HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

Standing Committee on Finance

FINA • NUMBER 052 • 1st SESSION • 42nd PARLIAMENT

EVIDENCE

Thursday, October 27, 2016

Chair

The Honourable Wayne Easter

Standing Committee on Finance

Thursday, October 27, 2016

● (1535)

[*English*]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): I call the meeting to order.

I welcome the witnesses. The committee is in the home stretch—that's what we call it in the horse racing industry—on pre-budget consultations. We have two last panels today.

Pursuant to Standing Order 83.1, we're continuing our pre-budget consultations for the 2017 budget. As I think all the witnesses know, we're trying to emphasize what proposals would improve economic growth within Canada.

I welcome all the witnesses here today. We're attempting, not always successfully, to hold people to five minutes for their initial presentations. We have the presentations that were forwarded, even the late ones, on our mobile devices. You'll see members looking at those devices from time to time.

Before we start with witnesses, I understand Mr. Albas has a notice of motion he wants to present, which shouldn't take too much time.

Mr. Dan Albas (Central Okanagan—Similkameen—Nicola, CPC): I appreciate that, Mr. Chair. I just wanted to make a notice of motion, specifically, that the Standing Committee on Finance undertake a study of de minimis and give recommendations to the Minister of Finance of what the appropriate level should be.

The Chair: We have the notice of motion. The motion will be printed, delivered to members, and we'll debate it at another time.

With that, we will start with the Canadian Construction Association, Michael Atkinson, president.

Welcome, Michael. The floor is yours.

Mr. Michael Atkinson (President, Canadian Construction Association): Thank you, Mr. Chair and honourable members. On behalf of the some 20,000 member firms that the Canadian Construction Association represents, I'd like to say that it is, indeed, a pleasure to be here with you today.

Since I do only have five minutes and I don't want to go over time, I'm going to get right into it. We have five recommendations for you to consider.

The first is with respect to labour mobility, and my comments here are specific to EI-eligible unemployed. A mobile workforce is critical to the country's future, particularly in our construction sector. We need to encourage the unemployed to travel to where the jobs are and not limit their job searches to just their local market. But as we all know, money is tight when you are unemployed, which is why most unemployed Canadians limit their job search to their local labour market.

To overcome this challenge, the Canadian Construction Association recommends that current El policy be amended to permit the unemployed to access an advance of up to $2,000 from their approved EI benefits to help offset their job search costs outside their local market. This could be done through the existing El claim process without the federal government incurring any significant, new administrative costs.

Moreover, it would encourage the unemployed to broaden their employment search outside their local market without incurring significant expense at a time when they can least afford it. Should they find work as a result of this expanded job search, repayment terms could be negotiated between Service Canada and the El recipient.

A second way we can help create additional employment opportunities for groups currently detached from the labour market is to incentivize employers to invest in their training. The Canada job grant is one important initiative, but its focus is on short-term skills only, making it too limited for most employers to consider when training someone with specific employment challenges.

Furthermore, no employer is going to move a bookkeeper into a comptroller position just because the bookkeeper took a week-long course on accounting, so it's unrealistic to think that short-term upskilling will lead to additional hiring. Recommendation number two is that the program needs to be expanded to encourage more longer-term skills development.

A third solution is to create greater financial incentives for employers to participate in workforce development. Our members are particularly interested in apprentices. We believe the government has it right with respect to the apprenticeship job creation tax credit. This program helps many medium-sized employers take on apprentices by subsidizing their wages for the first and second years of their program. Unfortunately, however, the credit is limited to a maximum of $2,000. For most small and micro-businesses, which make up 99% of the companies active in the construction industry, it is not a substantive enough incentive to encourage them to hire apprentices.

Recommendation number three is to expand the credit. Right now it only applies to apprentices in their first and second years of apprenticeship. To try to incentivize apprenticeship completion, we'd like to see it expanded to years three and four. We'd like to see the $2,000 limit increased to $5,000. The current credit only applies to apprentices in Red Seal trades. We'd like to see it applied to all provincially recognized apprenticeable trades.

Fourth, we believe investments in infrastructure and the strategic use of tax policy can best contribute to business growth in all regions and sectors of the country. Infrastructure is an economic enabler. The better our infrastructure is, the more efficiently we, as Canadians, can export our goods and services to international markets. With all the effort Canada has put into trade diversification through free trade agreements, we must not limit our potential growth opportunities due to infrastructure limitations. Unfortunately, that is the situation we face today. Much of our trade-enabling infrastructure is operating at near capacity, with limited ability to accommodate any significant additional growth.

I'll leave it to my colleague at the Canadian Association of Petroleum Producers to quantify this problem in his sector, but let me just say this. If we are going to continue to permit the extraction of natural resources in Canada, does it make sense to deny ourselves the best possible price for those resources because of infrastructure limitations? We need to prioritize the development of trade-enabling infrastructure so as to ensure we continue to receive the best possible global price for Canadian natural resources.

That is recommendation number four. To that end, we recommend that the federal government establish a public-private advisory committee to help prioritize and direct investment decisions related to critical trade-enabling infrastructure. As part of this effort, the federal government should ensure that these identified assets receive priority funding from either an expanded national infrastructure component under the current new building Canada plan or through the proposed federal infrastructure bank.

● (1540)

Number five, and the last one, is capital cost allowance. The allowable capital cost allowance, or capital depreciation, on mobile diesel-powered equipment and machinery in the construction industry does not allow us to write it off over the useful life of the equipment. We are at a disadvantage when it comes to the tax treatment of that equipment in the United States.

The newer forms of equipment have better emission controls. The newer engines are much more environmentally friendly in that respect, so we feel that trying to encourage a turnover in that equipment to go to the more advanced machinery is also good for the environment.

I'm sure my five minutes are up, or just about up, so I'll stop there.

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

Next is the Canadian Supply Chain Food Safety Coalition, Albert Chambers, executive director.

Welcome, Albert.

Mr. Albert Chambers (Executive Director, Canadian Supply Chain Food Safety Coalition): Thank you, Mr. Chair.

It's a pleasure to be here. I'd like to thank the committee for inviting us. It's not our first submission, but it was our first time asking to come before you.

The coalition was formed 16 years ago. Our membership is composed of 32 national, provincial, and regional associations that represent businesses at every link in the supply chain, from input suppliers, primary producers, transportation, processing, manufacturing, distribution, and importing, to final marketers in export, retail, and food service. Our vision is that Canada's agriculture, aquatic, and food industry will have a world-class reputation for producing and selling safe food. In brief, our mission is to facilitate the development and implementation of a national coordinated approach to food safety.

For this presentation, our members have two objectives. The first one is to ask the government to set out a five-year funding plan for its own food safety initiatives and for incentives to the private sector to invest in theirs. The second one is to ask the government to develop a comprehensive national food safety strategy in collaboration with the provincial and territorial governments, with industry, and with other stakeholders. Before I go into detail about these requests, I'd like to set out some of the broad context.

Canada is in the midst of modernizing its food safety legislative and regulatory systems, so as to catch up to our major trading partners and to assure comparability and equivalence in the future. The first step of this initiative was completed in 2012 with the passage of the Safe Food for Canadians Act. It replaces four acts and 13 sets of regulations with one act and one regulation. It dramatically expands CFIA's active surveillance to thousands of currently unregistered farms, manufacturers, importers, and exporters. It replaces a prescriptive regulatory approach with one that's focused on outcomes, prevention, and shared responsibility.

We expect to see the first official version of the new regulation within a few months and for it to come into force within the next year. This will complete the second step.

The third step is implementing this new food safety regime, which will require significant investments by both government and industry over the next three to five years.

To complete modernization, officials in industry have identified a fourth step for further changes. These include adding segments of the supply chain excluded from the current proposals, amending section 4(1)(a) of the Food and Drugs Act to bring it into compliance with the food and drugs act in the U.S., and consolidating the Safe Food for Canadians Act and the food components of the Food and Drugs Act within one statute.

Since our foundation, the coalition has been a strong supporter of food safety modernization, but we remain disappointed that over the past 16 years no federal government has articulated a clear national food safety strategy. The coalition firmly believes that Canadians, no matter where they reside or purchase their food, are entitled to the same level of assurances about its safety. In July, the provincial and territorial ministers of agriculture pledged co-operation in implementing the new regulations as part of the next agricultural framework. The time appears to be ripe to develop a comprehensive national food safety strategy.

As noted earlier, implementation will require significant new investments. The next budget presents a timely opportunity to make these investments possible. Our submission provides considerable detail, but I'll just cite a few examples. For food businesses, they're going to have to develop, implement, and update new preventive control plans; they're going to have to train their employees on the new requirements; they're going to have to establish traceability systems to facilitate recall; and there are going to be, in some cases, new capital investments required. For CFIA, they have to retrain their inspectors, recruit new staff with new competencies, ensure the regulations are uniformly applied, establish a monitoring program to assess effectiveness, and establish capacity to assist thousands of newly regulated businesses, particularly small and medium-sized enterprises. Health Canada has requirements to maintain its strong scientific capacity. The Public Health Agency also has requirements that we've set out in the document.

● (1545)

The Chair: Mr. Chambers, we'll have to get you to wrap up in about a minute, if you can.

Mr. Albert Chambers: I'm just about to finish, Mr. Chair.

To meet these challenges we believe the next budget should provide for the development of a national food safety strategy and set out a five-year plan for food safety funding. This would involve providing financial incentives for food businesses and providing increased funding for federal agencies and departments to carry out their new responsibility.

Thank you very much, Mr. Chair.

The Chair: Thank you very much.

With the Government of Nunavut, Ms. Tungilik is our next witness.

Ms. Theresie Tungilik (As an Individual): Hello, my name is Theresie Tungilik. I'm from Rankin Inlet, and I'm an artist. Addressing the artist's resale right for Canadian artists would be a huge step for Canada to take. This would touch on all artists in all walks of life, and people who are well or have disabilities, to gain financially.

Some 93 countries have laws that support for the artist's resale rights, when the dollars are given back to the real artists after a resale. These rights, in turn, not only benefit the Canadian galleries, museums, auction houses, and the artists, but our country as a whole. Countries that abide by the artist's resale right will be able to pay our Canadian artists from their countries when their art has been resold. Making the artist's resale right a law in Canada can only be a win-win situation for both the artists and our country.

My father, Mark Tungilik, carved nearly every day. This was his income. This was his way of providing for the seven of us, along with his hunting. My father's carvings have been and are in many Canadian and European art galleries. Since his passing in 1986, I have become his beneficiary for his artwork. Yet, for the last 30 years I have not received a nickel, though there are records of his carvings being resold through galleries, museums, and auction houses, both in Canada and abroad. This is our reality as Canadian artists; we are forgotten.

If the Canadian government takes action to make it law to have the artist's resale right, this would greatly increase the art business world. As an example, I would like to take Kenojuak Ashevak with her *The Enchanted Owl*. When she made this print in Cape Dorset, Nunavut, she received an embarrassingly measly $24 for the print. After her passing, this same print fetched over $34,000 at an auction house, meaning she could have received over $1,700 had the artist's resale right been in place.

As Inuit art is well known nationally and internationally, this artist's resale right can grow our economy due to the fact that much Inuit art is sold and resold to galleries, museums, and auction houses in our country and abroad. This would be an expansion of our national economy as most of the art is due mostly to their communities, meaning that the money stays in our country after it has come in from other countries. Art among Inuit is a big business. It brings in more than $30 million annually just into Nunavut. Many northerners cannot find jobs due to the lack of job availability.

When you look at urban, rural, and remote communities, art brings in cash and supplements low income. The artist's resale right will have a positive financial impact as 10% of Canada's export is Inuit art. Imagine how much more the other Canadian artists who sell within the 93 countries would bring into Canada. The remote communities would really benefit from the artist's resale right as we in Nunavut have the highest cost of living.

For many, jobs are hard to find and living on social assistance is not their choice, but some people need to have it, because families need to feed their children. If they are artists, the artist's resale right would increase their household income and there would be less dependency on the government and it would help to bring about self-reliance.

Foreign visitors and dignitaries are usually given art as a gift, because art is thriving in the northern communities of Canada and is beautifully created. This shows the importance of Canadian identity.

● (1550)

Since the creation of Nunavut on April 1, 1999, Inuit have become sought after by more countries. France, England, Germany, and Japan remain the strong buyers of Inuit art.

Though I am Canadian, I am a northerner. I feel assured that I can speak for artists from my region. With Canada legislating the artist's resale right, I know it can only help and not hinder our northern economics. I know every dollar counts, and I can only imagine how happy an artist will be upon receiving his or her first-ever royalty cheque. With this kind of expectation, this can lead to more innovative creations of the art. How important the artist will feel that his or her art is worthy enough to be sold and resold again. The amazing thing would be that he or she would be paid again and again from those pieces.

The artist's resale right isn't going to cost the federal government anything, yet would put cash into the hands of its artists. Now is the right time for our great nation to make that move.

Thank you.

The Chair: Thank you very much.

Just for our records when we do the report, we have you both down as Government of Nunavut and as an individual in your own right. I suspect your presentation is as an individual.

Ms. Theresie Tungilik: Yes. I do work for the Government of Nunavut. I'm the adviser for arts and traditional economy with the Department of Economic Development. However, I'm also an artist. I'm also on the council in Rankin Inlet, and on the status of women council.

The Chair: Yes. That's just so we get it right in our details as we record it in the report.

Ms. Theresie Tungilik: Yes, independent.

The Chair: That's great, not a problem.

With the Canadian Artists Representation, we have Madam Teitel.

Ms. Darrah Teitel (Director of Advocacy, National, Canadian Artists Representation): On behalf of the Canadian Artists Representation—le Front des artistes canadiens, along with our seven provincial affiliates and our partner in Quebec, RAAV, le Regroupement des artistes en arts visuels du Québec, I want to thank everybody for having us here today.

I want to begin my presentation with three quotes. The first is from the APTN article that announced the death of Annie Pootoogook, the Inuit artist who drowned in the Ottawa River, several kilometres from here:

> Pootoogook used to compose her ink and crayon drawings that once raised her to international acclaim in the contemporary art world before she was swallowed by the darkness in the alleys and riverbanks of the capital city that have also obscured her last moments on earth.

Pootoogook was selling drawings on the streets, four blocks away from the National Gallery of Canada where her work hangs on the walls. She was 46.

This next quote is Daphne Odjig, an indigenous artist from the Odawa Nation:

> it was not until later in life that I have achieved a semblance of success, and at 92 years of age [I am] surviving on a small pension and returns on dwindling investments

It's worth noting that Daphne Odjig's art now is rapidly resold all over the world. In 2012, the 12 pieces that were sold at auction would have given her over $7,000 of income had the artist's resale right existed.

The third quote is from Peter Taptuna, the minister of economic development and transportation for the Government of Nunavut. He's now the premier:

> Inuit artists have brought their vision of the world to an international audience and built an economic sector that creates jobs and contributes tens of millions of dollars every year to Nunavut's economy.... Today, we add our voice to support artist's resale right and encourage Canada to address this critical piece of legislation.

It is critically incumbent upon the members of this government, settler artists, and all peoples in Canada and across the world who enjoy indigenous arts to, once and for all, erase the false distinctions between indigenous artworks, their lives, and their lands. This point was made in spades, again and again, by the Inuk artist Billy Gauthier this past week, whose hunger strike brought about nation-to-nation negotiations for his land in Labrador. He consistently spoke of the intersectionality between the health of his body, his land, and his art.

What is ARR, the artist's resale right? It's very simple. It's a 5% royalty of all public sales of art, not private, and it gets kicked back to the artists themselves in recognition of the fact that the value of their work has increased the value of the art throughout their careers.

The artist's resale right works to protect and empower all artists, but particularly, it raises the most vulnerable of them out of poverty, and mostly indigenous artists. In Australia, two years after implementing the ARR, statistics were taken and it was found that over 65% of the artists receiving royalties were aboriginal or Torres Strait Islanders and that they had received 38% of all royalties collected. That's hugely disproportionate to the demographics in Australia.

In Canada, indigenous art is not an insignificant industry on first nations reserves, in Inuit communities, and in Métis settlements. Just ask the woman sitting next to me how many people in Rankin Inlet make their living from art. Ask the fewer than 2,500 members of the Haida Nation, whose art is ubiquitous in Canada, around the world, and gracing the bicep of our Prime Minister. Then ask yourselves to critically assess the industry that has arisen that brings so much indigenous art to the professional art market, where the work is highly valued. These middlemen, who call themselves art dealers, go onto reserves in the north, buy up tremendous amounts of art at wholesale prices, and resell the work immediately on international art markets where they get double, triple, or quadruple the amount of money they originally paid for it. None of this money goes back to the artists themselves.

No artist currently has the right to protect himself or herself from middlemen who prey on remoteness or poverty in order to make a quick buck. There is only one way to ensure that artists profit equitably from the value of their labour, and that is by implementing the artist's resale right.

Why have I brought the ARR to the finance committee and not the heritage committee today? There are three reasons. One is that the ARR has tax implications. The sale of art is considered a capital gain and is therefore only 50% taxable, but the ARR takes 5% of this and turns it into artists' income, which is 100% taxable.

● (1555)

Ladies and gentlemen, I will be the only person here begging you not to give us money but rather for us to give you money. This will add money into the treasury, and it will cost the government nothing to do it.

The second reason is the ARR is proven to reduce poverty. It is an income generator for artists, who are some of the poorest labourers in Canada. The average visual artist pulls in $18,000 a year, while the value of their labour creates profits for governments and the communities around them all the time.

The Chair: Darrah, can I get you to sum up in about a minute?

Ms. Darrah Teitel: I just want to make the point that these are not struggling or insignificant artists who are earning $18,000. These are our best artists, our brightest minds. What other industry can boast such success for the people around them while ensuring that next to no profits go the labourers themselves?

Thirdly, and most important, the lack of ARR is actually a trade barrier. Ninety-three other nations in the world have the artist's resale right, and some since the 1920s. This isn't a new idea; it isn't a risky scheme. It's a “why haven't we done this already” right. That's why the UN has actually recommended that every nation in the world adopt the ARR before 2012. We're late, but we're not too late.

Thank you.

● (1600)

The Chair: Thank you very much.

For the Canadian Association of Petroleum Producers, we have Mr. Ferguson, vice-president of policy and performance. Welcome, and the floor is yours.

Mr. Alex Ferguson (Vice President, Policy and Performance, Canadian Association of Petroleum Producers): Thank you, Mr. Chair and honourable members.

I'm pleased to present a few comments and highlights of our submission on the federal budget. I want to let you know, we've been working with—it's kind of unusual for us—Fort McKay First Nation on some of the ideas and concepts that we bolted into our overall submission. I know the chief had hoped to be here today co-presenting with me, but is instead attending, along with many other Canadians, the memorial service for the Honourable Jim Prentice tomorrow. He does express his regrets.

I've read through many of the other presentations made to you over the past few weeks and I'm struck by the wealth of ideas provided, mostly in the spirit of growing the Canadian economy for the benefit of all Canadians. I'm also here today to tell you that our sector has participated in and supports much of the work that is being done by the advisory council on economic growth. We look at that as a very important piece of work that provides a longer-term view of economic growth pathways for government to consider. Equally important, the longer-term approach, such as defined in there, helps provide context for shorter-term actions for economic growth.

First, I want to emphasize what we already know. Much of Canada's historical, present-day, and future economy includes our ability to take advantage of one of our foundational strengths, our ability to develop and trade our natural resources. That requires an ability to better attract foreign direct investment into Canada. As noted by the advisory council on economic growth, Canada has fallen behind comparable jurisdictions in terms of FDI growth over the past several years. We certainly welcome the government focus through that advisory council recommendation on that activity.

But there are also opportunities for government to maximize benefits from the utilization of capital available within Canada. I know we've talked about this when I have previously come before this committee. Our sector has been known as one of the country's largest recipients of capital investment for some years now, and will continue to be. We believe that there are some opportunities for our government to bring real change to our tax system, for example, that will optimize the utilization of capital in Canada to increase the benefits for all Canadians.

I wanted to highlight a couple of examples we've provided and work through a lot more detail.

One specific opportunity we see is to review and implement changes to the large corporation tax rules under CRA. We believe refocusing this with a mindset towards some more transparency and efficiency will give tremendous opportunity for redeployment of underutilized capital. We believe not just from our sector, but from across sectors, that we can set a target of anywhere from $10 billion to $30 billion or more in underutilized capital to be better deployed across Canada and across sectors.

A second opportunity we've identified is reviewing and looking at the fiscal treatment under CRA of capital costs in our sector. Certainly the CRA rules for capital cost treatment have not kept up with the technology and innovation changes that have dramatically changed the nature of our business not just in Canada but around the world, but specifically in North America. We think now is the time to relook at that and find opportunities to be more efficient in how capital is treated under CRA.

A third opportunity is—you've heard this many times in previous testimony from what I've reviewed—in the scientific research and experimental development tax incentive program. There are great opportunities in that program—as I think you've heard from many others—opportunities such as broadening the program to provide tax credits for capital expenditures on clean tech and climate change mitigation. There are several other opportunities in there that I know you've heard about.

Stepping back for a moment, more broadly, we'd offer a few other recommendations as well. We certainly want to see the continued support of the development of infrastructure that diversifies the markets that Canada's natural resources can access. As you know, I'm not allowed to speak very often without mentioning pipelines at least once, so I will mention that, but there's also the opportunity for marine infrastructure in Canada and certainly the natural gas export infrastructure, which is very important for our sector.

The second opportunity we see is around the innovation agenda. We saw a great start in that in the last budget. We're looking for more definition and more specificity going forward.

● (1605)

Certainly, we believe our sector has been developing some good foundational strength and development of what we would call an innovation super-cluster framework. That would help lead governments' innovation agendas. We're thinking about inclusion beyond our sector opportunities in related sectors that are here today as well.

We believe government should support the opportunity that we would present as a global-scale strength in this innovation super-cluster framework, which is pretty unique and should be taken advantage of.

We also believe government should continue, as we saw in the last budget, efforts to further—

The Chair: Could I get you to hold off for a minute? Our system has frozen and it will have to be reset. Talk about innovation.

Voices: Oh, oh!

● (1610)

Mr. Alex Ferguson: No problem. I struggle at my house as well, so it's not too different.

The Chair: Okay, I think we're ready to convene. Could we come back to order, please?

Mr. Ferguson, I know you were just getting to the punchline, because you were getting to be over time.

Mr. Alex Ferguson: Thank you very much. I had only a few more points, so I'll be really quick and then we'll move on. I don't want to take up any more time.

I was just referring to Canada's contribution to the innovation agenda, which we're really looking forward to seeing more details on in the next budget. I wanted to highlight quickly one of the recommendations we will be making, which is to see continued efforts to further the full participation of indigenous people in Canada's social, cultural, and economic future. I was really interested in the presentation in that vein that was made just before mine.

We certainly see opportunities to review Canada's participation in the value chain in our sector, to see if there are ways for manufacturing to be incentivized to see some growth in what we see as future opportunities in the petrochemical and chemical industries. I know you've already had presentations from those sectors within this process.

I quickly want to mention that there are lots of continued efforts to optimize our workforce opportunities, which we have heard about already, so I won't go into those in detail. Certainly as well there are continued efforts to develop those international trade relationships and agreements that are so important for our present and future.

I'll stop there. Thank you very much for the opportunity, and I look forward to your questions.

The Chair: Thank you very much, and sorry for the interruption.

From the Canadian Credit Union Association, we have Ms. Durdin and Mr. Martin.

● (1615)

[*Translation*]

Ms. Martha Durdin (President and Chief Executive Officer, Canadian Credit Union Association): Thank you, Mr. Chair, and thank you, committee members.

[*English*]

I'm here with my colleague, Rob Martin, representing Canada's credit unions.

Credit unions, as you know, are member-owned, full-service banking institutions that serve over 5.6 million Canadians. We contribute $6.5 billion to our country's GDP and help create over 58,000 jobs. We support small and medium-sized business with 11.5% market share, and that market share is close to 50% in some markets out west. In a recent CFIB study, credit unions are far ahead of the banks when it comes to serving small and medium-sized business in Canada.

This year, for the 12th year in a row, we ranked first in customer service, well ahead of the banks. We do this from what is largely a traditional banking model: taking deposits, making loans. However, the current environment is challenging for us, with low interest rates, federal tax changes, increased regulatory burden, and new mortgage lending rules, which are all making it more difficult to serve our markets, mostly middle-class Canadians.

My remarks today will focus on two key priorities: allowing for a regulatory pause to assess the full impact of recent mortgage change rules before any new risk-sharing measures are considered, and implementation of a risk-based approach to the common reporting standard.

Our first and most pressing recommendation is that the government implement a regulatory pause to assess the impact of recent mortgage rule changes before proceeding with new risk-based measures. As you know, the government recently announced two changes to mortgage insurance parameters. The first change implements a stress test for high-ratio insured mortgages. These borrowers have less than a 20% down payment. The second change will implement, as of November 30, new qualifying requirements to obtain low-ratio mortgage insurance. This is when a borrower has 20% or more as a down payment.

In our view, and the view of others, the recent measures will dampen mortgage markets across Canada and will make it more difficult for those aspiring to the middle-class goal of home ownership. To elaborate, in the October monetary policy report, the Bank of Canada recognized the impact that these measures will have, and projected a slowdown in the housing market through 2016 and 2017. In fact, the bank projects that in 2017, rather than being a net contributor to GDP growth, the housing sector will become a drag on the Canadian economy.

The bank also projects a significant dampening of resale activity across Canada. According to Genworth Financial, a little over one-third of insured mortgages, predominantly for first-time homebuyers, will have difficulty qualifying for mortgage insurance. Genworth has also estimated that approximately 50% to 55% of its total portfolio of new insurance written would no longer be eligible for mortgage insurance under the new low-ratio mortgage insurance requirements. Preliminary credit union analysis suggests that, in some instances, up to half of low-ratio mortgages would no longer qualify for low-ratio insurance. This could have a significant impact on funding opportunities for credit unions and our ability to raise capital, and would increase prices for members and our customers.

On top of these measures, the government released a consultation paper on mortgage insurance risk sharing just last week. Two of the proposed models would require lenders to accept more losses if loans default. A third model would establish premiums that lenders would pay that would be based on loan losses in a specific period. In our view, implementation of any of these proposed models during a period before other mortgage measures have taken hold would be unwise. Mortgage activity would face a further slowdown, credit costs would rise, resale activities would decline, and mortgage credit would be harder to come by.

As the market tightens, aspiring homeowners across Canada would find it more difficult to obtain a first mortgage or get home financing in economically challenged regions. It is especially concerning, because many of these regions have not experienced the housing sector upswings, as in the Toronto and Vancouver markets. Credit unions are particularly concerned about the impact these measures would have on the 380 small communities where they are the sole bricks-and-mortar financial institution.

Once again, I'd like to emphasize the need for a regulatory pause before the government moves toward implementation of a new risk-sharing framework.

● (1620)

Our second recommendation is to incorporate a risk-based approach to the common reporting standard. As you know, in Bill C-29, the government included an amendment that will bring a common reporting standard into force in Canada. The standard is intended to help curb cross-border tax evasion by facilitating the automatic exchange of financial account information between tax jurisdictions, except, of course, the U.S.

Bill C-29 does not propose a risk-based approach to compliance. Instead, the standard is being implemented on a one-size-fits-all basis to require all financial institutions, even those that are at low risk for being used for this type of tax evasion, to begin reporting on all accounts held by non-residents, this despite the fact that the CCUA survey found that the median number of non-U.S. non-residents served by Canada's credit unions is three—just three. This means that every credit union will have to dedicate additional resources for account screening, review, analysis, monitoring, reporting, and record-keeping. Banking system changes will need to be made and additional staff training undertaken, all to report to CRA annually on a handful of foreign-held accounts.

In our view, regulatory compliance based on risk assessments makes more sense. To this end, CCUA urges the federal government to apply a risk-based approach wherein institutions qualifying under an annually applied test would be exempt from CRS obligations. This is similar to the approach that we applied under FATCA, the current bilateral tax agreement with the U.S., and it makes sense to apply it for the common reporting standard.

Thank you for the opportunity to speak today. We look forward to your questions.

The Chair: Thank you very much, Martha.

For the Canadian Steel Producers Association, we have Mr. Galimberti.

Mr. Joseph Galimberti (President, Canadian Steel Producers Association): Thank you very much.

Good afternoon, honourable members of the committee. On behalf of our association, I thank you for the opportunity to present to you today as part of your study on budget 2017.

The Canadian Steel Producers Association is the national voice of Canada's $14-billion primary steel production industry. Our producers are integral to the automotive, energy, construction, and other demanding industrial supply chains here in Canada. Our mandate is to work with governments and industry partners to advance public policies that will enable a globally competitive business environment for our members and our supply chain stakeholders.

As committee members are undoubtedly aware, it's a remarkably difficult time in the global steel industry, and Canada is not immune to or sheltered from truly international challenges in the sector.

Global excess production capacity in steel has now risen to in excess of 700 million metric tons annually, with the People's Republic of China, through a variety of state supports, by itself now maintaining more than 425 million metric tons of the total global surplus. For context, that's almost 30 times the size of the total Canadian market. This is despite declining domestic demand in China. Widespread institutional ownership of and support for China's steel sector is the single largest force disrupting established trade patterns and degrading the pricing of steel products globally today.

As a result, on a worldwide scale, the steel industry has seen a significant increase in market-distorting dumping and circumvention practices, both from China directly and from a variety of other global producers whose home markets have in many cases suffered as the result of unfair Chinese competition. Once their home markets are inundated with subsidized product from China, other global producers are left with no choice but to export aggressively, dumping yet more product on the global market and further degrading global prices.

While our association would commend the Government of Canada for its work in pressing forward on the development of multinational solutions to the problem of global overcapacity in the sector, which has recently included statements from the North American leaders summit, the G7, and the G20 on the importance of reducing capacity through the elimination of state supports and other subsidies, and while we would encourage Canada's continued senior-level participation at the global forum on steel excess capacity, which was established as an outcome of the latest G20, we would also caution that international solutions on overcapacity will not be quick in coming.

For context as I make this statement, I would note that from 2003 to 2015, China has issued nine separate—

● (1625)

The Chair: Joe, I'll have to get you to slow down a bit.

Mr. Joseph Galimberti: I'm sorry. It's a delicate act to try to get it in and do the five minutes.

The Chair: We have to be able to translate it, though, for it to have meaning.

Mr. Joseph Galimberti: Absolutely.

Nine separate policy statements address steel expansion in China, while at the same time their production capacity has increased in total by roughly a billion metric tons annually.

With this in mind, we believe the Government of Canada should move very quickly to strengthen Canada's domestic trade remedy system through legislative amendments, which we believe should be included in budget 2017.

In the more than two decades since the last substantive reform of Canada's trade remedy system, the companies and countries engaging in unfair trade have proactively, and through sophisticated means, adjusted their practices to skirt Canadian regulations and unfairly gain access to our markets. The development of sophisticated software platforms, direct electronic solicitations, offers to circumvent duties in place, falsification of documents, price engineering, and other manipulations to understate the actual costs associated with production are all commonplace and constantly evolving far beyond what is currently contemplated in Canadian legislation.

As part of budget 2017, our association recommends that the Government of Canada amend SIMA to immediately address issues where a calculation of dumping margins does not accurately reflect the real amount of dumping in the Canadian market; address the need for enhanced and more transparent processes available to the Government of Canada, in instances of circumvention and scope rulings; and provide needed clarification as regards the type and amount of evidence domestic industry is required to put forward to get cases initiated.

As I close, I would remind this committee that unfairly traded goods pose a clear and present threat to the livelihood of the over 22,000 middle-class Canadians employed directly in steel production and the additional 100,000 Canadians whose employment is indirectly supported by our sector. Steel production in Canada involves significant advance manufacturing processes, and Canada's steelworkers are well educated, highly skilled, and trained throughout their careers. As such, we would suggest that it is in the government's defined interest to ensure that steelworkers in Canada do not have their employment security compromised by market distortions created by the policy decisions of foreign governments or offshore corporations.

Moreover, given environmental realities and standards associated with foreign steel production, including the transport of raw materials and requirements for secondary inputs like electricity and transport of product to end markets, there is a significant environmental penalty associated with the use of dumped and subsidized steel in Canada. Domestic production is reliant on efficient local supply chains, operates on a modern and largely emission-free power supply, and benefits from short distances to end markets. The same cannot be said for imported products, which impose a significant GHG penalty and undermine Canada's ability to properly understand and regulate the full life-cycle environmental impacts associated with infrastructure development, energy exploitation, and manufacturing in Canada.

With this in mind, I urge this committee to recommend a quick and fulsome reform to Canada's trade remedy system that will ensure Canada's steel producers, steelworkers, and steelworks are effectively protected from well-documented and corrosive effects associated with global overcapacity and unfair trade in steel.

Thank you very much.

The Chair: Thank you, Joseph.

Turning to Unifor, we have Mr. Brennan, an economist with the research department. Thank you.

Mr. Jordan Brennan (Economist, Research Department, Unifor): Good afternoon. On behalf of Unifor's 310,000 members, I would like to thank the committee for allowing us to share our views with you here today. You can find the details of our submission in the document of August 5.

The industries where Unifor's members work are essential to the success of the Canadian economy and serve as the nation's leading centres of advanced technology and innovation. They are also Canada's top exporters and a source of increasingly scarce good jobs.

Unifor's members have the highest interest in the success of their industries, and have a long track record of partnering with employers and with governments to enhance productivity and innovation.

Unifor believes in an active role, a leadership role, for government to develop strong and sophisticated policies that leverage strategic investments to secure long-term economic development.

The federal government's automotive innovation fund has served as an important tool for securing investments that anchor the wider auto industry in Canada. However, the structure of the AIF is increasingly out of step with investment attraction programs in other major North American auto-producing jurisdictions. Additionally, in the current low-interest period, the value of a non-interest loan with front-end loaded tax obligations is significantly diminished.

Reflecting the growing consensus in the industry, Unifor recommends the AIF be amended to become a non-taxable granting program with flexible rules, and procedures, and proportionally comparable funding parameters as observed by other leading auto jurisdictions. Canada should develop a one-stop system to win and attract new investment in Canadian assembly and parts plants.

Bombardier's C Series program has been hailed as a game-changer for the commercial aviation industry. Once facing questions about its long-term viability, the program had seen significant orders this year, and this summer saw the first C Series planes come into use with Swiss International Air Lines.

The aerospace industry has significant and positive impact on Canada's economy. Good jobs, superior skills development and productivity, technological innovation, and a positive trade balance are just a few reasons that governments all over the world invest heavily in their aerospace industries.

Unifor recommends the federal government invest $1 billion for a direct equity stake in Bombardier's C Series program in support of good jobs, productivity, and innovation. An equity stake in the company would solidify the long-term viability of this Canadian success story, and given prevailing trends, the government could probably expect a handsome return on its investment through capital appreciation and distributions.

Planned new infrastructure spending is welcome news, including the $20-billion new transit spending over the next decade. Public transit systems will be a key driver of delivering quality-of-life improvements to Canadians, including tackling climate change. Unifor believes these new investments in infrastructure, and especially transit, should also be tied to broader economic development objectives. Buy Canadian and local content rules affixed to new investments are proven job creation and skills development tools. They encourage the development of industrial competencies that foster global competitiveness for Canadian products.

Unifor recommends provisions for “Made in Canada” public transit equipment procurement and local hiring requirements, especially among under-represented workers, including women in the skilled trades, visible minorities, young workers, and indigenous workers.

For Canada to continue to be a leader in advanced technology and innovation, we need to ensure all Canadians have the ability to contribute to Canada's economic growth. Lack of affordable child care continues to be a significant barrier to working families, and especially working women. Government must create an affordable child care program so that all Canadians can contribute to our long-term economic development.

Unifor accepts that we must now address climate change, and as a nation we need to transition to a low-carbon economy. We support the concept of a just transition, which is the principle endorsed by the International Labour Organization when industrial transformation imposes a burden of change on workers and their livelihoods.

Unifor calls on the federal government to implement the principle of just transition, including periodic review of labour market impacts at provincial and community levels to assess affected groups, and to assess which strategies are needed to ensure that the costs associated with the transition to a low-carbon economy aren't unduly borne by working families. And investment of the EI surplus into training programs so new workers can capitalize on the green jobs being created through public investment, and expanding access to EI....

● (1630)

I see my time is up, so I'll thank you with that, and I look forward to your questions.

The Chair: Okay. On account of the delay, we are tight for questions, so we'll go with five questions, five minutes each, starting with Mr. Grewal.

● (1635)

Mr. Raj Grewal (Brampton East, Lib.): Thank you, Mr. Chair, and thank you to the witnesses for coming here today.

I just wanted to start off with the Canadian Artists Representation. I'd like to know about resale rights. Can you give an example really quickly on how an artist.... They produce it. It's bought. Then you're saying that on the next sale—correct me if I'm wrong—they should be given the money. Why is that?

Ms. Darrah Teitel: It's a royalty. For example, I'm a playwright by vocation. Every single time a piece of my writing is reproduced after the initial production of the play, I receive royalties, as do most artists in Canada because it's our intellectual property. This is the function in order for visual artists to share in royalties.

Mr. Raj Grewal: Sorry, you said that 89 countries had—

Ms. Darrah Teitel: Ninety-three.

Mr. Raj Grewal: Ninety-three countries had similar legislation. Is the United States one of them?

Ms. Darrah Teitel: The United States isn't one of them. The State of California, I believe, has it, as well as the entire EU and Australia and New Zealand.

Mr. Raj Grewal: Is there an economic study on how much it will benefit artists?

Ms. Darrah Teitel: There isn't in Canada because the public sale of art is not public information. However, the countries that recently passed it, including the U.K. and Australia, have metrics about how much it has benefited artists since that data has been collected through the artist's resale rights. It's significant.

Mr. Raj Grewal: In your opinion, would it help our indigenous brothers and sisters who are artists?

Ms. Darrah Teitel: Absolutely, and you don't have to ask me for it. The evidence-based research is there to prove that from other countries.

You mentioned the 93 other nations that have it. Many of these are developing nations where their art is known as indigenous art. It's highly valuable, and that's why they've chosen to pass that law, to protect their indigenous artists.

Mr. Raj Grewal: Thank you very much for your testimony. I learned something today, so that's easy.

Ms. Darrah Teitel: I'm so happy.

Mr. Raj Grewal: To the Canadian Construction Association, with the global downturn in commodity prices and the new mortgage rules that have just been implemented by our government, do you see a slowdown in construction across the country?

Mr. Michael Atkinson: In certain geographical areas, and in certain sectors, there is a slowdown. There's no question about that, particularly on resource-based industries, the industrial sector, but there is also an uptick. We're very optimistic in the future, particularly with the amount of renewal that has to be done on Canada's public infrastructure. We're just reaching the end of its useful life, the 40 or 50 years, since it's been built. It's coming home to roost now, so we need to make that reinvestment.

Mr. Raj Grewal: You would agree with our infrastructure plan to ensure that it will stimulate economic growth?

Mr. Michael Atkinson: Absolutely. Quality of infrastructure is directly related to how well the country does economically.

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

My next question is for the petroleum producers. Ron Liepert is not here today, so I'll ask about pipelines. He's a member from Alberta who always talks about pipelines.

In your assessment, what would the impact of approving another pipeline have on your association's members?

Mr. Alex Ferguson: Approving a pipeline is only part of the equation. Getting it constructed and flowing a product to a market that's willing to buy it is the other part of the trick that we're focused on as well. I can give you a couple of quick numbers that may help you understand.

There's been some work done by different institutions in Canada. Each pipeline project would open up access to world markets. Each time you stall one, it costs Canada between $11 billion and $25 billion in forgone economic benefits on an annual basis.

Mr. Raj Grewal: What about jobs?

Mr. Alex Ferguson: I don't think there are any numbers specifically around that. If you include just the jobs related to approving a pipeline, there are probably quite a few, including a lot of lawyers apparently.

Mr. Raj Grewal: There's no shortage of lawyers in—

Mr. Alex Ferguson: During the construction phase, it's a pretty heavy economic activity.

Mr. Raj Grewal: I don't think we're too concerned about lawyers. I'm a lawyer myself. They find a way to eat.

Mr. Alex Ferguson: Absolutely.

● (1640)

Mr. Raj Grewal: Thank you.

My last question is for the Canadian Steel Producers Association. I have a small business in my riding that ordered a container of steel from China and then got hammered with an anti-dumping duty. Now they're basically threatening bankruptcy because the duty is 200%.

What has China done to your industry? Is it that crippling? Do we need to have those anti-dumping duties at 200% in order to sustain the Canadian marketplace?

Mr. Joseph Galimberti: Yes. Without knowing the nature of this steel that's in question, China's overcapacity has devastated the global steel industry, and it is a truly global problem. It's come up at the G20, and it's something that all nations are addressing.

The duties are set through a long process of investigation by the CBSA and the CITT where they determine injury to the Canadian vendor of a similar products. The CBSA, confirmed by the Canadian International Trade Tribunal, would have established that 200% is the degree to which China was subsidizing the product and then dumping it illegally in Canada. If that's the amount of the duty that's in place, then there is a really firm basis in free enterprise economics as to how that was determined.

Mr. Raj Grewal: Are there—

The Chair: Sorry. Mr. Deltell, please.

[*Translation*]

Mr. Gérard Deltell (Louis-Saint-Laurent, CPC): Ladies and gentlemen, welcome to the Parliament of Canada.

[*English*]

My first question asked will be to Mr. Ferguson of the Canadian Association of Petroleum Producers. Welcome to the House of Commons, sir. I just want to be clear, you said that every year that we wait to have a new pipeline—and you used the example of Energy east, which I am concerned with because it's going through Quebec—it costs.... How much money have we lost every year?

Mr. Alex Ferguson: There are different estimates, but total economic opportunity forgone is anywhere from $11 billion to $25 billion per year.

Mr. Gérard Deltell: Okay, it was the right number I thought. It's amazing.

Mr. Alex Ferguson: There are estimates that are higher, and it changes over time, depending on the differential price international markets versus North American markets, but it is significant.

Mr. Gérard Deltell: I can assure you that on this side of the House we do strongly support it, and yes, I'm a Quebecker, and I'm a proud, strong supporter of the Energy east project. As soon as it becomes possible, the better it will be for the Canadian economy and especially for the Quebec economy.

I would like to ask you some questions about the fact that the Prime Minister announced the imposition of the so-called Liberal carbon tax that will apply very soon. What will be the impact of this new Liberal tax for your business?

Mr. Alex Ferguson: Certainly, we have looked at that hard. As you know, we have a number of jurisdictions in which we operate, primarily in Alberta, British Columbia, and Saskatchewan, that have a variety of different instruments where we value carbon and do activities related to that. There's been, for example, in Alberta quite a significant amount of work on GHG reduction mitigation policies. There has been a carbon tax imposed there. There are also other costs related to that regulatory, as well, based on a value of those emissions.

British Columbia, as you know, has a carbon tax that has been in place for quite a few years now. Saskatchewan for its part has done a lot of work on investing in technologies related to carbon capture and storage. I think the first thing I would tell you is that our sector is not ill-prepared for dealing with and working in this kind of environment. I think, as we proceed and we go beyond at the upper ends of the announced price that we see, there would be a need to look hard at what that means for the competitive environment for investment and trade with other nations, and primarily the United States, which does not have anything near the stringency that we have in Canada on this issue.

Mr. Gérard Deltell: We all recognize that in Canada we produce 1.6% of *les émissions de gaz à effet de serre*, and it's not exactly the same thing for China or America, but those two great countries, those great economies, don't have that kind of a carbon tax. Our industry would have a huge price to pay if we want to be competitive on the international level.

Mr. Alex Ferguson: Our approach to this is very much from the opportunity space. We know that putting a price on carbon drives the kind of innovation that we are seeing in our sector. That is really a lot of what's driven us forward. The energy efficiencies that we've created in our sector has been because we've put a price on carbon, ourselves. We still need to be very mindful of what effects in the long term and mid term it has on the Canadian economy as a whole, but we are at that challenge.

Mr. Gérard Deltell: How much time do I have, Mr. Chair?

● (1645)

The Chair: One minute.

Mr. Gérard Deltell: One minute, okay. I will not have the time to ask another question. I just want to make the point that for us we are very concerned about the fact that the new carbon tax will have a huge impact on many businesses in our country, and especially for those who work in the petroleum sector. By the way, speaking of the petroleum sector, I'm sure you know that in a few weeks from now you will celebrate the 70th year anniversary of the discovery of the huge Leduc number 1 plan that launched a fantastic journey of petroleum in Alberta. We appreciate so much what you have done.

Mr. Alex Ferguson: Thanks.

Mr. Gérard Deltell: We just hope that in this time, when we have such difficulty in your business, that you get back to the spirit of the pioneer who built this fantastic industry for Alberta, but, first and foremost, for Canada.

Mr. Alex Ferguson: Yes, absolutely. I think you'll see more opportunities like that come forward that will change the game for our economy.

The Chair: Thank you, both.

Go ahead, Mr. Caron.

[*Translation*]

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

Thanks very much to all the witnesses for being with us today.

[*English*]

Thank you to all witnesses.

Mr. Ferguson, I'm just looking at what the position of your association is. Your CEO actually commented last summer that, "the oil industry is agnostic about carbon pricing", which means that you're not in favour, but you're not opposed; you'll just deal with it, basically.

Mr. Alex Ferguson: I guess that would be a good interpretation. Our membership at our association has as diverse a view on carbon pricing, and how it's to be applied, as the Canadian public has, more than likely. However, the one thing that is common across it is that we understand this is an issue that needs to be addressed, we have been addressing it, and through all the diversity of opinions around the methods, we will continue to address it.

[*Translation*]

Mr. Guy Caron: Thank you.

I would like to point out that your association and the Canadian Gas Association are not opposed to a price on carbon. Some associations such as the Mining Association of Canada are even in favour of one. That provides a bit of context for what is going on in the various industrial sectors.

Ms. Teitel and Ms. Tungilik, I ask you the question because you both talked about the same issue, resale rights. I will let you decide who answers my question.

Why is it important for this measure to be included in the 2017 budget? Why not wait until next year or for two years to allow time to plan the measure properly?

[*English*]

Ms. Theresie Tungilik: We, as artists, have been waiting for a long time. When you look at other artists, whether in the performing arts, in literature, musicians, they get royalties, but the visual artists do not get a cent back when any of their stuff has been resold. This is what we would like to see happening in Canada, as well as the other 93 countries that abide by it.

Ms. Darrah Teitel: I would just add that every single year that goes by thousands and thousands of dollars that could end up in the pockets of some of the poorest labourers in Canada, all of your constituents, are being missed. These aren't people who have incomes to spare and the money is significant that they are losing as time goes on. We don't have the largest lobby voice in the world. Artists have a hard time acquiring the capacity that other lobby voices have, but this is something that we need and we've been asking for it for over a decade from CARFAC.

[*Translation*]

Mr. Guy Caron: In fact, the most compelling page in the brief you presented is the last one, which contains the comments by Daphne Odjig and Mary Pratt. At the end, you talk about Mary Pratt and you cite her remarks. She produced paintings that sold for $40 in the 1960s. Today she lives in poverty, even though her works sell for about $20,000. She therefore receives virtually none of the current value of her works. They are the object of speculation and the only ones who benefit from that are speculators in the arts industry. She continues to live in poverty despite her own achievements.

You said the measure was only for public art sales. Why are private sales not included?

● (1650)

[*English*]

Ms. Darrah Teitel: Simply because of the administration and tracking of such things and also because we believe it would be more onerous to try and track it, private sales are not tracked, but public sales are easily tracked. The galleries, dealers, and auction houses are the only people who really sell publicly. They just have to remit 5% of the sales, which is shared between the buyer and the owner, to the Copyright Collective, which already exists in Canada. The Copyright Collective is responsible for remitting that payment to the artist and the artists are responsible for registering themselves with the Copyright Collective. It's actually an incredibly easy system to track and to administer.

[*Translation*]

Mr. Guy Caron: Thank you very much.

I have a brief question for Ms. Durdin.

Have you communicated with the government about Bill C-29 and the measures to implement of the Common Reporting Standard, or CRS, of the Organization for Economic Co-operation and Development, the OECD? If so, how has it responded so far to this concern, which I think is entirely legitimate?

[*English*]

Ms. Martha Durdin: We have pointed this out to the government. I think the government's view is that it has signed an agreement at the level of the OECD, and it's abiding by that agreement. I think there is the opportunity to look at how it's implemented in Canada and to look at a risk-based approach in the implementation. We don't take issue with the fact that we've signed this agreement with the OECD; it's more the implementation that we'd like to see as a more risk-based approach.

The Chair: Perhaps I could follow up on that, Martha. You said earlier that these mortgage insurance requirements will affect the credit unions' ability to raise capital. I do know that the credit unions are in a lot of rural areas versus the banks. But that puts the credit unions in a much more difficult position.

My question would be this. First, what is the impact? Secondly, why would the impact be so much greater on the credit unions than it would be on the banks? I think we need to hear that explanation. Also, how could it affect growth? This committee's mandate is to look at how it could affect growth.

Ms. Martha Durdin: This is new news. It was announced last week, as you know. We're in the process of modelling some accurate data, which we will share with the committee and with you when we get it done.

But suffice it to say that credit unions securitize mortgages as a way to raise capital. The ability to securitize mortgages under this approach will be constrained, and therefore so will our ability to raise capital. Chartered banks have other ways to raise capital. They go to the markets. They raise it through shares and they go to the public market. So that's essentially the difference.

The Chair: How could that affect economic growth? We're trying to find ways we would better achieve economic growth in this country. Could that have a negative impact on our doing that?

Mr. Robert Martin (Senior Policy Advisor, Canadian Credit Union Association): I just want to finish up the answer in relation to securitization. Credit unions have been traditionally institutions that take deposits and make loans and we earn money off of a margin on loans, and retained earnings are of course important to our growth. In recent years, more credit unions have been getting into securitization as another conduit to fund loan growth. Actually, the CMHC has almost promoted it, in a way, in previous years by increasing allocations for credit unions to engage in securitization.

We're co-operative institutions, so now, unlike the banks, we're not allowed to go to private markets to raise capital. They can get access to covered bond markets because they have the volumes to do so. I just wanted to finish up that.

The second question was in relation to economic growth. The measures haven't all come into force; some will come into force on November 30. The Bank of Canada, in its recent monetary policy report, suggested that in terms of the impact of some of the measures that are taking hold, it is projecting that the housing sector will become a drag on economic growth, down 2%, I think. So let's put it this way. Other sectors are going to have to pick up that slack.

Frankly, we have to do a deep dive on the data side to determine what's going to happen. We're in a lot of rural and remote areas. I think the other thing you have to keep in mind is that the logic of these measures makes sense in the context of the lower mainland possibly, and parts of Toronto, and maybe the greater Toronto area. But a lot of the housing markets in the Prairies, in western Canada, the Maritimes, and parts of Quebec actually have housing surpluses or new builds that aren't being absorbed by the market right now. So I think you'll see that it would make it more difficult to absorb that excess capacity.

● (1655)

The Chair: Mr. MacKinnon, you have five minutes. Then we'll have Mr. Albas after that.

Mr. Steven MacKinnon (Gatineau, Lib.): This is the last segment, just to be clear.

The Chair: Yes.

Mr. Steven MacKinnon: I will give a question at the end to Mr. Sorbara.

I wanted to ask you a question, Mr. Ferguson, very quickly, just to put a finer point on Mr. Caron's questioning, and Mr. Deltell's. You have members who in fact support the approach of taxing carbon put in place by Ms. Notley.

Mr. Alex Ferguson: Oh yes, absolutely. I think it's pretty common. There are quite a few, actually.

Mr. Steven MacKinnon: I don't want you to put words in their mouths, but why do you suspect that is the case?

Mr. Alex Ferguson: There are a lot of business drivers. A lot of these companies are in different segments of the sector. They're in different conditions in terms of what their exposure is to debt and equity markets, so they're looking at longer term, shorter term, cost implications, and where they're at in the innovation technical cycle for their businesses. There are a ton of factors that are driving differences of opinion, as you would expect.

Mr. Steven MacKinnon: Is it also because it's a global industry and this is a global effort, and they're looking for certainty from Canada?

Mr. Alex Ferguson: Certainly. We have companies that operate in Canada that are global entities. We have U.S.-based companies. Certainly, we have a lot of Canadian-owned, Canadian-driven companies, as well. So we get those opinions, too.

Mr. Steven MacKinnon: Thank you, Mr. Ferguson. That's very helpful.

Mr. Atkinson, it's fitting that you speak about this today because we've heard about it in virtually every session: the issue of people without jobs and jobs without people. You have a specific prescription with respect to apprenticeships and making sure that we have a workforce in your vital sector for generations to come, so to speak. I just want to give you the opportunity to expand a bit on your EI suggestion so that we understand the interrelationship of that and labour mobility.

Mr. Michael Atkinson: There have been a number of studies done on the disincentives for mobility, particularly for the unemployed who are looking for work. These studies were done by groups like BuildForce Canada, for example. I know the building trades, as well, have done some research in this area. One of the biggest disincentives is the cost to go outside your own local area to look for work. We're trying to break down those disincentives to make it more accessible for individuals.

In the apprenticeship world, we really would like to see greater engagement by employers, but the vast majority of employers are small businesses. In fact, Statistics Canada says 60% of them have fewer than five employees. There have been a lot of studies done internationally that show that incentivizing the employer sometimes is a much more productive way to go. Hence, we'd like to see an expansion of the apprenticeship job creation tax credit.

Mr. Steven MacKinnon: Thank you very much.

Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.): I want to thank my colleague for allowing me some time.

My question is for the Canadian Credit Union Association. I'm looking at these measures that were introduced. We want to maintain the financial stability of our housing market; that is a paramount concern to all of us. With these measures, though, there's going to be, I think, at my level, an impact on mortgage and credit availability, on the competitive landscape, and potentially on pricing. That leads me to a question on the bigger picture. How does this impact the competitive landscape for credit unions today versus what may happen tomorrow with these proposed regulations?

● (1700)

Ms. Martha Durdin: It would certainly add costs to the mortgage market, which would, of course, get downloaded eventually to customers. I think the credit unions, being very small institutions, have less ability to absorb any of the costs and less ability to raise funds on the open markets. Therefore, they would be more impacted. If we are not able to securitize our mortgage loans, that means we would not be able to refinance existing mortgages, and that would impact Canadians.

Mr. Francesco Sorbara: The footprint of a lot of credit unions is obviously in rural regions and smaller towns.

Ms. Martha Durdin: There are actually about 380 communities in Canada where credit unions are the only bricks and mortar banks, and we are very active in rural communities across the country. So, of course, the impact would be higher in those communities, and those are the communities that I think these rules are not really aimed at in trying to redress any inequities.

Mr. Francesco Sorbara: Thank you.

The Chair: Mr. Albas.

Mr. Dan Albas: Thank you again to all of our witnesses for your testimonies and ideas on how we can grow the economy.

I'd like to start with the credit unions. One of the things that has been discussed here in Ottawa is the potential viability of a post office bank in certain rural areas. Obviously, if a Canada Post bank was established, that would put those rural credit unions at risk, as well, would it not?

Ms. Martha Durdin: Yes, it would.

Mr. Dan Albas: Okay. I just want to put that out.

With regard to the FATCA provisions, those are imposed by the government. They are something that this committee will see. They're in the budget implementation act. You have given the suggestion that there is already another regime created for the American FATCA regulations that works well because it acknowledges that not all institutions—particularly the small ones—have a high risk.

You're suggesting that the government go with a 2%—

Ms. Martha Durdin: —threshold.

Mr. Dan Albas: Why do you think the government is implementing this measure in such a top-heavy way? Summerland Credit Union, by the way, is one of the smaller credit unions in my riding and it has 10 people. How does that work?

Ms. Martha Durdin: Well, I wouldn't speculate on why it's being imposed from a regulatory perspective rather than a risk-based perspective. I think it's very logical to look at it in terms of applying a regulation based on risk, and if an average of three members in smaller credit unions have accounts abroad, then I think there isn't really much risk of tax evasion, and we can apply an approach that keeps that in mind.

Mr. Dan Albas: There is a separate regime that covers basically the same concern that there is some tax evasion—

Ms. Martha Durdin: Yes. FATCA applies to the U.S. This new measure applies to OECD countries, so to a much larger number of countries.

Mr. Dan Albas: We did hear in Quebec City that Desjardins had to do 300-plus submissions, while some of the other banks had to do only one just because of the very structure of credit unions and how different they are in their structure.

Ms. Martha Durdin: That's right.

Mr. Dan Albas: I appreciate your sharing a lot of that with us today.

I'd like to go to the Canadian Steel Producers Association.

Mr. Galimberti, I appreciate your testimony today. We've had some discussions about steel rebar and some of the perverse results we end up with because of the system we have now. I'm not going to dig into that.

I did hear something from a representative of one of the national shipbuilding companies who said they'd like to see more involvement of Canadian steel in the production of these great new vessels. Unfortunately there is very little interest from steel companies in participating because of the large investments it would take to be able to provide that.

Have you heard of any of this before?

● (1705)

Mr. Joseph Galimberti: Those are highly technical projects. It depends on where that ship is being built and the level of plate that's required. I know that Essar Steel Algoma, for instance, in Sault Ste. Marie, was initially supplying plate for some of the shipbuilding in the Maritimes. I believe that one of our members in western Canada, EVRAZ, from Regina, is supplying plate to the western shipbuilding initiative.

It's sort of the—

Mr. Dan Albas: The gentleman mentioned that some of the specialized parts are being taken up, but again, for the larger orders, right now it seems to be that it's mainly U.S. or even in some cases, Chinese steel.

Mr. Ziad Aboultaif (Edmonton Manning, CPC): It's German.

Mr. Dan Albas: Pardon me; I mean German steel.

To me, it's a concern if there is no interest, because one of the things we've heard at this committee is that when government says, “Here is 30 years of business”, why would you not want your membership being part of that?

Mr. Joseph Galimberti: I can tell you that there is certainly interest, and we've had briefings with Public Works and with the shipbuilders responsible for those projects, and with DND about the specifications. If there is an opportunity even to make an investment in facilities, our producers have demonstrated that they're willing to move to make that investment so long as it makes economic sense.

The reality of steel is that if you have a plant that's already making a very specialized product in the environment that exists today with transportation costs being as low as they are, perhaps it doesn't make sense from an economic perspective to make a significant capital investment.

Mr. Dan Albas: We were talking about the issue of a drywall tariff, similar to what happened a few years ago with rebar. Right now residents of Fort McMurray who are trying to rebuild their homes are facing higher costs because of the system, which you're suggesting needs to be changed even further, which I would say is going to end up with consumers paying more and not necessarily seeing Canadian companies picking up that slack.

It's an area that I am a little concerned about.

Mr. Joseph Galimberti: That's fair, and I certainly wouldn't presume to comment on the drywall—the gypsumboard issue—because it has nothing to do with steel.

From a steel perspective, and this goes to rebar, our concern is not with fair trade. Our concern is with product that is dumped and subsidized by foreign governments; that puts Canadians out of work. Inasmuch as no shortage of supply is demonstrable on the west coast, there are ample opportunities to purchase products, not from Canadian producers exclusively, but globally from producers who are selling at a fair price, and we think that is fine. Our only concern is where the CBSA and the CITT demonstrate through rigorous investigation that people are cheating the system to get access to product that is putting Canadians out of business.

Mr. Dan Albas: Thank you.

The Chair: We will have to cut it there.

I know people in the room are waiting for the second panel; we had a shutdown of some equipment so we're a little over time.

I do have one question. We like to ensure that all the witnesses have a question. Mr. Chambers, you haven't been asked one.

We've heard from a lot of witnesses that agriculture is one of the growth industries of the future, and you were talking about food safety. You talk about increasing funding to the Canadian Food Inspection Agency. I wonder about efficiencies in that system. I'll just give you an example.

From your proposal how can we get to economic growth within the whole food chain?

The point I want to make on the Canadian Food Inspection Agency—I'm not quite happy with them at the moment, I will admit—is they moved an operation from a location where they had an agreement with a marketing agency for housing the inspectors. They moved into a city where they won't tell me what they're paying for rent, but I'm told it's probably five times higher than it was at the previous location. When I asked why would they move to a new location that was going to cost more with longer distances to go to the farming community, the response they gave me was they don't pay the rent. It's Public Works. I'm not happy with that answer because when you talk about efficiencies across government—I hope CFIA is listening.

It's not just a question of more funding for CFIA, it's a matter of creating some efficiencies within their system as well. How do we achieve greater economic growth with what you're proposing here, either in the Canadian or in the North American context?

● (1710)

Mr. Albert Chambers: Thank you, Mr. Chair.

Regrettably, the Prime Minister didn't appoint me as president of the CFIA last week, so I really can't provide you with a good answer on your initial question about the relocation of a CFIA office.

To get to the broader question, Canada has a really good reputation for producing safe food. Over the past two decades, the world has changed. The expectations as to what governments should be doing and what industry—from the farm all the way to the processing sector and beyond—should be doing to assure consumers of food safety have changed significantly. We are trying to catch up now with where the Europeans, the Americans, the Australians, and the New Zealanders have gone, where our major competitors in the export market already are. We are now trying to catch up in both regulation and industry activity.

We have an industry that has been strong. There are just under 7,000 food companies registered with FDA as exporters of food. That's more than we have in Stats Canada's last survey of where the food processors really are in Canada, but when you look at it from another perspective, fewer than 50 of those firms have 500 or more employees, and only 450 or so have between 100 and 500 employees. All the rest are medium, small, or micro-sized firms, and they are going to be playing catch-up in order to preserve their access to the retail markets, to the food service markets, and to the global or continental market.

There is going to be significant change, which industry supports. It goes right down to your potato growers in P.E.I. and all the way up through the chain. We are looking for some investment by the government to ensure that we are going to have an inspectorate that is competent and in sufficient numbers to handle these significantly larger numbers of companies that are going to be involved. We are looking at some opportunities, especially for small enterprises, the ones with 1 to 50 employees, to be able to upgrade their systems, put in the new regulatory requirements, and make the changes they need. We are looking for some incentives there.

If we don't do those things, we'll have trouble demonstrating comparability with the Americans or others in the global marketplace in terms of our regulatory system and inspection system, and we'll have trouble meeting the requirements from an industry perspective to meet those markets as well.

The Chair: Thank you very much.

Mr. Brennan, I know you never got asked a question either, but I do remember vividly Jerry Dias when he was here at the last pre-budget hearing we had. You represent a lot of workers across this country. The debate then was on Bombardier, and he had a very clear answer on why they should be funded in order to maintain our aerospace industry. Do you have anything to add?

Mr. Jordan Brennan: There has been some chatter in the media about Bombardier being bailed out, but strictly speaking, it would be an investment. It would be shuffling assets on the left side of the government's balance sheet away from cash towards shares. That would be the only thing I would like to have on record there. There is no request for a bailout; it is an investment—and, if you look at Bombardier's stock price, chances are it would be a very wise one.

The Chair: Okay.

With that, we will call it a day with this panel. I thank all of you for your presentations. We also have the original ones on our mobile units.

We'll suspend for five minutes for the next panel to get situated.

The meeting is suspended.

● (1710)

(Pause)

● (1720)

The Chair: I hate to rush people, but we will run out of time. Could we reconvene and come to order, please?

I thank all the witnesses for coming.

This is the last panel on the pre-budget consultations for the next budget. We've heard from a lot of witnesses across the country and in Ottawa. As you know, we're trying to emphasize what needs to be done to achieve better economic growth in Canada, so if you can tie that into your remarks it would be great. We do have all the presentations that have been made, they are in mobile units, and so members will be looking at them from time to time.

We'd appreciate it if you could hold your remarks as close to five minutes as possible to give time for questions.

We will start then with the Canadian Wireless Telecommunications Association.

Mr. Eby, the floor is yours. Welcome.

Mr. Kurt Eby (Director, Regulatory Affairs and Government Relations, Canadian Wireless Telecommunications Association): Thank you, Mr Chair. I'm very pleased to be here.

Canada's wireless industry is comprised of a diverse range of competitors that all share a common goal: empowering more Canadians to use wireless to do more. Canadian consumer preferences have created our mobile-first world, where smartphones and tablets are the preferred choice to communicate, navigate, inform, shop, bank, work, collaborate, entertain and be entertained. Businesses rely on wireless to stay connected to their customers, employees, and partners, as well as to increase productivity. Both consumers and enterprises depend on the wireless industry to continue investing and innovating so they can maximize the value of their wireless experience.

Investing to deliver and enhance expansive mobile broadband service will inherently contribute to Canada's economy and Canadian prosperity. It will also support many of the objectives identified by the committee as a focus for this consultation, including helping all Canadians, in all regions, maximize their contributions to the economy and assisting businesses in meeting their expansion, innovation, and prosperity goals. Indeed, few measures could better contribute to all the goals identified in the budget consultation than facilitating wireless network infrastructure investment.

Canadians are the fourth-highest consumers of wireless data in the world, and Canadian mobile data traffic is projected to increase by 600% over the next four years. Meeting this demand presents an opportunity to directly benefit all Canadians; however, the non-stop infrastructure investment required to do so also presents a significant challenge.

Total Canadian investment in wireless infrastructure in 2015 was $2.9 billion. The results of this investment are significant. Canada's wireless network infrastructure covers an area bigger than the land masses of France, the United Kingdom, Germany, Italy and Spain combined. Throughout this massive service area, Canadians have access to average smartphone connection speeds that are more than 50% faster, on average, than in those five European countries—

● (1725)

The Chair: Mr. Eby, could you just slow down a touch. They're having a little difficulty.

Mr. Kurt Eby: Certainly.

We take advantage of this service. Canadians use about 90% more data on average than users in these countries, and 83% of all mobile traffic in Canada travels over the latest generation 4G networks, compared to an average of only 51% of mobile traffic in these major European economies.

Wireless infrastructure also requires significant spectrum investment. More than $12 billion has been invested in spectrum auctions since 2008, and the government currently benefits from more than $1 billion per year in direct revenue from payments for the right to use spectrum.

All of these investments create jobs directly related to network expansion and enhancement and the ongoing delivery of advanced wireless services from Canada's service providers. In 2015, Canada's wireless industry supported 139,000 full-time-equivalent jobs.

Infrastructure investments will continue to be necessary to meet the demand of exploding data use and ensure a consistent level of service for all Canadians. Strategic government policies can facilitate additional investment in wireless network infrastructure to help ensure this demand is met and support innovation and economic development across Canada.

To further enable investment in wireless network infrastructure, CWTA submits that budget 2017 include an accelerated capital cost allowance from current rates to 50%, for classes of depreciable assets that are linked to telecom network equipment, including broadband networks. The direct impact of this increased telecommunications network infrastructure investment, enabled by these proposed changes, would be a $163-million increase in GDP and an additional 1,600 jobs.

Beyond the direct impacts, additional investment in telecommunications infrastructure would help more Canadians maximize their contributions to economic growth, particularly by enabling businesses across the country to expand, prosper, and service customers in Canada and internationally. Businesses will also be better served if the government can help to ensure they compete on a level playing field rather than facing a disadvantage due to existing regulation.

Mobile video is expected to account for 77% of mobile traffic in Canada by 2020, up from around 60% today, as Canadians continually turn to mobile devices to be entertained and access news media. However, if the current GST/HST legislative framework is not amended, Canadian providers of digital products and services will continue to be burdened by an up to 15% price disadvantage compared to their foreign competitors.

Currently, foreign suppliers of digital products and services, such as online news and entertainment services, music, movies, and software, are not required to collect or remit HST, while similar Canadian firms are. The competitive advantage given to foreign suppliers by this policy undermines Canadian investment and innovation by encouraging Canadians to spend money outside of Canada, to the detriment of all who benefit from a strong digital economy.

Canadians growing preference for digital-based products and services makes closing this loophole more important than ever. Indeed, as consumer preferences increasingly shift from physical goods to digital options, Canadian firms will be further disadvantaged, and the revenue loss suffered by federal and provincial governments will continue to grow.

We strongly believe that the government should ensure taxation parity among all suppliers of digital goods in Canada, removing the competitive advantage currently enjoyed by foreign firms. This would bring Canada's regime in line with the EU, Norway, Japan, Korea, Australia, and New Zealand.

Thank you for your time. I'm happy to answer any questions you may have.

The Chair: Thank you very much.

Mr. Harrington, from Consumer Health Products Canada, the floor is yours. Welcome.

[*Translation*]

Mr. Gerry Harrington (Vice President, Policy and Regulatory Affairs, Consumer Health Products Canada): Thank you, Mr. Chair.

Thank you, committee members, for this opportunity to take part in the pre-budget consultations.

[*English*]

My organization, Consumer Health Products Canada, represents the manufacturers of over-the-counter medicines and natural health products. We are a $5.6-billion industry, we account for about $1.5 billion in exports, and we provide jobs to 56,000 Canadians.

Canadians use over-the-counter medicines and natural health products to manage their coughs and colds, their allergies, headaches, and upset stomachs, and also to manage the symptoms of chronic ailments, such as the pain of arthritis. That's self-care, and it matters to Canadians and contributes to a sustainable health care system by helping them avoid unnecessary doctor visits.

For example, while the vast majority of Canadians with minor ailments practise self-care, Canadian surveys have established that about one in seven Canadians will visit a doctor to have those ailments treated. Doctor visits for colds, headaches, and upset stomachs alone cost the health care system about $1 billion annually.

CHP Canada has calculated that if only 16% of those people who go to the doctor for one of these minor ailments—and I'm speaking now of people who have self-assessed their symptoms as being relatively minor—were to practise self-care instead, then you would free up about three million doctor visits a year, and that would be enough to provide family physicians to 500,000 Canadians who currently don't have a family doctor.

I'd like to speak for a moment about growth, as you referred to earlier, Mr. Chairman. Many of the over-the-counter medicines Canadians use in self-care were once prescription drugs. When you think of pain relievers like Aleve, or Advil, or if you think of allergy medicines like Reactin or Aerius, or even nicotine patches, these products became available over the counter by going through a regulatory process called the “Rx-to-OTC switch”. The Rx-to-OTC switch process is the main way that our industry grows, and it's also the main way that we increase our contribution to an efficient health care system.

When it comes to budget measures, we've already submitted a detailed proposal to the committee for an end to tax policies that undermine that contribution to self-care. In short, it makes no sense that when a medicine moves from prescription status to being used in self-care, it loses its exemption under the goods and services tax and its eligibility under the medical expense tax credit. Tax policy and health policy really need to come back into alignment on this issue.

It's also a tax fairness issue, because 24% of those Canadians who go to the doctor for their minor ailments told us that they did so in order to get a prescription medicine that would be covered by their drug plan. The millions of largely lower-income working Canadians who don't have access to a good quality drug plan can't avoid those taxes that way. In your questions for the consultation, you asked about broader federal actions that could contribute to economic growth, and I'd like to underline one particular initiative that's under way right now.

Health Canada has just launched the first in a series of consultations on a whole new regulatory framework for these self-care products, and we applaud the department for having framed this as an attempt to help better inform self-care. I'd like to underline a particular opportunity that really shouldn't be missed in that context.

I referred earlier to the Rx-to-OTC switch process, and unfortunately, that process in Canada lags badly by comparison to most of our major trading partners. Canadians gain access to these switch products on average seven to nine years after their counterparts in the United States or in the European Union. For example, I made reference earlier to Aleve. That product became available in Canada almost nine years after it was available in the U. S.

There's a need to address the overlapping, inefficient, and sometimes conflicting mishmash of federal and provincial regulations governing this switch process. The way it works currently, Health Canada reviews all of the evidence submitted by a manufacturer, and it makes a determination to approve the switch. This is a process that takes about a year. After that, the manufacturer has to negotiate a variety of different provincial approval processes that reaffirm the switch, and then Health Canada decides additional conditions of sale. This is called drug scheduling, and it's how basically it's determined whether your product is going to be purchased from behind the counter through a pharmacist, or perhaps in the front shop of a pharmacy, or even if it can be sold through any outlet like a 7-Eleven.

This federal-provincial interplay can delay product launches for up to two years in some provinces. It leads to different outcomes in different provinces, and overall it basically creates a lot of disincentives to innovative manufacturers. We believe that under the auspices of this self-care framework there's a tremendous opportunity for Health Canada to take a leadership role and integrate the drug scheduling process with the product approval process. To do so, you would not only make the framework much more effective, but you would also be doing something that is entirely consistent with current federal and provincial initiatives, such as the negotiations on the new health accord, discussions on affordable access to medicines, and reductions of barriers to internal trade.

With that, I'll stop. Thank you, and I look forward to your questions.

● (1735)

The Chair: Thank you very much.

Ms. Amyot, from Colleges and Institutes Canada.

Ms. Denise Amyot (President and Chief Executive Officer, Colleges and Institutes Canada): Mr. Chair and committee members, thank you very much for the opportunity to appear before you on behalf of Canada's extensive network of colleges, CEGEPs, polytechnics, and institutes that serve over 3,000 urban, rural, northern, and remote communities from coast to coast to coast, with an impact of $191 billion in 2014-15.

Our students, faculty, administrators, and immediate families represent one Canadian in eight.

[*Translation*]

In its written presentation, Colleges and Institutes Canada has submitted eight recommendations to support the government plan to achieve inclusive growth that will benefit the entire Canadian population and reduce social and economic disparities.

Related recommendations have also been presented during other consultations, including those on innovation, the fundamental science review, international development aid, and, soon, official languages.

[*English*]

Today I will touch only on three key areas that our members see as opportunities to contribute to the government's agenda.

First, to stimulate economic growth, Canada must unleash the innovation potential of small and medium-sized enterprises by supporting applied research that can strengthen local economies and communities across the country.

How? Colleges and institutes occupy a distinct niche in Canada's innovation ecosystem that is complementary to discovery research. Colleges have capitalized on their strong community connections and modest federal investments in applied research to respond to the R and D needs of local and regional partners.

Let me give you numbers now.

[*Translation*]

In 2014-15, Colleges and Institutes Canada worked with more than 6,000 applied research partners, 86% of which were small and medium-sized enterprises and micro-enterprises, to improve products, develop new products, and create prototypes or processes and services.

[*English*]

Where colleges and institutes make a big difference is in helping these SMEs to innovate and scale up their operations and create jobs, often in support of the vital roles they play in the supply chains of large companies. SMEs, as you know, represent 99.7% of all Canadian firms, and employ 90% of the private sector workforce, yet account for just 27% of total R and D expenditures, so there's a lot of potential for growth.

We recommend that the government ramp up federal investment in college and institute applied research over five years from $75 million to $300 million per year. So far, since 2008, we have received funding of $5 million to $10 million per year, but it is insufficient and we have to turn down industry now. This increase in federal support would capitalize on the very welcome strategic investments this government has made over the past few months in college and institute innovation infrastructure.

Examples of how the new funding could stimulate growth include creating more specialized research centres to work with small and medium-sized enterprises, building on the success of the 30 technology access centres that the government is currently funding; and expanding the reach of college-based applied research in the fields of health care and social innovation.

Second—

• (1740)

The Chair: Can I ask you to wrap up? I know you have one more recommendation, so perhaps you could sum it up in a minute or so.

Ms. Denise Amyot: Second, we believe that we should increase the funding for indigenous education at the post-secondary level. The government has ensured that there is funding for K to 12, but has not for post-secondary. We must strengthen skills upgrading in indigenous communities, so we recommend that the government build on the great success of the northern adult basic education program delivered at the three territorial colleges.

Because of time, I will go to my third recommendation immediately. In fact, I will just conclude instead, and say that over the past few months, we've heard many voices, including those of the finance minister's advisory council on economic growth, highlighting the opportunities and challenges facing Canada. As Canada celebrates its 150th anniversary and as many colleges and institutes celebrate their 50th anniversaries, we believe that we are ready to step up to build a better, more prosperous, and more equitable Canada.

Merci beaucoup.

The Chair: Thank you.

Ms. Demerse with Clean Energy Canada, the floor is yours.

Ms. Clare Demerse (Federal Policy Advisor, Clean Energy Canada): Thank you so much for the opportunity to appear before the committee. I'm very honoured to be here today.

I'm the federal policy adviser for a climate and energy think tank called Clean Energy Canada. We're a project of Simon Fraser University's Centre for Dialogue.

I'd like to make two main points with my time here today. The first is that the federal government needs to invest in measures that speed up the transition from fossil fuels to clean energy. The second is that the 2017 budget needs to help implement Canada's national climate plan.

Expert assessments in Canada and around the world tell the same story: to tackle climate change, we need clean electricity to power far more of our daily activities than it does today. Over time, we need to shift from fuelling our personal vehicles with gasoline to driving electric cars. Electric pumps will draw heat from the air or the ground to keep our homes warm in winter and cool in summer. Innovative industrial processes will use clean power to produce the goods and materials that we need. This transition from fossil fuels to clean electricity, sometimes called electrification, is needed here in Canada, but also around the world. As a result, the global market for renewable electricity is growing quickly. So is demand for the technologies and services that underpin this transition, from smart grids to software for charging electric cars.

All of this is excellent news for Canada. Our country already has one of the cleanest electricity sectors in the world. Today, over 80% of our power comes from non-emitting sources, and that share is poised to grow. This head start means that clean power is a comparative advantage for Canada. With the right policy signals as a foundation, our country can reap the benefits of growth fuelled by clean electricity. We'll see those benefits in new jobs, innovation, business development, and export opportunities, while reducing our carbon pollution.

Our organization worked with expert stakeholders to put together a package of recommendations to accelerate Canada's clean energy transition. Some of those recommendations will be regulatory changes, but others are budget proposals. These are contained in the brief that we submitted to your committee.

For example, we would like to see budget 2017 support the following: ongoing investment in the charging infrastructure for electric vehicles and in incentives for drivers to purchase electric cars; retrofits to cut energy waste in homes and other buildings; and the creation of a national action plan for electrification, which would require funding for research and analysis. I would also like to note that the very first recommendation our expert group made was for a price on carbon across Canada that grows over time. We congratulate the federal government for taking this step earlier this fall.

My second main point is that the 2017 budget needs to help implement Canada's national climate plan. Earlier this year, federal, provincial, and territorial governments launched an effort to negotiate a pan-Canadian plan capable of achieving Canada's 2030 climate target. First ministers will meet in December to negotiate key policies under that plan, and they have committed to having a framework ready to implement by early 2017.

Last year's budget introduced two significant future spending commitments related to climate change: the second phase of federal infrastructure funding, particularly the green infrastructure fund; and the $2-billion low-carbon economy fund, which is due to start in 2017. This year's budget can ensure that these funds are used effectively to help kick-start clean growth under a national climate plan. We've recommended a number of potential categories for clean energy investments, including the following: energy storage, meaning technologies that store power so we can use it when it's needed; community energy efficiency and electrification initiatives; electricity system upgrades, to make the systems smarter and more efficient; and transmission investment, to better connect clean energy jurisdictions to those still burning fossil fuels for power.

Thank you for your attention. I look forward to your questions.

• (1745)

The Chair: Thank you.

From the Co-operative Housing Federation of Canada, we have Mr. Ross, program manager, and Ms. Ferris, vice-president.

Ms. Ferris.

Ms. Allison Ferris (Vice-President, Co-operative Housing Federation of Canada): Mr. Chair, members of the committee, good afternoon, and thank you for the opportunity to appear before you today.

My name is Allison Ferris, and I am the vice-president of the Co-operative Housing Federation of Canada. I am joined by Tim Ross, our staff person responsible for policy and government relations.

We're here today to offer input on measures and actions that the federal government can undertake through budget 2017 to contribute to economic growth, prosperity, and inclusion, especially as that relates to Canada's growing housing challenges.

Canada's history reflects the achievement of a population that's built a powerful economy and a generous society. When Canadians work together in a manner that harmonizes economic, social, and environmental interests, Canadians thrive. This blend of co-operation and entrepreneurship is the co-operative way. When economic, social, and environmental interests are not harmonized, as currently seen in Canada's housing system, Canadians struggle.

Canada's affordable housing crisis is now so acute that it not only affects low-income households, it also affects Canada's middle class. Canada's prosperity depends on a housing system that meets the needs of all Canadians. Millions of Canadians are looking for answers, and budget 2017 can make the difference. Canadians desire communities that support their economic aspirations, advance their social well-being, and promote environmental sustainability. Building a housing system that better supports co-operative and entrepreneurial values can help make this happen.

Housing co-operatives are making it happen. The Co-operative Housing Federation of Canada is our strong national voice for housing co-operatives. Across Canada there are over 2,300 housing co-operatives with a portfolio of approximately 96,750 units. Over a quarter of a million Canadians live in a housing co-operative. At its most basic level, a co-operative is an autonomous association of persons working together to meet their own economic, social, and cultural aspirations through a jointly owned and democratically controlled enterprise.

In the case of housing co-operatives, people from all walks of life are empowered to build and own housing that meets their needs in a manner that is inclusive, affordable, and sustainable. Furthermore, through our long-standing partnership with government, housing co-operatives have been able to go the extra mile by dedicating a significant portion of units to meeting the housing aspirations of low-income households.

To build on this platform of affordability, inclusion, and sustainability, a revitalized partnership is required with the federal government.

Now I'd like to turn it over to my colleague, Tim Ross, to offer details.

Mr. Timothy Ross (Program Manager, Policy and Government Relations, Co-operative Housing Federation of Canada): We see the development of a national housing strategy as a very important step in the right direction, and we really welcome this progress. We therefore urge the finance committee to make sure that the housing strategy is turned into housing dollars in budget 2017. To build a more co-operative housing system for Canadians that balances the interests of people, planet, and profit, CHF Canada proposes three integrated initiatives.

Firstly, we need to start by protecting low-income households currently living in housing co-operatives. Our member co-ops are overwhelmingly dedicated to building inclusive, mixed-income housing communities, where low-income Canadians can own housing that is affordable, adequate, and suitable to their needs. But government funding that enables co-ops to house low-income Canadians has expired and will continue to sharply decline in the coming years. Without a renewed partnership, 20,000 low-income households living in housing co-operatives will face economic eviction and housing instability. We cannot let this happen. We therefore ask the finance committee to recommend budget 2017 commit to replacing expired operating subsidies with new, long-term funding so that low-income households living in housing co-operatives are protected.

Secondly, housing co-ops now have enormous potential to leverage their mixed-income revenue base, their surplus lands, and their strong equity position in order to attract new forms of investment. This leverage allows co-ops to modernize, to become more energy efficient, and to build new homes. This requires a policy and regulatory environment that supports this work. Thanks to some recent federal measures, co-ops have been able to leverage almost $100 million in new private credit union financing in just two short years. We've barely scratched the surface of our sector's ability to leverage new investment and we will continue to need a supportive policy and regulatory environment to keep going.

Our third proposal is simple. After decades of development and stewardship, Canada's housing co-operatives have demonstrated their durability in providing long-term, affordable housing for their members. We urge the finance committee to recommend that budget 2017 supports building new co-operative housing.

We believe that, if supported, these three recommendations, these specific measures, will bring relief to Canadians experiencing a serious housing crunch. Canadians are looking for answers. The federal government has unprecedented, popular support to make things happen, to act; and co-ops are ready to work with the federal government to build a housing system that works for all Canadians.

Thank you very much.

• (1750)

The Chair: Thank you both for your presentation.

For the Canadian Council for International Co-operation, we have Mr. Reilly-King.

Mr. Fraser Reilly-King (Senior Policy Analyst, Canadian Council for International Co-operation): Thank you, Mr. Chair, and members of the committee. Thank you for inviting the Canadian Council for International Co-operation to appear before the committee today.

As some of you may know, CCIC is Canada's national coalition of civil society organizations working globally to achieve sustainable human development. Our 80-plus members represent a broad range of CSOs working in international development and humanitarian assistance from faith-based and secular groups to labour unions and co-operatives to professional associations. Some of our members, including the Canadian Food Grains Bank and Oxfam Canada, have already appeared before this committee. Together with eight provincial and regional councils, our collective membership is more than 400 organizations strong.

Today, I'm here to speak on behalf of a broader range of groups. From Canada Revenue Agency data, we know that our country is home to approximately 2,400 registered charities that focus on international aid and development and, including not-for-profits, that number is almost double. In total in 2011, charities working in this sector reported $3.9 billion in revenue and $3.6 billion in direct expenditures. These charities received $1.2 billion in tax-receipted gifts and $600 million from the federal government. They employ over 14,000 full-time staff and 32,000 temporary staff.

What of our work? The global context has changed substantially, even in the last decade. With globalization, issues that affect other countries almost always spill over into our own backyard affecting both Canadian society and the Canadian economy.

At home, Canadians have felt the impact of health pandemics like SARS, the avian flu, and Ebola. We've welcomed tens of thousands of refugees into our country as a result of the civil war in Syria. A financial crisis that erupted on Wall Street and in Europe shook the foundations of the Canadian economy. The impacts, both social and economic, of these and other challenges, like humanitarian crises, climate change, or inequality, are well-documented, and are being profoundly felt both at home and, in particular, in developing countries.

It's in the immediate interest of Canada and Canadians and, indeed, of the planet for the government to make significant investments in tackling these global challenges. It should be patently clear that building a fair, more sustainable, and safer world is in everyone's interests and we believe this government and this country has the opportunity to be a leader in realizing that vision.

In the next few months, Global Affairs Canada will release a new policy statement outlining the government's approach to international assistance, but this cannot just be a plan for Global Affairs Canada. It must be a plan for all of Canada. It must lay the foundations for a coherent, whole-of-government strategy that engages a host of government departments as well as civil society and the private sector on issues of diplomacy, development in trade, yes, but also on migration, economy, environment, and peace and security among other things. It should be accompanied by a whole-of-government support in budget 2017 for a five-year international assistance funding framework.

Budget 2017 should include a timetable of predictable annual increases to the international assistance envelope or aid budget. This timetable should put us on a fiscal escalator to at least double the aid budget and it should be framed within the UN and Canadian-designed target of reaching 0.7% of gross national income.

Right now, Canada sits at about 0.26%, up from 0.24% two years ago. These figures matter to Canada and how it's perceived internationally by its peers. Without substantial increases to our aid envelope in the coming years, this government risks having the worst record in Canadian history in terms of investments in international assistance.

The chart and table identify three possible scenarios for these increases, as well as the timeline to reach various milestones depending on which scenario is selected.

Canada can have greater impact with this increased investment, through greater country or thematic focus as it has done in the past or through increased and targeted investments that reflect the government's ambitions, for example, in women's rights and gender equality or investing in the poorest and most marginalized and fragile states. Canada and the Canadian economy prosper when the world prospers.

In conclusion, in budget 2017, we hope to see substantial new investments in Canada's international assistance envelope.

● (1755)

This would allow Canada to make a more significant contribution to solving social, economic, and environmental global challenges through its international assistance. We believe it's time for Canada to reassert its leadership on the global stage.

Thank you for listening, and I look forward to your questions.

The Chair: Thank you for your brief and your presentation.

Mr. Keshen, welcome. The floor is yours.

Mr. Bryan Keshen (President and Chief Executive Officer, Reena): Thank you.

No home, no job, equals negative economic impact. Mr. Chairman, committee members, thank you for including me today. My name is Bryan Keshen, and I'm the president and CEO of a small social service agency serving children, adults, and seniors with developmental disabilities.

As the CEO of a small non-profit, I recognize how budgets send a message. From my perspective, you have a chance to send a message about the inclusion of people with developmental disabilities into our society in the next budget.

What federal measures would help Canadians with a disability maximize their contribution? I can think of nothing better than housing. To invest in housing creates a gateway to personal independence, while reducing costs, increasing engagement and productivity, and creating healthy communities. With your support, the federal budget can send a leadership message that is inclusive and proactive in support of individuals with intellectual and developmental disabilities by committing and dedicating 5% of any funds flowing through the national housing strategy to housing for people with developmental disabilities, making it a requirement for provincial housing programs.

In combination with a Canadians with disabilities act, and expanding employment efforts for disabled Canadians, this would transform the lives and quality of contribution of those with developmental disabilities to Canada's economic growth.

I speak today not only on behalf of our agency, but the 37 other agencies in the Toronto area serving, providing, and managing over a billion dollars' worth of housing assets. Our budget alone is $40 million in annual operations, managing $80 million in property. We serve over 1,000 people. We also support 150 people in affordable public and private rental units. We know housing. We know housing matters. We know that across this country those with intellectual disabilities are among those most at risk.

With extraordinarily high rates of homelessness, those often living in inappropriate settings such as shelters, hospitals, long-term care, and prisons, cost governments two to three times the cost of independent living. Ninety per cent of adults with developmental disabilities live below the poverty line. Seventy per cent have experienced abuse. Among the women who are developmentally disabled, it's higher.

This is a vulnerable population where we know supportive housing, safe housing, can make a difference and improve the quality of lives. My message is that it is imperative that those with developmental disabilities have a choice to be included in the community, rather than languishing in hospitals, shelters, or being locked in basements. The cost to our health care system, our municipal social supports, to provide inadequate and inappropriate care, is driven by the absence of housing.

In September 2012, in the riding of King—Vaughan, Reena opened one model solution that provides apartments for 84 adults with developmental, cognitive, physical, or mental health needs. The residence is designed as an intentional community for individuals with special needs. The residence received federal-provincial funding, and raised the majority through philanthropic giving. The residence provides a home for people who otherwise would not have a home.

Recently, the Ontario ombudsman's report on developmental services highlighted the issue. Minister Helena Jaczek recognized the community residence is one model that works at solving the issues for people who are in critical need.

I invite you to go into your communities and your hospitals, speak to your care providers, and ask those who are vulnerable in your community what they need. Housing will come up front and centre. We did, and we met a young man named Mark. Mark had been living in a hospital for 15 years. We were able to provide a home in the community. It's given him a life. I invite you to meet Mark. Anyone who wants to come to see our centre, please meet Mark.

But Mark is in every community across this country. People are looking to have a life. The message is the same: people with developmental disabilities are not a priority right now. They're not seen or heard from. You need to send a different message.

● (1800)

With a consortium of eight organizations, we are developing similar models across Ontario. We invite you to participate. We invite you to take a leadership role, and we invite you to be engaged in helping those most vulnerable. It does not require any new investment; it requires taking a planned investment and directing it to those who are vulnerable.

Thank you very much.

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

From the National Angel Capital Organization, we have Mr. Navarro

Go ahead, please.

Mr. Yuri Navarro (Chief Executive Officer and Executive Director, National Angel Capital Organization): Thank you very much, Chairperson Easter, and to the committee members for inviting us to present today.

I think of all the organizations here, we're probably one of the ones that are least used to these opportunities, so we appreciate the opportunity.

We're here today because we wanted to bring an opportunity to the government to make a small investment to try to solve what is a critical problem by leveraging the private sector to support economic development through innovation. We think this small investment will have a huge impact in creating the infrastructure, really, that will allow private sector investors to deploy more capital to support the development of new technologies and new companies that will really become the future employers for our country.

Because I don't know all of you, and I haven't had the chance to meet all of you, I want to give a bit of background on who we are and what we represent.

Since 2002, NACO has been the national industry association for the angel investor community in Canada. Today, we represent a community of 41 networks and 3,000 investors across the country. That started with 100 investors who came together many years ago simply to talk each other into making some investments and to help each other avoid mistakes. Really, our community today spans across the country, everywhere from Victoria to St. John's to Yukon to Winnipeg. We're in every community, and that's really what makes angels unique.

Our organization's mission is to grow and develop the Canadian investor community and evolve it into an asset class of investment that can be there to drive economic development. Our vision is for a broad-based community that exists in every community where there are entrepreneurs. I can guarantee each of you that in your riding you've met with young promising entrepreneurs with ideas who are looking for capital and who are having difficulty finding that capital.

We do three things for our community. We bring together the angel investor community by identifying them, by recruiting them to join our nation-building initiative. We connect them together to help each other to share ideas, share best practices, share deal flow, collaborate, pool capital together, and fund those companies. We also help them improve outcomes through research, through education, and through best practices by that same collaboration. Finally, we act as a voice for that community by telling their stories, by telling the stories of the investors and of the entrepreneurs, and through that by trying to drive the kind of cultural change that we need in Canada in order to generate the culture of entrepreneurship and risk-taking that's going to be necessary to compete in the long term on the global stage.

What are angel investors? For those of you who don't know, angel investors are high-net-worth individuals—and this is defined in regulation—who are usually entrepreneurs and professionals. They have large social networks. They usually are locally focused, so usually it's about giving back to their community and to people and entrepreneurs in their community. They enjoy investing in early-stage, high-risk entrepreneurs—in people, essentially, who most other people wouldn't invest in. Certainly financial institutions wouldn't invest in them because the economics are just much too risky, but angel investors do it because they know that they're giving back.

The problem with angel investors is that they often invest alone. They also often lack the awareness that they are angel investors, or the awareness of how to invest or of what leads them to invest, and therefore they make mistakes. Unfortunately, they don't invest in themselves and in their processes; they invest only in companies and entrepreneurs. That means it's quite difficult for entrepreneurs to find them. It's quite difficult for entrepreneurs to pool larger rounds of capital, to get to the point where a VC or institutional investor will actually take a look at them. That creates a gap. We call this the “funding innovation continuum gap”. Really, it starts somewhere around the point where incubators and accelerators can no longer support these companies and its lasts until the point at which the VCs would come in, which usually is about the $5-million investment mark. So anywhere between $50,000 and $5 million there's a massive gap that everybody is always relying on private individuals to fund. We connect that community together to help them overcome the “valley of death”. That valley of death can take three to 15 years, depending on the company and the industry. It's a critical component of funding the innovation continuum.

Angel investors invest their own capital. We break this down into three types of capital: financial capital, intellectual capital, and network capital; in other words, their money, their networks, and their experience. They bring that to bear to help the entrepreneurs build the companies, grow them, and scale them.

● (1805)

The important thing to understand here is that angel investors are literally everywhere, but we need to help them identify and be more coordinated. Without that, the entrepreneurs are often forced to move to urban centres. You hear a lot about entrepreneurs having to move to one of the four or five key urban centres. That's not really necessary if they can find the investors locally and if those local investors can help them to find more capital outside that local market.

The Chair: Yuri, can you go to the recommendation?

Mr. Yuri Navarro: Yes, the recommendation here is that we want to support the national expansion and national collaboration of these angel networks. Until now we've been supported at the community level through regional and local programming, but that has created a disparate kind of growth. We have growth in certain urban communities but not in rural communities and not in certain underdeveloped communities, like indigenous and minority communities. We want to ensure we're looking at growing this critical component from a national approach.

The second thing we wanted to recommend is that the government continue to fund some of the programs through organizations like FedDev, Western Diversification, FedNor, and ACOA, at a local level to continue to build the local networks, but that it also look at coordinating data and research at a central level to make sure we have the insights we need to support the development of this community.

● (1810)

The Chair: Thank you, all. We have to stop at 6:30, unless we have unanimous consent. If we're going to get five questions in total, at five minutes, we need to go a few minutes beyond 6:30. Do we have unanimous consent to do that? It wouldn't be any later than about 6:40.

We have unanimous consent.

Okay, starting with Ms. O'Connell.

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

I want to start with the presentation from Reena. Mr. Keshen, thank you for your presentation. This is an issue very near and dear to my heart. I'm not sure if you're familiar with DAFRS from Durham Region, but I was vice-chair of that organization until recently. I know the issue of housing, in particular for persons with disabilities and cognitive disabilities, fairly well.

One of the points you made in terms of the strain or the burden by not having proper housing for people with disabilities is hospitals, but we found as well that young people with disabilities are going into nursing homes because their families can't handle them and there's inadequate support, which I think is an absolutely horrible situation.

I want to make sure I understand your presentation clearly in terms of the 5% of funds for housing. You mentioned the model that your organization just offered, 80 units I believe you said, but that's not the only model you're suggesting, is it? You want housing available specifically for persons with disabilities, because I understand some people's needs might be greater than others. Some can live in a fully integrated system just with support services. It's not the model you're advocating for, just as long as there is dedicated funding. Am I understanding that correctly?

Mr. Bryan Keshen: You're correct. It is a model, not the model, and the expanding opportunities for independent living is crucial for everyone.

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

I'm going to move on to the Canadian Wireless Telecommunications Association. I found your brief particularly of interest. We know that Canadian telecommunications companies have some of the highest profits in the world. We have the highest rights to consumers in an eight-country study. Your brief mentioned your industry has invested $55 billion, but here's the number I find most interesting. Since 1987, that's just a few years younger than me, have you invested enough in infrastructure to support your own industry, especially considering your high profits and extremely high consumer rates?

Mr. Kurt Eby: Most definitely, if you look at what I discussed in my presentation, and the same stats are in our submission, the Canadian network relative to Europe, in particular its size, just in our areas that are covered is bigger than the U.K., France, Spain, Germany, and Italy combined. That's the entire land mass of those countries, not just their network footprint. Right away there's size.

Then you look at Canadians being the fourth highest users in the world, behind only Japan, Korea, and Sweden, and Canadians having access to among the fastest network speeds in the world. So certainly, yes, and that investment must continue to meet that demand.

The CRTC released information yesterday that said in the most recent year it studied, wireless data use increased by 44%.

● (1815)

Ms. Jennifer O'Connell: Perhaps you should come to my community of Pickering—Uxbridge, because I can assure you we don't have very fast Internet speeds. We're just outside of Toronto. I have a rural component but forget the rural component for a second. In my urban, suburban municipality directly on the border of Toronto, we can't get more Internet. You asked for spectrum, and I find this particularly interesting. Part of our problem in getting Internet, to my community in particular, is that the spectrum is combined with places like Toronto. The big telecommunication companies don't need to invest in Pickering—Uxbridge or some of the other communities because all their consumers are in Toronto. They then don't allow any of that higher spectrum to be sold to companies that can actually deliver to rural or suburban areas.

Do you feel that if the government were to release spectrum—

[*Translation*]

The Vice-Chair (Mr. Guy Caron (Rimouski-Neigette—Témiscouata—Les Basques, NDP)): Ms. O'Connell, would you quickly state your question, please?

[*English*]

Ms. Jennifer O'Connell: Sorry. My question was that if you don't use the spectrum then you lose it, and it has to go back onto the market.

Mr. Kurt Eby: Right. There is a “use it or lose it” clause already in most spectrum licences and we support that.

Ms. Jennifer O'Connell: More competition in the market would help. Thank you.

[*Translation*]

The Vice-Chair (Mr. Guy Caron): Thank you.

Mr. Albas, you have the floor for five minutes.

[*English*]

Mr. Dan Albas: Thank you, Mr. Chair. In this light you look 20 years younger.

I'd like to thank all of our witnesses today. I appreciate your bringing ideas. We unfortunately don't have a lot of time, so I'm going to make my questions and comments as brief as I can.

I'm going to start with Clean Energy Canada. Thank you, Ms. Demerse. In your brief, there are a couple of things I agree with and a couple of things I profoundly disagree with. Hopefully we can have a good discussion about some of these things. First, I agree that there is an opportunity for innovation on electrification, particularly with some of the older pieces of legislation.

One thing I would just ask you is this. In your brief, you talk about interprovincial and regional co-operation. Most of our population, as you know, is close to the United States border. When you say regional co-operation, does that include the Americans or is that just within Canada?

Ms. Clare Demerse: We think it makes a lot of sense to also exchange electricity across international borders. For example, when we had the Three Amigos Summit here in Ottawa, there was a North American clean energy target signed between the three countries. Canada is the furthest ahead on this continent in terms of the percentage of our grid that is clean. We offer a resource, obviously predominantly to the United States rather than to Mexico, where we could be having this type of exchange.

Mr. Dan Albas: I'm happy to hear you say that. I'm from British Columbia. We have a lot of hydroelectricity, a lot of capacity. We'd love to share it with Alberta, and we'd love to be able to share it with whoever would like it. Obviously there are some issues. We've been burned before by sending electricity to California, but I agree with the concept of it.

In your brief you talked about the utilities legislation. For example, we have the BCUC, and its slogan—I guess its raison d'être—is low-cost electricity for generations. The one thing I see is that you're asking for things to be changed so that there is a preference toward clean energy production.

I totally disagree with that. What's happened in Ontario is that those kinds of market-distortion activities have created a situation where there's a lot of hardship on a lot of seniors. Would you agree that there's been a fair bit of upset within this province about how the Green Energy Act has translated?

Ms. Clare Demerse: I think Ontario's feed-in tariff program provides an important model. We saw a good effort to invest in clean energy. We have some leading companies that have been nurtured by Ontario's approach. There are obviously also elements where it could have been managed better.

Mr. Dan Albas: On the flip side, in British Columbia with BCUC, because we're at the end of W.A.C. Bennett's legacy where a lot of hydro power projects were made, at 60 years a lot of that has to be renewed. In fact, we have to expand. When I door knock, I hear that seniors are being hit with 8% per year. To me the best model would be to allow just a point over a longer time, a per cent every year. That doesn't allow for that.

I appreciate your making the suggestion that it should be there, and I do think that it needs to happen. However, with this being under provincial regulation, it will be very tough. I do appreciate your suggestions and, like I said, I agree with some of it.

● (1820)

Ms. Clare Demerse: Thank you.

Mr. Dan Albas: I'd like to quickly go to the Consumer Health Products association.

Interprovincial trade has been an intense passion of mine. I've heard that in British Columbia, it could be up to seven years before Health Canada makes a switch, allowing for something to be safe for self-care.

Is this an area that should receive more attention?

Mr. Gerry Harrington: In fact, relative to the Health Canada decision, it's about two years. However, the impact of that delay leads to delays of up to seven to nine years nationally, simply because manufacturers have no incentive to initiate the switch in Canada because of the inability to do a national launch.

The impact I would want to underline on that is also the impact on employment. While you have that delay, which is a period over which time provinces continue to pay for unnecessary doctor visits, the other thing that it does is....

Ours is a global industry. When a product is being considered for switch to be made into a consumer health product, that company basically has an internal competition for who will get the mandate to manufacture and export it across the globe. You're not going to be at the table in that competition if you're not even bringing the product to market in a timely way.

What we see is that our share of the manufacturing in that growth area is very much adversely affected. There are jobs that can be found this way.

The Chair: Thank you.

Mr. Caron.

[*Translation*]

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

I am going to continue in the wake of Ms. O'Connell's remarks and speak to the representative of the Canadian Wireless Telecommunications Association.

You probably knew I was going to speak to you since we have met regularly in the past.

While service is slow and not necessarily appropriate in Ms. O'Connell's riding, there is no high-speed Internet service in my riding, apart from satellite service, which is not very reliable. In the Témiscouata RCM, eight out of 19 communities still do not have cellular coverage.

People tell me everyone used to have access to landlines. In the most remote areas, people shared a single line, but everyone had a landline. I have to respond to them by saying the situation was that way because Bell had a monopoly and that was one of the obligations associated with that monopoly. On the other hand, service was obviously more expensive for everyone in the country, but at least everyone was served.

The monopoly was subsequently abolished and the market opened up. The market was initially opened for land lines and long-distance service and then for cellular and other technologies. However, while prices have dropped as new players have come into the market, some people now have near third-world telecommunications because they live in regions where the population is not dense enough to guarantee adequate revenue for companies that might offer service there. Yes, we have a free market, and, yes, companies such as Telus, Bell, Videotron, and Rogers could serve Témiscouata's communities, but they do not.

I see this in your presentation. I am not angry with you, but I am frustrated by the situation, which has repeatedly occurred over the past five years.

How can all communities be served? I want to know how we can ensure that the eight communities in Témiscouata that do not have cellular access can one day get it. If the free market, which I consider a carrot, does not work for these people, I think it is time to bring on the stick. We will have to find a way to require companies to offer a service that is absolutely necessary today, in the 21st century.

I made a 45-minute presentation at the CRTC hearings last spring. You may not be in favour of the solution I proposed, which was that all the major telecommunications companies should establish an independent consortium to which they would contribute financing and unused spectrum. That consortium would be allowed to decide to invest in rural communities that are underserved, poorly served or not served.

Now that I have said all that, I would like to hear your views on rural coverage by the major telecommunications companies and even by the small companies that are members of your association.

● (1825)

[*English*]

Mr. Kurt Eby: Certainly. Some of the things we've suggested, such as the accelerated capital cost allowance, are going to cover more areas. I've been clear. It's not going to solve the issue and—

Mr. Guy Caron: I just would like to have a guarantee that this will not be used to continue, I will say, over-serving by going to the urban centres where the money is. That's my fear.

Mr. Kurt Eby: Right, I understand that, for sure. It would be for all investment, though, and it would definitely go to urban and rural areas. I think I've been clear in the past that there will be a bit more necessary. The CRTC was clear. I don't want to prejudge what they're going to say in that ruling, but they spoke about possible government involvement with funding. The government's already funding fixed broadband, and so whether it would move into wireless...as I said, there's about $1 billion in every budget coming just from payments for the right to use spectrum. We think there's some money there.

[*Translation*]

Mr. Guy Caron: That in fact is my message to the government.

Funding has constantly been allocated to broadband Internet since the 1990s, but there has never been a significant federal government program to provide cellular coverage.

The message I am sending is that this is not your decision, but it will be the government's. An economic update is coming and there will be a budget in 2017. I think the message has to be sent, and I hope I have the support of the main players in the field.

[*English*]

The Chair: Okay. We will go to Mr. Sorbara.

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

I wanted to start off with the Co-operative Housing Federation. In your recommendation number two, on leveraging private investment for the renovation and modernization of housing co-ops, could you provide some more colour to that? I was interested in that recommendation, please.

Mr. Timothy Ross: To put this into a little more detail, we are looking for a supportive regulatory environment that enables housing co-operatives to leverage their asset. There have been some particular barriers to that in the form of the long-term operating agreements that many housing co-operatives have with the Canada Mortgage and Housing Corporation. The operating agreements are often quite administratively burdensome, and they pose a barrier to refinancing the asset. Many housing co-ops have their first mortgage with CMHC. Through the amortization of that mortgage, and as part of the operation agreement with CMHC, there are restrictions on how they can leverage their asset.

Recent policy changes have allowed some housing co-operatives to prepay their first CMHC mortgage, and take it off the government's books, but then also negotiate a reasonable interest penalty. Until recently, the interest penalties were astronomically high, and it didn't make sense for housing co-operatives to refinance. The additional costs of not being able to refinance and get out of that first long-term high-interest mortgage with CMHC would mean that co-ops could not access the capital they need to keep their asset in a good state of repair. Critical repairs and modernizations are further deferred, which is endangering the useful life of the asset.

Mr. Francesco Sorbara: Mr. Chair, are we going to have enough time for one more round from our side for questions?

I'd like to split my time with Mr. Grewal.

Mr. Raj Grewal: Thank you, Mr. Chair. I'm sorry, I don't think that we mean to pick on you, Kurt, but my questions are for you, as well.

I was just complaining about my wireless bill to my wireless provider today, so I started doing my own research, because people complain on a general basis that we pay some of the highest rates. I don't think I use my phone more than the average Canadian. Maybe I do, but then I started to look at statistics.

For fixed broadband Internet prices, we are the third most expensive. For fixed broadband Internet prices over a certain speed, we're the fourth most expensive. For fixed broadband prices at 100 megabits per second, we're the second most expensive. Then we go on to wireless. With mobile wireless prices, for 150 incoming and outgoing minutes, we are the most expensive country in the world. For 1,200 incoming and outgoing minutes, we are the second most expensive country in the world. We could keep going, but what I'm trying to get at is that we're very expensive when it comes to wireless and wireless providers.

I used to be a co-op student at Bell, and I am a Rogers customer, so I'm even keel across the board. They always go against opening up the market, right? What do you think the impact for consumers would be if we let a Verizon into the market in Canada?

● (1830)

Mr. Kurt Eby: I think there was a study by the Competition Bureau that was filed with the CRTC a couple of years ago, where they said that if there was a fourth fully funded national provider, retail rates would go down by 2%. That's from the Competition Bureau. That was their study. That's what I can tell you.

Mr. Raj Grewal: Practically speaking, as a former Bay Street lawyer and a financial analyst for Fortune 500, that doesn't seem legitimate.

You're a smart guy. If we were to open up the country's wireless content, do you think the competition would spew only a 2% decrease in wireless bills?

Mr. Kurt Eby: That is from the Competition Bureau.

Mr. Raj Grewal: You represent the industry. Forget the Competition Bureau. What do you think?

Mr. Kurt Eby: What do I think? No. First of all, it is open.

Mr. Raj Grewal: It's open.

Mr. Kurt Eby: Verizon could come in and buy Eastlink, Vidéotron, SaskTel, and MTS all at once and grow as big as it wants under the current rules, so it is open.

I think they were heavily courted by a previous government to come, and they looked at the opportunity to invest and make a return here. It's a very capital-intensive business. Most of these companies made no money for the first seven, eight, or nine years they were in business.

Looking at that and deciding what to bill—

Mr. Raj Grewal: But then they make a lot of money—

Mr. Kurt Eby: Right.

Mr. Raj Grewal: —an extreme amount of money. It's the best business to be in, in my humble opinion.

Mr. Kurt Eby: Sure. If we are going to talk about Verizon specifically, I would point to the fact that—

The Chair: Raj, I bet they can afford some corporate lawyers.

Mr. Raj Grewal: I'm sure they can. I'm not a corporate lawyer anymore.

Mr. Kurt Eby: Verizon is the most expensive wireless provider in the world. Their rates are higher than those of any Canadian company, and they have more than 100 million subscribers in the U. S.

Mr. Raj Grewal: Here is food for thought—

The Chair: We are going to have to cut you off there, Raj.

Mr. Raj Grewal: Last point, Mr. Chair—

The Chair: Okay, make it quick.

Mr. Raj Grewal: —and I wouldn't interrupt his authority.

There are truck drivers in my neck of the woods who have American cellphone numbers because the North American plan is cheaper. Think about that for a second. They are okay with having a U.S. cellphone number because that plan in the United States is cheaper than what we provide here. It all has to do with the big guys, the Bells and the Rogerses of the world, protecting their interests here.

Rogers invested in the Blue Jays, so I would pass that on to your client as well. If they re-sign those two players, I'll back off—

The Chair: I don't think you need to answer that, Kurt.

We will turn to Mr. Deltell and Mr. Aboultaif jointly.

Go ahead.

Mr. Gérard Deltell: Thank you, Chair.

[*Translation*]

Ladies and gentlemen, welcome.

My colleague's remarks were very interesting. I understand why he is dressed in blue today, and that is very inspiring.

I would like to continue the discussion with you, Mr. Eby. Why are there such distortions between the Canadian and American markets? We know Canada has a smaller population and a different geographic situation.

I am asking you an open question. Many Canadians wonder how we could further liberalize the current regulations to allow a price reduction.

[*English*]

Mr. Kurt Eby: Obviously, it's something the previous government looked at and made some changes to, and prices did decline. When data usage is increasing by 40% or 50% per year, I can't really think of a lot of industries where what people are using increases by that amount and think that prices would somehow go down significantly.

● (1835)

Mr. Gérard Deltell: The floor is to Mr. Aboultaif.

Mr. Ziad Aboultaif: I have a question for the Co-op Housing Federation of Canada.

You mentioned that you need to leverage the asset, which is a public asset—maybe semi-public, if you wish.

In order to maintain the units and the lifetime of the units you own, is it a normal practice in your business to keep some money on the side? How can you expect the government to give you a policy to leverage borrowing money on a government account?

Mr. Timothy Ross: First, just in terms of the co-operative identity, housing co-operatives are autonomous, non-governmental organizations that do have long-term operating agreements and partnerships with government, but they are autonomous and they are outside of government.

Second, in terms of a normal business practice of setting aside replacement reserves or capital reserves, that is a practice within housing co-operatives across the country. However, there are actually a few anomalies in the way replacement reserves are saved and those are a result of the strict long-term operating agreements with CMHC that, in some cases, have actually prevented housing co-operatives from allocating a sufficient amount to their replacement reserves, which has contributed to a capital repair backlog in some cases. That's why it's even more important today that these autonomous co-operative enterprises that are home to Canadians be able to go out onto the market and get better interest rates in order to modernize their properties, make them more energy-efficient, and preserve a very good-quality housing stock for Canadians.

Mr. Ziad Aboultaif: I have a question for Colleges and Institutes Canada. You're asking for a fourfold increase from $75 million to $300 million annually for the next five years. That's a very significant increase you are asking for.

Do you have the infrastructure and the detailed plan in order to be able to cope with these increases and to make a logical case so the government can be convinced to invest with you?

Ms. Denise Amyot: Absolutely. Most of our colleges are now involved in applied research and, for example, we have 30 technology access centres across the country. In Quebec alone, they have close to 50 college centres for the transfer of technology, CCTT.

Above and beyond that, I'll just give you some statistics with respect to the infrastructure. There are 763 specialized research centres and labs across the country, so, yes, we do have the infrastructure, but it's always nice to have more infrastructure, and the government has been quite good recently in putting up $2 billion with respect to post-secondary infrastructure. A number of our colleges across the country, in fact, received funding to build new research centres whether linked to entrepreneurship or to energy or to any other area that you can imagine with respect to applied research.

On top of that, there are already provisions by the CFI, the Canadian Foundation for Innovation, which provides funding on a yearly basis for colleges and institutes in need.

Why do we need funding right now? I'll give you some examples. First, it is to increase the number of technology access centres, which are really centres of excellence in applied research targeted to specific areas.

Second, it would be to increase the funding that we currently have under NSERC to help small and medium-sized enterprises and to make permanent the social innovations funding, which we got under the previous government but which ended. It was temporary, and we would like it to be permanent, and we would like to have more funding because, as I said earlier, currently we have to say no to industry when they knock on the door and ask us to develop a new product. They have an idea, and very often we have to turn them down now because there is just not enough capacity—

● (1840)

The Chair: We're going to have to end it there.

Ms. Denise Amyot: I'll stop here.

The Chair: We're out of time, and I'm sorry not everyone got a question in during the questioning round.

I want to thank each of the witnesses for their briefs and their presentations and responding to questions.

This wraps up our hearings on pre-budget consultations. There's a lot of work to do. Some of you folks have a lot of work to do, as well as us. The members need to be thinking about what kind of recommendations they want to put forward in the report when it is prepared.

This is the last meeting at this stage. I want to thank all the witnesses we've heard since the last week in September, and certainly thank the Library of Parliament staff for all work they did —the logistics officers, the clerks, the analysts, and the translators. There are a lot of people to thank. This process doesn't come easy, so we thank everyone for all their help in making this work.

With that, the meeting is adjourned. Thank you to all.