these advantages, but the point of the work coming out of BIS is that the stimulus you're going to get from monetary and fiscal policy is going to be limited. When you're operating in an environment of very low productivity growth, that puts a very low ceiling on which the economy can grow. You can pour more and more stimulus in and you very quickly hit this upper limit.

The BIS advocates that we adopt more policies that would raise that productivity ceiling over the longer term.

● (1735)

Mr. Ziad Aboultaif: For the short term...?

Mr. Philip Cross: In the short term they recommend that we withdraw some stimulus, even if it slows growth a bit on the short term in order to get back some of that long-term potential.

The Chair: Mr. Caron.

[*Translation*]

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

I will start with Mr. Nighbor.

[*English*]

He's from the Forest Products Association of Canada. Probably the most important recommendation was not in your presentation. What should we do regarding the industry with the lack of a signed agreement on softwood lumber? Your members will actually be facing a very tough time, as they did before 2006. I know that you have some recommendations for the government. I think it might be good for the committee to actually know what would be required for the industry to be able to weather the storm.

Mr. Derek Nighbor: That's an excellent question. FPAC is the national voice of the industry across Canada. As this committee knows, there are different regions of the country that have had different opinions on what a deal should or should not look like. Our board made a conscious decision to say that, for the benefit of the industry, FPAC is going to step back during the negotiation time and is going to allow the regions, Quebec, B.C., Alberta, Atlantic Canada, and others across the country, to partake in the negotiations at a regional level. This pre-budget submission, of course, was done parallel to this conversation happening. As we get closer to the possibility of no deal or significant tariffs I think there are a couple of things we should talk about as a group, and that government could partake in, about other ways that would not further incite a trade war with the U.S.

Some examples are investment in doing more building domestically with wood, for example, through some of those building code changes, and supporting a pan-Canadian reforestation plan to plant trees similar to the announcement Premier Clark made in B.C. as part of her plan. In our industry for every tree that is harvested we plant more than one to replace it, but there are areas of pests and fire and whatnot that could be planted. Also we need more money to even further diversify markets and grow them in Asia.

I think there are a number of levers the government can pull to build on this submission in a worst-case scenario.

[*Translation*]

Mr. Guy Caron: Thank you very much

I will now turn to the

[*English*]

Conference for Advanced Life Underwriting, or CALU.

Thank you very much for explaining the situation for family transfers. I cannot help myself, because my private member's bill wants to solve this exact same situation. I want to assure everybody that I did not ask Mr. Blatt to make this presentation. I was surprised to see it here.

Mr. Warren Blatt: I never met him before.

Mr. Guy Caron: I actually met other members of CALU and you had the support of the organization. They didn't know it would be part of their pre-budget submission. But the example you're giving is actually very telling. You're talking about the sale of a $2-million business. If you're selling to a member of the family you're going to pay basically $800,000 in taxes. If you're selling to a stranger you will pay $250,000 in taxes. That's about $500,000 more, if there is no tax planning, that you're losing in your retirement fund.

Mr. Warren Blatt: That's exactly it. All we're saying is that we're looking for a level playing field in this area. There is a lot of detail in the submission and it's somewhat technical. I know we're in a time crunch but the bottom line is that we want to give Canadians the opportunity to decide who they want to sell their businesses to. Sometimes it's the family that's the right decision. Sometimes it may not be. We want to level that playing field. Right now it's punitive to the family and we think that can be adjusted somewhat.

Mr. Guy Caron: That's a fairly recent change because my understanding is that it came to be separated or differentiated like this—

Mr. Warren Blatt: Yes.

Mr. Guy Caron: —when we expanded on the use of capital gains back in the 1970s.

Mr. Warren Blatt: Correct, and Quebec happens to be leading this initiative, which is exciting.

Mr. Guy Caron: Quebec actually voted and changed that part back in the 2015 budget.

● (1740)

Mr. Warren Blatt: Correct.

Mr. Guy Caron: Mr. Gallant, you know about the example that was given by Mr. Blatt, regarding family transfers. You know about the situation or the problem that we have right now.

Mr. Gregory Gallant: I'm not aware of that particular circumstance, no. But I can understand exactly where you're coming from in relation to the transfers. Capital gains exemptions was put in at a point in time and was very beneficial, very good tax planning, in relation to smaller businesses. That's an example of a tweak that maybe should be looked at in relation to how the system should be changed to prevent situations like this.

The Chair: I'll have to cut it there.

Mr. Ouellette, you're sharing your time with Mr. Sarai.

Go ahead.

Mr. Robert-Falcon Ouellette (Winnipeg Centre, Lib.): Yes, thank you very much.

This is a question for Andrew Van Iterson.

It's concerning your mention of the Assembly of First Nations and diesel electricity on reserve. A lot of the electricity used on reserves comes from diesel engines, so it's not very environmentally sound. I was just wondering if you knew a little bit more about the proposal.

Mr. Andrew Van Iterson: I have a little of it. They're recommending, I think, roughly $800 million. There are three funds together that total in the range of $1.4 billion to $2.3 billion over three years. I know this has been a challenge with the Green Budget Coalition. It's been talked about for years, so there's certainly bright people working on it, and we've been talking to the Indigenous and Northern Affairs department. The challenge is to find a couple of models that work and can be replicated across roughly 180 communities.

I think biodiesel can be part of the solution. I'm not sure that they've landed yet on a solution that could work for all of them.

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

Now I'll be very short because I know we have to get on to Randeep.

For the chartered accountants, you mentioned in one of your outlines here the national strategy for financial literacy. I'm wondering if you could talk a bit about your ideas, for instance, on postal banking, because a lot of rural and indigenous communities don't have access to banking facilities as such. A postal bank, for instance, might be very beneficial for increasing financial literacy because you could open a bank account. You could be doing all sorts of other small types of banking to generate a profit for Canada Post at a reasonable fee.

Mr. Gregory Gallant: Yes. In relation to CPA Canada, we see financial literacy as a very big thing for moving Canada forward. We have approximately 11,000 volunteers at the moment who are involved in financial literacy, trying to educate the overall general public around the level of savings they're going to need for their retirement and the impact of CPP for saving effectively. Something like you just mentioned is another aspect to this that probably is very important to further educate the whole Canadian population about financial literacy. We're living longer at this time, and we need to start dealing with all of the financial aspects of our lives. What you just brought up there is potentially one of them.

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

Now I'm going to pass it on to my good colleague here, Randeep.

The Chair: I would mention on the previous discussion, there was a good presentation in Halifax by Ron MacDonald from NRStor on this issue of diesel in the north and green proposals.

Mr. Sarai.

Mr. Randeep Sarai (Surrey Centre, Lib.): Being from the west, I have a question for Mr. Nighbor from the Forest Products Association.

I know you're facing a very critical time with the softwood lumber agreement coming up as an issue out west and across the country. How does the $200 million for advanced wood products help you export goods that perhaps would not come under any tariff or countervailing duties? Does that help you create better products that you can export, not only to outside of the U.S., but does it also allow you to export innovative products to the U.S.? I want to know, if you can elaborate.

Mr. Derek Nighbor: Yes, there's definitely an export strategy with the U.S., but we're also looking to diversify those markets. Back in 2002, we had about 86% of total forest product exports going to the U.S. It's about 67% to 70% today, so we've definitely diversified already but there's huge opportunity.

One of my CEOs says China is the new China. There are a lot of other opportunities still in China and throughout Asia, and we believe it's a two-part play, first, get more taller wood buildings in Canada to support domestic demand, and then support exports to new and emerging markets.

● (1745)

The Chair: Mr. Albas, you can ask one quick question.

Mr. Dan Albas (Central Okanagan—Similkameen—Nicola, CPC): Thank you, and I'm going to ask Mr. Cross. I appreciate everyone's contributions today.

Mr. Cross, I understand from a macroeconomic viewpoint that Canada is a small open economy, and because of that, stimulus by our own government in response to any desired outcome makes it very difficult to say that all you need to do is put in *x* amount of dollars and you'll get *y* out. Would you agree that it is a difficult thing for a small country like Canada to stimulate its economy versus what we had with the United States when that mutual stimulus at the same time actually had a greater result during the great recession?

Mr. Philip Cross: Very much so, since the standard economic model is that there's a yin and yang between monetary and fiscal policy. We've seen recently that when you increase fiscal stimulus the markets go, "Okay, the economy is going to pick up." Therefore, they expect interest rates to go up. They bid up the exchange rate and much of the benefit you get from fiscal policy is offset by monetary policy. We've seen the reverse now. As expectations for growth are revised down and as people expect the stimulus from fiscal policy to yield fewer bangs for the buck than expected, lo and behold, we've seen the exchange rate fall back and give back about half of its gains. It jumped from 70% to 80% and recently, it's fallen back to about 75% as markets factor in a weaker outlook for the Canadian economy.

The Chair: Sorry, my apologies, we'll have to cut it at that.

For members, the buses are waiting outside so don't dilly-dally. We have to get to the vote. Tomorrow morning, we are meeting at 8:30 with Dominic Barton followed by the presidents of BDC and EDC. The meeting is here.

Thank you all and sorry for the rush.

The meeting is adjourned.