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Chair

The Honourable Wayne Easter

Standing Committee on Finance

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● (1530)

[*English*]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): We'll call the meeting to order, as we continue this afternoon with our further panels. Pursuant to the order of reference of Tuesday, May 9, on Bill C-44, an act to implement certain provisions of the budget tabled in Parliament on March 22, we have two panels this afternoon for the next hour and a half. We will start with the Business Council of Canada.

I understand, Mr. Berthold, there is something you want to say before we start the panel.

[*Translation*]

Mr. Luc Berthold (Mégantic—L'Érable, CPC): Thank you very much, Mr. Chair.

Thank you, fellow members.

I'd like to talk about something that happened in the Standing Committee on Transport, Infrastructure and Communities.

This week, we had the pleasure of hearing from witnesses on Bill C-44. We spent two hours discussing the bill. My fellow members on the committee did not think that was anywhere near long enough.

When the Standing Committee on Transport, Infrastructure and Communities met this morning, we were shocked to learn that the chair of the committee had sent a letter to the chair of the Standing Committee on Finance yesterday. We didn't even know about the letter. As you probably know, Mr. Chair, the letter is dated tomorrow. I'm not sure what that mistake might mean. It may have something to do with the chair's haste to respond without the consent of the Standing Committee on Transport, Infrastructure and Communities.

We discussed the matter at length this morning. The members of the Standing Committee on Transport, Infrastructure and Communities asked for more time to study Bill C-44 in order to make recommendations to the Standing Committee on Finance.

I wanted to make everyone aware of the situation. The letter was sent to the Standing Committee on Finance without the knowledge of the members of the Standing Committee on Transport, Infrastructure and Communities.

What's more, we never even got the letter. I had to ask the chair of the Standing Committee on Transport, Infrastructure and Communities to give us a copy. None of my colleagues in the opposition, the NDP, or even the government party had received the letter.

For me, that raises questions about the procedure used and about what the Standing Committee on Finance intends to do with the letter, knowing that the committee it came from did not have the opportunity to discuss it.

[*English*]

The Chair: Thank you, Mr. Berthold.

The letter may have come in this morning. I am just now reading it. As you're well aware from the letter I wrote to your chair on behalf of this committee, we farmed out certain sections of Bill C-44, the budget implementation act, to other committees. This one that went to the transportation committee was, I believe, dealing with the infrastructure bank. It was our intention that this committee....

We had meetings this morning with those witnesses, or was it yesterday?

A voice: This morning.

The Chair: This morning. We've had so many meetings. We had witnesses this morning from the department on the infrastructure bank, and witnesses yesterday from various interest groups on the infrastructure bank. It was our thought that the transport committee would look at infrastructure in terms of the kinds of projects that would be funded, etc., and that this committee would look at the infrastructure bank from the aspect of its financing and financial matters.

All I can say at this time is thank you for that information. I will talk to the chair of the permanent committee on transportation. At this point, I'm unsure where to go, but I don't believe that the aspect you folks were looking at will have a lot of implications for the bill. We will be meeting again on May 29. If we have to do something on the morning of May 29, we will.

Mr. Liepert.

● (1535)

Mr. Ron Liepert (Calgary Signal Hill, CPC): In the discussion with that chair, I think it would be appropriate to ask why members of the committee, after hearing from the various witnesses, weren't even given an opportunity to present recommendations or some guidance to us.

I mean, what the heck was the point of dragging all those witnesses before the committee and then basically just throwing it in the trash? I think it's incumbent upon you to impress upon that particular chair that there should be some outcome, based on all of those witnesses who took the time to testify before the committee. We have no idea what was said.

The Chair: I should make note that at the conclusion of the letter, Ms. Sgro, the chair of that committee, said: "Please note, I invited Committee Members to contact the Parliamentary Counsel and Legislative Clerk assigned to Bill C-44 should Members wish to draft amendments on their own initiative and to submit them directly to the Clerk of the Standing Committee of Finance before Friday, May 19, 2017 at 5 p.m."

I assume you've seen that, Luc.

I have Mr. Dusseault and then Mr. Albas.

Mr. Dusseault.

Mr. Pierre-Luc Dusseault (Sherbrooke, NDP): I think there's a lesson to learn from that. Probably the next time, we should cc the vice-chair on the letters that we send to the chair. It seems that the problem is that other members of the committee weren't aware because the chair kept that for herself.

The Chair: I don't think so.

I think the clerks were also informed that the letters were coming, so it wouldn't be just the chair. The clerks of each committee were informed as well.

Mr. Albas.

Mr. Dan Albas (Central Okanagan—Similkameen—Nicola, CPC): Briefly, Mr. Chair, I think the whole purpose of our sending that invitation to participate in the process is obviously that the members of that committee have some expertise in the area of infrastructure and whatnot.

As you said, those witnesses they heard were very specific on the subject. To have a process in place at one end but then to not complete the loop by involving members, I think is a disappointment to my colleague. I just hope that when you have a discussion with the chair, you point out that the whole purpose of the matter was....

We could have had the witnesses here, but we were hoping that the members of that comment, both from the government and opposition parties, would make use of their ability and experience to draw out those witnesses.

Thank you.

The Chair: Thank you all, and we will follow up with the chair of the transportation and infrastructure committee.

With that, we will turn to witnesses related to the budget implementation act.

Welcome all.

We will start with the Business Council of Canada, and Brian Kingston, the vice-president policy, international and fiscal issues.

● (1540)

Mr. Brian Kingston (Vice-President, Policy, International and Fiscal Issues, Business Council of Canada): Thank you.

Mr. Chair, and committee members, thank you for the invitation to take part in your consultations on Bill C-44. I have some very short opening remarks. I will give you the general overview from the Business Council's perspective on the budget, and then I'll specifically talk about infrastructure and investment.

The Business Council of Canada represents the chief executives and entrepreneurs of 150 leading Canadian companies in all sectors and regions of the country. Our member companies employ 1.7 million Canadians; account for more than half the value of the Toronto Stock Exchange; contribute the largest share of federal corporate taxes; and are responsible for most of Canada's exports, corporate philanthropy, and private sector investments in R and D.

In the council's pre-budget submission, we urged the government to adopt a laser-like focus on competitiveness as the key to generating long-term economic growth and ensuring a better life for all citizens. We believe that Canada needs a focused strategy to encourage new business investment, attract international capital, and enhance Canada's ability to compete in a global economy.

Among other recommendations, we called on the government to streamline the approval process for private sector infrastructure projects, develop a comprehensive plan to broaden the tax base and bring down rates, and set out in detail a fiscally sustainable path to balanced budgets with a commitment to an explicit debt-to-GDP target. Acting on these recommendations would, among other things, help position Canada as a global trade and investment hub, and we believe this is increasingly important in the face of protectionist and competitiveness threats.

So, we welcome the government's efforts to establish the Canada infrastructure bank to attract private sector and institutional investment to new revenue-generating infrastructure projects. Targeted spending on productivity and trade-enhancing infrastructure projects would bolster Canada's long-term competitiveness. In our view, the infrastructure bank should be designed to stimulate, through open and competitive bidding, the development of infrastructure projects that would not otherwise be pursued by federal, provincial, or municipal authorities.

But importantly, injecting new capital alone will not improve infrastructure. The federal government can lay the groundwork for new, major infrastructure projects by ensuring the regulatory approval processes are transparent, predictable, fact-based, and capable of rendering decisions in a very timely manner.

Turning to foreign investment, another important element of Bill C-44, the Business Council has long called for the creation of a single window to attract major investments to Canada, and for that reason we welcome the proposed invest in Canada hub. Canada's ability to attract foreign investment has diminished. In the early 1980s, the stock of inward foreign direct investment, FDI, as a share of GDP was higher in Canada than in countries such as Australia, Norway, Sweden, and the U.K. Today the situation is reversed. Canada lags behind all four of those countries as a destination for foreign investment, and over the same period our country's share of the global FDI stock has fallen from 8% to just below 3%. According to the “World Investment Report 2016”, compiled by UNCTAD, the United Nations Conference on Trade and Development, Canada does not even rank among the top 15 prospective host economies for multinational investment in the 2016-18 period. That's a drop from the 11th destination last year. This is based on a survey of multinational executives, and we find that quite a worrying ranking.

We believe that the proposed investment hub will help Canada reverse these worrying trends and bring new investment into Canada. Finally, we believe that foreign investment is beneficial to Canada, except in very unique circumstances. For that reason, we support raising the Investment Canada Act review threshold to $1 billion in Bill C-44.

With that, I conclude my remarks and look forward to questions.

Thank you.

The Chair: Thank you very much.

Turning to the Canadian Steel Producers Association, we have Mr. Wegiel, vice-chair, trade and public policy committee; and Mr. Young-Steinberg, director.

The floor is yours, Mr. Wegiel.

Mr. Henry Wegiel (Vice-Chair, Trade and Public Policy Committee, Canadian Steel Producers Association): Thank you.

Good afternoon, honourable members of the committee, and thank you for the opportunity to present today on behalf of the Canadian Steel Producers Association, or CSPA, as regards Bill C-44, an act to implement certain provisions of the budget tabled in Parliament on March 22, 2017.

The CSPA is the national voice of Canada's $14-billion primary steel production industry. Canadian steel producers are integral to the automotive, energy, construction, and other demanding industrial supply chains. CSPA seeks to work with governments and industry partners to advance policies that enable a globally competitive business environment for its member companies and various supply chain stakeholders.

As committee members are aware, the global steel industry is at an inflection point as the result of growing overcapacity and direct state intervention in the sector. Canadian producers are not immune to or sheltered from the truly unprecedented international challenges that currently face the sector. The steel industry has, on a worldwide basis, seen a significant increase in market distorting dumping and circumvention practices, both from China directly and from a host of other global producers whose home markets have also, in many cases, suffered because of unfair Chinese competition.

To put that in perspective, the root cause of our issue is that there is 700 million tonnes of global excess capacity in a steel market of 1.6 billion tonnes. Out of that 700 million tonnes of excess capacity, over 400 million tonnes is in China.

Simply put, that steel has to go somewhere. The price deterioration and the market instability associated with the illegal steel trade have contributed significantly to our industry's challenges and are hurting middle-class Canadian families. As a direct result, investment in Canadian facilities, capacity utilization, and employment are under threat throughout Canada's steel production and manufacturing sectors.

With that in mind, the CSPA welcomes the Government of Canada's budget 2017 commitments to improve its ability to remedy dumped and subsidized imports by implementing measures that effectively modernize the Canadian trade remedy system.

Specifically, the CSPA appreciates the amendments in budget 2017 to the Special Import Measures Act, or SEMA. These four major amendments provide for the following: first, the ability to expand a trade remedy measure to address circumvention of dumping duties; second, more transparent and predictable enforcement of trade remedy measures; third, the ability to address market distortions in the country of export when establishing dumping margins; and last, the ability for unions to now participate in trade remedy proceedings.

With these changes, taken in conjunction with the changes that were implemented in budget 2016, the Canadian government has taken meaningful, substantiative, and timely steps to modernize Canada's trade remedy system.

Almost as importantly, these trade defence mechanisms also send an important signal to our closest trading partner, the United States, that Canada remains a partner equally committed to battling and addressing unfair trade.

In this regard, in 2015 and 2016, the U.S. implemented their own trade remedy modernization via their trade enforcement act and the Leveling the Playing Field Act. Now Canada and the United States are on equal footing from a trade remedy standpoint.

However, recently the U.S. has initiated processes such as the ongoing section 232 investigation on the effect of imports of steel on U.S. national security, and a consultation concerning construction of pipelines using domestic—that is, U.S.—steel and iron.

As we work to seek exclusions from future U.S. findings or actions, it will be essential to remind the U.S. administration of both our existing joint efforts on steel enforcement and our renewed legislative commitments to combatting unfair steel trade in North America.

In closing, I would remind this committee that unfairly traded goods pose a clear and present threat to the livelihoods of over 22,000 middle-class Canadians, together with their families, employed directly in steel production and the additional 100,000 Canadians whose employment is indirectly impacted by the sector.

● (1545)

Steel production in Canada involves significantly advanced manufacturing processes, and Canada's steel workers are well educated, highly skilled, and trained throughout their careers.

With this in mind, I urge this committee to recommend the passage of the amendments in Bill C-44 related to strengthening Canada's response to unfair trade and to encourage the government's quick implementation of the related regulations. This will allow our industry to take advantage of these new legislative tools to defend against the well-documented and corrosive impacts of global overcapacity and unfair trade in steel.

I thank you for your time, and I'm happy to take any questions that members may have.

● (1550)

The Chair: Thank you, Mr. Wegiel.

The Consider Canada City Alliance, Mr. Darch, president, and Mr. Patacairk, the floor is yours.

Mr. Mike Darch (President, Consider Canada City Alliance): It is my pleasure to address you today to give the support of the Consider Canada City Alliance to the Invest in Canada Act and its implementation. My name is Michael Darch. I am the president of the Consider Canada City Alliance. With me is Blair Patacairk, who is the chair of our government relations committee, as well as the managing director for investment and trade here at Invest Ottawa.

I intend to address three points today: the support of the CCCA and its members for the investment hub to be established by Bill C-44, the benefits and relationships that would be established between our members and the hub, and activity already under way to ensure that the economic opportunities presented by the establishment of the hub are quickly and effectively achieved.

First, I will give you a short introduction to the CCCA. Seven of Canada's large cities came together in Calgary in 2007 to explore common challenges in attracting foreign investment to Canada. That collaboration continued with the invest in Canada bureau within Foreign Affairs. In 2012, we incorporated as a not-for-profit organization. Today, the CCCA includes 13 of Canada's largest municipal investment promotion agencies, stretching from Halifax to Vancouver. Together, the economic influence zones of the members encompass all or part of 14 of Canada's census metropolitan areas that represent 59.6% of Canada's population, 65.1% of Canada's GDP, and 83.4 % of Canada's GDP growth between 2011 and 2016.

The mission of the Consider Canada City Alliance is to contribute to a sustainable and globally competitive national economy built on the collective strength of the ecosystems in each member region.

The members of the CCCA were therefore delighted with the announcement in the fall economic statement in 2016 of the intent to create the invest in Canada hub. The members of the CCCA view the creation of the hub as a significant commitment by the Government of Canada to the importance of foreign direct investment as a generator of wealth and to the creation of jobs across all demographics. It will be an essential stimulant to the innovation economy in Canada. The proposed invest in Canada act contained in Bill C-44 translates that intent into reality.

The members of the CCCA welcome the opportunity to contribute to the success of the investment hub and to assist in optimizing the overall effectiveness of both the hub and municipal efforts to attract investors to Canada. We do not minimize the complexity and challenge of the endeavour to create the hub. We would offer whatever assistance we can to ensure the success of the project.

We agree with the following assertion in the fall economic statement:

> Around the world, leading companies are looking for stable places to invest and grow their businesses. Smart countries are mobilizing to take advantage of the opportunities and jobs that go hand in hand with global investment. Canada cannot afford to be left behind.

We look forward to the hub's becoming the single window for investors looking to invest in Canada. It is our hope that the hub will become the single access point for municipalities to the Canadian government for matters relating to investment attraction.

● (1555)

Therefore, it is our aspiration that the hub would have the capacity to assist, advise, and champion on matters such as immigration policy and processes, federal incentive programs, federal economic development strategies, policies with respect to investment promotion, the development and marketing of the Canada brand, and lead generation and client servicing.

Similarly, the municipalities will ensure that each designates a contact for the hub on matters related to investment attraction matters within their jurisdiction. Furthermore, should the decision be made to place hub officers in locations across Canada, we strongly recommend that the officer be co-located with our respective member.

Finally, we would welcome the role of the hub in coordinating team Canada missions in support of trade and investment.

It is our hope that the operating relationship be founded on the principles of collaboration, complementarity, and consistency.

Already the CCCA and its members are working to make the hub a success. Each member already has a concierge service for incoming and existing foreign investors, which will be available to the hub. A close working relationship has been established with the hub implementation team, and meetings are held regularly. All members participated in the KPMG outreach, led by the Privy Council Office, on attracting foreign direct investment to Canada. All members have been invited to be referral partners for the new, dedicated service channel being established by Immigration, Refugees and Citizenship Canada. The CCCA chair participated in a deputy minister level consultation round table on the development of the hub. We are working with the Trade Commissioner Service to ensure that the 15 new investment officers expected to be hired this year under the hub program are fully aware of the services, capabilities, and value propositions represented by each of our members.

In summary, the CCCA, one, fully supports the invest in Canada hub and the legislation contained in Bill C-44 to bring it to reality; two, is fully committed to the economic advantages to be gained by Canada through the provision of a single service window for foreign investors, which integrates the resources of all levels of government; and three, is actively working with the hub implementation team and its federal partners to ensure that Canada reaps the maximum economic benefit from the global opportunities available today.

I thank you for your time. I look forward to any questions you may have.

The Chair: Thank you, Mr. Darch.

We'll turn to InterMedia Partners and Mr. Hindery.

First of all, thank you, Mr. Hindery, for making the special effort to get here. I know there was some juggling of time. I think your home base is New York. For committee members, by way of explanation, I do know that Mr. Hindery spoke to the National Governors Association on the thinking behind having an infrastructure bank in the United States. Your experience might be helpful to members here as we look at going down this road. Thank you very much for making the effort to come to Canada.

Mr. Leo Hindery Jr. (Managing Partner, InterMedia Partners): Mr. Chairman, it was not that much of an effort. It's a privilege to be with you and your members this afternoon.

The issue of large-scale infrastructure investment, as we all know, is foremost about stewardship, but sadly, in most of the developed countries, our eyes, so to speak, have always been larger than our stomachs. We all want lots of it, but only a few governments, particularly the Government of Germany, have been sufficiently responsive in trying to pay for the trillions of dollars worth of investment that we need.

Public investments, whether in surface transportation projects, electricity transmission projects, and broadband especially, and airports, and wastewater projects, are at some of their lowest levels since records have been kept. We know these massive deficits persist despite the fact that infrastructure investment is perfectly poised to take advantage of the growth sectors in energy, driverless vehicles, and clean tech, which are now starting to wash over all of manufacturing. It's especially despite the fact that a nationwide decade-long program of infrastructure investment, with its massive multiplier effects throughout the whole of an economy, is best positioned to close persistent real unemployment gaps—which in the United States are in the order of an additional 5%, even though we have had nominal full employment as of the last month.

America's overall deficit in revenue-generating infrastructure is estimated by the American Society of Civil Engineers to be $3.3 trillion, of which a trillion and a half dollars is clearly outside the capabilities of our state and municipal budgets. This is why the infrastructure issue was one of the four main platform pillars of our November 2016 national election. President Trump, Secretary Clinton, and Senator Bernie Sanders each called for spending in excess of $1 trillion on public infrastructure, but at the time of the election, only Secretary Clinton had begun to settle on how to best pay for such massive investments, using perhaps the structure we will discuss this afternoon, which I advised her on.

To address investment shortfalls, there are usually only three meaningful infrastructure funding alternatives in the developed countries. In my opinion, two of them immediately fail, because they are each too small and too politicized. The first of the two alternatives that fail are smallish block grants, whether they're authorized by our Congress or your Parliament, of the sort we've seen for decades. The second alternative is a so-called budgetary cap, devoted exclusively to investments in infrastructure, since budgetary caps in the developed countries, whether for defence or non-defence spending, typically do not provide opportunities to allocate funds for infrastructure. In my opinion, however, it's practically impossible under appropriations bills to depoliticize, and especially to fairly prioritize, infrastructure projects spread over the myriad of states, provinces, or municipalities. Most importantly, neither alternative comes anywhere close to meeting the massive needs figures of our respective countries.

In short, we believe that only sensitively developed national infrastructure banks address the limitations and obstacles that exist. The bank we are proposing for the United States would be a wholly-owned government corporation with non-partisan directors appointed by the President and confirmed by our Senate. By law, the bank's investment decisions would be made in a transparent, non-partisan manner. In order to make the bank as responsive as possible to different infrastructure needs across our country, it would, like our Federal Reserve, be regionalized into operating districts. Notably, the bulk of the bank's capital structure—fully 90% of the total—would come from relatively low-interest rate loans to the bank by our nation's large state and municipal pension plans, and by certain sovereign wealth funds such as Norway's and Kuwait's. Only the remaining 10% would be appropriated by Congress, and that would be in the form of shared first-dollar-of-loss guarantees of the bank's loans to infrastructure projects.

In specific terms, $1.35 trillion of the bank's capitalization would come from large fiduciaries, and the first $300 billion of loss—if any—on the bank's project loans would be shared fifty-fifty between the bank and the U.S. Treasury. It is the fiduciary plans' relatively low expectations of the rates of return on their fixed income portfolios of just 2% to 3% that match up best, Mr. Chairman, with the vital objective of achieving for the bank the lowest possible cost of capital—which, unfortunately, has never been the case with so-called P3s, as we can elaborate.

● (1600)

Of course, the plans will be induced to invest in the bank by the support available to them from the shared federal guarantee. In considering this particular bank structure, it's especially important to note that, because the financial default rate on public infrastructure projects is consistently de minimis—in the order of just 1% or less—our particular Office of Management and Budget, what we refer to as the OMB, should be based both on precedent and on the very low risk profile of the shared federal guarantees...“score” for Congress only the cost of any actual drawn down federal guarantee payments—and then only if and when these support payments are made.

The major reason that the federal guarantee would score so little, or not at all, is that the borrowers would typically pay a very small guarantee fee that is set over time to cover anticipated costs of defaults. Since well-run credit programs usually run at "zero subsidy", this should mean in the specific case of our proposed U. S. national infrastructure bank little or zero actual cost to American taxpayers.

Almost 10 years ago this month, we started out with the non-partisan objectives of best financing the more than $1 trillion of needed infrastructure projects while minimizing the federal government's contribution, and also of fairly prioritizing projects given the broad array of projects in our very physically large country. We believe that our suggested national infrastructure bank would meet these goals.

It will be a privilege, Mr. Chairman, to hear from you and your members on some of this work in the Q and A.

Thank you very much.

● (1605)

The Chair: Thank you, Mr. Hindery.

From the Tourism Industry Association of Canada, we have Ms. Charlotte Bell.

The floor is yours, Charlotte.

Ms. Charlotte Bell (President and Chief Executive Officer, Tourism Industry Association of Canada): Thank you very much.

[*Translation*]

Mr. Chair, committee members, on behalf of the Tourism Industry Association of Canada, I am very pleased to be here today as part of the committee's study on Bill C-44.

[*English*]

TIAC is the only national voice representing the interests of all sectors of the tourism industry in Canada. This includes accommodations, transportation, destinations, and attractions. Our members range in size from small businesses, including many tour operators, to some of Canada's largest hotel chains, national airlines, rail services, destinations, and iconic tourist attractions from coast to coast to coast.

Tourism is a top economic driver for Canada, which last year generated $91.6 billion in revenues, surpassing forestry, agriculture, and fisheries combined. It also employs in excess of 627,000 Canadians and is considered a top employer of Canadian youth.

The first thing I'd like to do is reiterate our gratitude for the support received by the Minister of Small Business and Tourism, as well as the Minister of Finance concerning a number of positive commitments in the last budget. Specifically, we were pleased with news that Destination Canada, Statistics Canada, and indigenous tourism will receive much-needed funding to support tourism marketing, data collection, and indigenous tourism development. These are important initiatives that will reap significant benefits for the Canadian economy and job creation in the long term, and will help strengthen one of the primary growth industries in this country.

This said, changes to the foreign visitor tax rebate program, the FCTIP, and their proposed implementation have created a wave of concern and alarm within the tourism industry. As we try to obtain an interpretation from CRA as to how the changes will be implemented, there continues to be anxiety. While the stated goal of this proposed repeal is to eliminate inefficient tax measures, it may very well create financial hardship for a number of small tourism businesses across the country and will also make Canada even less cost competitive than it is today.

While tourism has seen important gains in international arrivals in the last couple of years, and especially last year, it's important to recognize that, globally, Canada is in 18th position in terms of international arrivals, falling behind countries like Saudi Arabia. For perspective, in 2000 Canada ranked eighth in the world, so we've lost some ground.

In terms of our cost competitiveness relative to other countries, Canada now ranks 97th out of 141 countries measured annually by the World Economic Forum. While the $50 million per year savings outlined in the supplementary budget documents may seem small and inconsequential, in reality the change is cause for concern. While the GST/HST rebate may have appeared to be underutilized, it was widely used as a competitive tool to attract international travellers to Canada by lowering the cost of tour packages to make them more affordable.

In the absence of this rebate, many businesses, including significant numbers of small and medium-sized tourism operators, will be left absorbing significant additional cost and in some cases eliminating their profits. Further, tour operators are also impacted, as travel packages can be pre-sold up to two years in advance and sometimes even longer. The rebate is usually built into the price of packages offered internationally, but actual payment doesn't occur until well after the travel has occurred. In fact sometimes it can be as late as three months later.

We understand that the proposed repeal is meant to apply in respect of supplies of tour packages or accommodations made after budget day. This implies that contracts made prior to budget day would still be eligible for the rebate. Given that the business cycle operates up to two years in advance, many contracts have been solidified well into 2018, with secondary agreements made under this umbrella. The fact that we don't yet know whether those secondary agreements will benefit from the current rebate is cause for concern.

The Minister of Small Business and Tourism unveiled a new tourism vision last week during Canada's largest travel trade show in Canada, which is Rendez-vous Canada. The minister set out bold goals for tourism growth in the coming years and recognized the importance of this sector to Canada's economy and to its job creation.

So do we. We fully support and embrace growth and intend to work closely with the minister and others to see those goals become a reality, but in order to get there, Canada must address its cost competitiveness. Every new tax, every new levy, every new additional fee chips away at our ability to compete internationally and grow the sector. Tourism remains the only export sector in Canada that's not zero rated. The GST/HST rebate, while perhaps imperfect, was at least one very small way of lowering costs, but now that, too, will be gone.

As I said at the opening, Canada's tourism is a $91.6-billion sector, and we want to see that grow to $125 billion, but we need to address our cost competitiveness if we're going to increase overall tourism numbers by 30% in the next few years. Otherwise the numbers may very well go in a different direction.

Thank you very much for your attention.

● (1610)

The Chair: Thank you, Ms. Bell.

Thanks to all of you for your presentations on a number of different subject areas today.

Starting the seven-minute rounds is Ms. O'Connell.

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

Thank you all for being here today.

Mr. Hindery, thank you for your presentation. We had a lot of talk earlier today on the proposed infrastructure bank. You outlined a few unique initiatives, one being, for example, the guarantee fee to help any cost of default or whatnot. That's interesting. You also talked about the low interest rates. We've heard testimony suggesting that for an infrastructure bank to be attractive to private investors, it would require a higher interest rate.

In the proposal that you are putting forward in your country, what is the attraction for businesses? Is it that stable 2% in their portfolios that they're looking for, or what is it that would attract that private industry?

Mr. Leo Hindery Jr.: When I say "national infrastructure bank", ma'am, I never mean Goldman Sachs or Morgan Stanley. The fault in our own country has been what are called P3s, the public-private partnerships. The cost of capital on the private side is usurious for the user community. Notably in the state of Pennsylvania, where great efforts were made to upgrade infrastructure, we ended up with roads and bridges that became unaffordable to the middle class because of the user fees.

We had to find three things happening concurrently. We had to believe that the decision would be made professionally and in a non-partisan fashion. I had the privilege of meeting the chairman at the National Governors Association. The governors are the stewards and fiduciaries of infrastructure, not our Congress. It's our mayors and governors. In our particular case, they want to know that all 50 governors have an equal opportunity to see their projects prioritized and funded.

The second objective was to make it very large, which is why block grants have historically been just whistling in the wind, so to speak. Even in what we call President Obama's "stim" package, his stimulus package after the crisis of 2007-08, he received $25 billion for his infrastructure bank, which was nothing but a block grant to the Department of Transportation. Our need—and you have a relatively similarly large number—is $1.5 trillion. If you don't do something approximating that, in my opinion, don't do it; wait for a better day.

The third thing is to make sure that the rate is affordable to the ultimate user. We, very proudly, have tremendous fiduciary organizations, as does Canada. If you talk to your colleagues on that side of this economy, a 2% to 3% return on their fixed-income portfolios with a high certainty of repayment is more than satisfactory. It would never satisfy Goldman Sachs. Indeed, in the White House today, we have a new adviser to our recently elected President, who comes from Goldman Sachs and is suggesting rates of return from the bank of 10% to 11%. That would crush the middle class and every user.

We have travelled for years among the fiduciary community asking what it would take to get them to commit in a very large way to the bank that we're suggesting. We've been to Kuwait, Norway, Japan, and to our large state fiduciaries, and the answer is that there would have to be some degree of federal support. Where it got particularly clever is that we then added a fourth aspect to the equation. The guarantee will never be drawn. The default rate on public infrastructure projects of the sort we're talking about, such as surface transportation, airports, and especially broadband, Mr. Chairman, is around 1% if fairly priced. The guarantee will never be "scored" in our system. I would suggest, from what little I know of your rules and behaviours, it won't be scored here either. It will be scored if ever drawn.

There was no way, coming out of the election, whether it had been Senator Sanders, Senator Clinton, or Mr. Trump, that anybody in our Congress was going to give them a trillion plus dollars. It's inconceivable. Even $40 billion would be a stretch. Our commercial banks have said that we should come their way. My answer to that is, “No way am I coming your way.” We've spent several years, as I've said, trying to find an alternative. Collectively, that is the alternative, and I think it works particularly well here. The reason I'm comfortable saying so is that it works similarly well in Germany.

● (1615)

Ms. Jennifer O'Connell: Thank you.

It's interesting to hear you say that. I attended a conference in Europe some time ago about the almost desperate need of investors —and in this case they might have been commercial banks—to obtain even 2% or 3% stability. There was considerable fluctuation in the price of commodities and the long-term payback, even though it's small, of traditional investments like oil and gas, or nuclear. Traditionally one might assume that private industry would only invest if it were a 10% payback, but investors are actually looking for something stable, with a much shorter payback.

You are the first person who has testified to what I heard previously, probably almost a year ago, that the other factor was not only stability in returns, even if it was 2% or 3%, but also stability in government policy and direction, in particular with respect to policies that matched the various types of infrastructure. For example, if climate change is a priority for government, together with investment in infrastructure, this would be a key indicator for private investment.

Is that something you would say as well?

Mr. Leo Hindery Jr.: Madam, it's music to my ears.

Your new Prime Minister and Mr. Wegiel have talked on the issue of your domestic steel producers. Prime Minister Trudeau has talked about real unemployment in this country mirroring ours, which is roughly twice the nominal rates. Nothing in the world addresses infrastructure spending in steel, or jobs, better than an infrastructure bank. It's the panacea for resuscitating manufacturing, but it's also a tremendous boost to the real unemployment challenges our countries face.

With conviction, I can tell you that what you learned in Europe and your reactions today are in conflict. The private sector does need double-digit returns. The public sector, the fiduciary community, is very comfortable, particularly with the sort of guarantee that we have suggested might be imposed on the top. We all struggle with budget crises, and we score pitifully on this point in our country. We think we have found a way that might be advantageous to our needs as well as yours.

● (1620)

The Chair: Thank you both.

Mr. Albas.

Mr. Dan Albas: Thank you, Mr. Chair.

Thank you, witnesses, for the work you do in your different organizations and for enlightening us on your thoughts on Bill C-44.

I come from the Okanagan. The interior of British Columbia has a lot of opportunity to offer in tourism, so I'm going to start with Ms. Bell.

I find she has written down, conveniently, that there are 742 tourism operators in my area as well as just under 8,500 people who work in the industry. I appreciate your raising that today.

You have raised some legitimate concerns about our competitiveness. I was at the industry committee this morning. The minister responsible for small business and tourism, Minister Chagger, was there, and the question was brought to her about competitiveness. She said that one thing they needed to do was look at other jurisdictions and make evidence-based decisions. Do other jurisdictions that have a value-added tax or a goods and services tax have a similar provision for offering a rebate when you're trying to bring in business from out of the country?

Ms. Charlotte Bell: Yes, my understanding is that many countries have these types of rebates. One of the reasons we're not as competitive is that we have no such rebate.

Mr. Dan Albas: I imagine that this has already been tagged on. People expect that if they sign a new agreement today they will be collecting the GST on that and there will be no rebates. Is that correct?

Ms. Charlotte Bell: I guess there are a couple of things. There are contracts signed after the budget is announced. According to the way it's been described in the budget documents, as long as payment has been made in full before January 2018, it would still apply. After that date, it wouldn't. The confusion for us lies in how the business works and how deals are signed. There is a primary deal and there are secondary contracts that flow from it.

Mr. Dan Albas: I saw this in British Columbia after the referendum on the harmonized sales tax.

I remember attending many different meetings with the home builders' associations, where so many small-business owners were asking questions of each other because they were getting different answers from government of what qualifies and what doesn't. As you know, there are large tourism operators that can afford to have the people to do the research, and there are also very small operations that may not have the same capacity.

I certainly appreciate you raising some of this. Are you finding from your own members that there are concerns and confusion as to what qualifies and what doesn't?

Ms. Charlotte Bell: Yes, I had a lot of questions, and I raised the issue.

We were at Rendez-vous Canada last week. That is the biggest travel trade show in Canada—1,800 delegates—and we had hundreds of buyers from across the world. I heard it from buyers and I heard about it from my members, so a number of sellers based here in Canada, and it is a concern. We're trying to understand.

Everyone understands that rules change, things can change, but we need some certainty moving forward to figure out how this applies. If it's going to change, can we at least mitigate the impact during the implementation phase or the interim period? We're not clear. We've asked the CRA for a ruling or an interpretation on that.

Mr. Dan Albas: Oh, so there has not been a lot of clarity presented to you as far as transitional rules, so that people can know with confidence when they're booking, etc., what applies and what doesn't apply.

Ms. Charlotte Bell: That's right.

We don't have certainty on that front.

Mr. Dan Albas: Okay.

It's really unfortunate that the rollout wouldn't be as seamless as it maybe perhaps could be.

Again, going back to competitiveness, are you saying this is going to harm your competitiveness? I know many people who are very conscious of the price of gas. It's gone down. People are driving across the border from the United States, etc. Just when they're starting to get some business, now they're going to have a situation where they can't compete with some other operators from other jurisdictions.

Are you saying do not proceed with this, or can you say again what you want from government?

● (1625)

Ms. Charlotte Bell: We would have hoped that the government wouldn't proceed with this. That was our first choice. However, if the government will proceed with it, then we're asking at least to mitigate the impact during the interim period. Make sure it's delayed enough so that it respects the contracts that are already in play so that we have some certainty.

The biggest problem is that there are contracts that have been signed, and secondary contracts, and they go all the way through to 2018. This is problematic.

Mr. Dan Albas: Thanks.

I'd like to go to the steel producers.

I certainly appreciate that your members produce a lot of great products. I was very proud to support a government that made Canadian steel a big part of our national shipbuilding contracts. I believe there is a national interest in being able to maintain our steel capacity. That being said, though, there are the economics, so you always have to balance between what the consumer can pay. I was very proud that the government said they would support the steel industry by making sure that those ships were built with Canadian steel.

From British Columbia again, we had the experience with steel rebar. We had Chinese, I think Turkish, and possibly Korean rebar coming in, and it was challenged. Many provinces and many different groups participated in the process. Unfortunately, at the end of the day, the trade remedy resulted in less Canadian steel being used and more American. That was just how the whole process works.

Given that there are so many different remedies here, can you say we are not going to find ourselves with this new rejigged process with similar kinds of results?

Mr. Henry Wegiel: We're very aware of the rebar situation. I think you're referring to the public interest inquiry that was put forward by the Government of British Columbia and the construction association there.

We would say that the purpose of trade remedies is to remove the distortions caused by unfair trade in the Canadian market. At the end of the day, the way that the CITT finally ruled on that public interest inquiry was that the trade remedy brings back true market competition. When one says that the price is lower with dumped steel, that is not an argument to be made, that that is the right thing to do. Otherwise, we wouldn't be living in a lawful society here in Canada.

When they made the decision to not reduce the duties on imports from the Asian countries into B.C., it was predicated on that fundamental lawful belief of what competitive markets should be in Canada. My understanding is contrary to yours of what happened with steel in Canada. After those duties were in place, there was actually more steel that came from Canadian steel producers into B.C. than prior to the duties.

Mr. Dan Albas: My understanding is that Ontario still does not sell major product into B.C., and that's where at least I understand the angst of the original action was. I worry that when we put these processes in place, with the best of intentions, it ultimately ends up being where none of us is satisfied with the results.

The Chair: Okay. That will end that discussion.

Mr. Dusseault.

[*Translation*]

Mr. Pierre-Luc Dusseault: Thank you, Mr. Chair.

I'd like to thank the witnesses for being with us today. Since my questions will be for everyone, I would ask that you kindly keep your answers short.

The government raised the threshold that triggers a review of foreign investment in Canadian companies. I pointed out to the members of the government that the purchase of headquarters in Canada was a concern for many people and that the increased threshold could result in more headquarters being bought without the slightest bit of government scrutiny. I asked them whether they were worried about that. They said no and declared that investment in Canada was always a good thing. In their view, interest by foreign investors in Canada is positive, not a problem.

Do you agree that foreign investment is always a good thing?

Does the matter of headquarters in Canada concern you?

● (1630)

[*English*]

Mr. Brian Kingston: We believe that foreign investment is generally good except in very unique circumstances. A lot of foreign investment can lead to headquarters being established in Canada. ISED tracks all foreign investments. They still even track investments below the threshold. We welcome foreign investment and we think by raising the threshold, you're just reducing another barrier to foreigners coming in and potentially putting their headquarters here.

But obviously there's much more to that decision than just the threshold. It's access to talent. What's the tax rate? What are the various supply chain linkages that will make those decisions? We are hopeful that this, combined with the Canada investment hub, will help attract more headquarters into Canada, because that is an area where Canada has generally lagged.

[*Translation*]

Mr. Pierre-Luc Dusseault: Thank you.

Countries are increasingly adopting buy domestic policies—buy American only, in the case of the U.S.

Could that impede Canada's ability to sell steel to those countries?

Does Bill C-44 address the problem in any way?

Can you tell us whether the problem is bigger today and how you think it could be resolved?

[*English*]

Mr. Henry Wegiel: Thank you very much for the question. I apologize, I can't answer in French due to my limited French abilities.

The purpose of Bill C-44 is to address unfair trade. Steel or other goods that come in are dumped and subsidized and distort the market and injure Canadian industry. From a procurement perspective and what you're referring to as the Buy American provisions in the United States, that is a completely different issue, which Bill C-44 doesn't address. If we discuss that a bit, Canada does have procurement provisions; and if we're going to be spending the billions of dollars that we indicate we are, moving forward into the future here in Canada, then we should be looking at potential Canadian preferences. This is particularly given the nexus now of what we're talking about from a trade standpoint and from an environmental standpoint, which is now becoming more critical for Canada.

To give you an example, Canadian steel used in Canada has one-third of the carbon footprint that steel from offshore does. When we put forward a procurement policy here in Canada, we should be looking at that and saying if both of those are important to us, the environment is important to us, then we should be looking at what products we are actually using in our procurement policies, and from where, to reduce that overall carbon footprint. In a nutshell, if you buy Canadian steel, you get a discount of two-thirds on the carbon footprint, and that is something that is being elevated now after COP21, and everything else in Paris, the impact of carbon on the environment and on Canada's procurement policies. We're very hopeful in working with the government on those sorts of measures that would help the economy and help the environment.

[*Translation*]

Mr. Pierre-Luc Dusseault: Thank you.

You said the Invest in Canada hub would benefit Canada's municipalities, or open up an opportunity for them, and, I assume, others, by allowing them to deal directly with the organization. Could you elaborate on the upside of that?

According to what we've heard, the hub would, in essence, be the point of contact for foreign investors interested in Canada, serving as a single window they could turn to for information on the investment environment in Canada, regulatory and otherwise. It would advise investors on how they could do business in Canada.

Can you confirm that Canadians and municipalities will also have access to the hub, in order to ask questions, and that it will serve as the liaison between a foreign investor and a Canadian municipality or province?

● (1635)

[*English*]

Mr. Mike Darch: Certainly.

In Canada we have three levels of government: the federal government, the provinces, and the individual cities. Individual investors will end up ultimately in a city somewhere. Often, they are originally identified by our trade commissioners, etc., overseas. We already have regular, twice yearly meetings between our municipalities and the federal government on how we can make that interaction between the federal government and our municipalities easier and better so, if we've identified a particular client and they have immigration questions, they can be resolved.

In the past each federal department has tended to view this separately, and you've had to set up relationships with each individual department. It is hoped that, when the hub comes into place, we will have one place where we can go to get that interaction with the federal government.

We fully expect that the organization will be listening to and responding to the individual municipalities. For the hub to be successful, it's going to have to place that investment into a municipality somewhere across Canada. The municipalities themselves have the in-depth knowledge, such as Blair has of the Ottawa ecosystem, of where that investment is going to be best placed and how they can best explain that.

I think that all the interaction we've had so far has been very positive.

The Chair: Thank you both.

We're over time.

Mr. Fergus.

[*Translation*]

Mr. Greg Fergus (Hull—Aylmer, Lib.): Thank you very much.

I want to start by apologizing to the witnesses here today because I don't have questions for all of you. I have specific questions for two, maybe three, of you.

[*English*]

It's concerning the infrastructure bank.

I'm very interested, Mr. Kingston and Mr. Hindery, in particular, if you could tell me why you feel that the infrastructure bank, as I gathered from your comments, is a welcome tool to have in Canada.

How is it an improvement over public-private partnerships?

The Chair: Mr. Kingston, do you want to start?

Mr. Brian Kingston: Sure.

We think the P3 model in Canada has actually been very successful. The infrastructure bank could still use the P3 model. I don't see the infrastructure bank as necessarily an improvement over the P3 model. Our hope is that it will address projects that wouldn't go ahead—

Mr. Greg Fergus: I'm sorry. It's a welcome addition?

Mr. Brian Kingston: Right. Yes.

Our hope is that it will used to help bring private capital into projects that would not go ahead without this bank, this megaproject idea. That's our hope. Those could still be done using a P3 model through the infrastructure bank. We think it's a welcome addition to the overall infrastructure financing environment in Canada.

Mr. Greg Fergus: Mr. Hindery, what is your experience in the United States?

Mr. Leo Hindery Jr.: I would kill off two of the Ps.

I'm completely in the private sector supplying the materials, and I believe in the private sector constructing the infrastructure. I do not believe in the private sector financing the infrastructure. I've just seen too many instances throughout the world where the private financing piece of it, as I explained to your colleague, has left the user community on its knees. I don't believe it's a complement to the P3s and the bank. I think it's a substitute for failed P3s, sir.

Mr. Greg Fergus: Could you just go a bit further on that? You were speaking to Ms. O'Connell about some of the failures of P3s and your experience in the United States. I understand, but what is it about the financing of it that, in particular, in your view, almost automatically leads to a problem?

Mr. Kingston would have a different point of view, that P3 models have worked. Is it because of the structure of the financing, or is it in terms of the endgame of the financing, when it reverts back to public ownership?

● (1640)

Mr. Leo Hindery Jr.: I think, sir, it's simply the contrast between OMERS and Toronto-Dominion Bank. Toronto-Dominion Bank simply cannot lend to these kinds of projects at 2% and 3% interest rates. They won't. Also, the life of these projects is very long. It tends to outstrip the desired lifetime of the private finance sector.

Yet to Ms. O'Connell's comments and my response, OMERS, on behalf of its fiduciary clients, would be thrilled to get an assured 2% to 3% return on the fixed income portion of its portfolio. OMERS has private equity investments that push 20% return on invested capital. I'm not talking about that world. I'm talking about the world of the fixed income portfolios.

I have not spoken with OMERS, but I have talked to CalPERS, Ohio PERs, NYPERS, Illinois PERS, New Jersey PERS, Kuwait, and as I said, Norway and Japan. All their fiduciary sectors would comfortably engage in a 2% to 3% return in the U.S. infrastructure. I have no doubt that they would find the infrastructure here even more interesting.

Mr. Greg Fergus: Mr. Kingston.

Mr. Brian Kingston: I would just point to the Canadian track record on P3s. We've been doing these for about 22 years now. We've had over 236 projects and spent nearly $100 billion. There are many examples of very successful P3s, so I think Canada has done a good job here. I don't know about the U.S. experience, so I can't comment on that. I think we've built up a lot of very good knowledge on how to do these projects the right way.

Mr. Greg Fergus: From both of your perspectives, it would appear that when you are engaging in fixed income portfolios with 2% or 3% returns, the advantage is when you are one of the first entries into the global market seeking out funds that are looking for those opportunities for stable, fixed income potential. Are we at the vanguard, or is there still a market? How soon will it be before other countries clue in to the importance of having their own infrastructure banks?

Mr. Brian Kingston: I definitely don't believe we're at the vanguard. I think other countries have adopted this model. Australia has a good example of a model that has been quite successful.

That said, there is a lot of capital out there. There is no shortage of capital in the world, so even if we're a few years behind, I don't think we're at risk of not being able to attract this capital into Canada. It's the quality of the project that will determine [*Inaudible—Editor*].

Mr. Leo Hindery Jr.: I don't think you're behind at all, sir. I think you're on the cusp.

We're not there yet, but we know we can't afford the alternative. I have been working with the Trump administration, as well as both sides of the aisle in our Senate, and we can't pay for what we want.

The Chair: Okay.

Before I give the floor to Mr. Liepert, I have a question for the Business Council, just spinning off that line of questions related to capital.

You indicated that we should be able to track the capital. You talk in your submission about the foreign direct investment as a share of the GDP. We have now fallen behind four countries that we were ahead of. We don't even rank among the top 15 prospective host economies for multinational enterprise investment. From your perspective, what's the reason for that?

This fall, in pre-budget hearings, we will likely be looking at barriers to economic growth, competitiveness, and productivity. What is the reason we're not attracting that capital?

Mr. Brian Kingston: For a long time, one thing that the council has called for that we think would really help attract greater investment, and I know this committee has looked at it closely, is comprehensive tax reform, having a tax system that is very clear and concise with a minimal number of taxing points.

Every year we do a survey of our members and we collect data on 68 different taxing points. That's just the beginning of the various places where they're taxed. If you actually streamlined the system and made it simpler, it would be easier to comply with and it would be easier for the government to actually collect revenue. It would make it much more straightforward for foreign investors to come to Canada if we had a clear and concise tax code.

To me, that is one of the main drivers. Of course, though, there are a whole suite of other considerations, including market access into other large markets, talent, and so on. In some of those areas we score very highly; in others we're in the middle of the pack.

● (1645)

The Chair: Thank you.

We'll go to five-minute rounds. Mr. Liepert.

Mr. Ron Liepert: Mr. Kingston, I believe one thing that the finance minister has done very strategically is slipped this idea of the infrastructure agency into the middle of a very thick document called the budget implementation act. As you can see by the discussion today and the witnesses we've had throughout these hearings, it's all focused on the infrastructure initiative. I believe that part of that strategy is to take away the focus on something like part 4, division 2. Let me just read what that is: it is the enactment of the borrowing authority act. This document gives the Canadian government the ability to borrow up to $1.3 trillion, and that covers $691 billion of federal debt, which equates to $7,000 per family of four, $276 billion in crown debt, and interest payments of $25 billion a year.

One thing that I think has happened here is this. Has the Business Council of Canada just simply given up on the idea that we should be focusing on our debt payments and on our significant debt situation, and be totally focused on stuff like the infrastructure bank?

Mr. Brian Kingston: Sir, absolutely not. In my opening remarks I made the point that one of the things we asked the government for, going into this budget, was a very clear fiscal anchor. We are extremely concerned about the fiscal situation at both the federal and provincial levels. It is absolutely a priority for the council, and it will continue to be. If we have the privilege of being asked to appear here before the next budget, we will make that point again. We think there needs to be a clear path to balance and a very clear debt-to-GDP target.

Mr. Ron Liepert: Yes, because I think we're on a path whereby, infrastructure bank or not, the country's going bankrupt because of uncontrolled spending.

Mr. Brian Kingston: Our concern is that, particularly at the provincial level, as the aging population drives up health costs, ultimately that will be borne by the federal government. We do think there's a—

Mr. Ron Liepert: Just to be clear, the numbers I mentioned at the outset are doubled if you add provincial debt to them.

Mr. Hindery, is there an infrastructure bank in the United States, or is that something you're dreaming about?

Mr. Leo Hindery Jr.: It's something I'm hoping for, Mr. Liepert. No, we don't have one.

What we have is $1.5 trillion of unmet needs. If you've travelled in our country you can see it first-hand. We have our own budget concerns, and I share your concern absolutely, which is why we can't look to our federal government. We have to find, in my opinion, monies elsewhere. There are ready monies elsewhere that would like this kind of investing without burdening our federal government.

Mr. Ron Liepert: Yes, but in this particular model there is substantive federal government money in the infrastructure bank.

Mr. Leo Hindery Jr.: I would find that objectionable, sir.

Mr. Ron Liepert: So do we. Not that it's necessarily objectionable; it's that there is a huge risk to the taxpayer.

Mr. Leo Hindery Jr.: We've done everything we can, from our vantage point, to obviate that, to find an alternative source. Every developed country is in budgetary crisis, in my opinion, because of our payments that we are committed to, and—

Mr. Ron Liepert: I just want to get clarity. The proposal that's in front of us is talking about $35 billion of federal money into the infrastructure bank, and I think it's four times the hopeful attractiveness. Is that a sound model?

● (1650)

Mr. Leo Hindery Jr.: It would be rude for me to suggest, sir. I was simply asked to convey an alternative to what you were considering. It's not for me to comment on Canadian government practices. It's just not, sir. My role here was to give you an alternative that I think is attractive, that doesn't burden the Canadian taxpayer, as is being suggested.

Mr. Ron Liepert: I want to ask the tourism folks, if there were one thing that could have been in this budget, that would move Canada back from 18th to 8th, what would it be?

Ms. Charlotte Bell: Oh, my goodness. We would have to bring in another 16 million travellers internationally in order to get back into the top 10.

Mr. Ron Liepert: I'll just throw out this idea—

Ms. Charlotte Bell: There's also the cost of airfare.

Mr. Ron Liepert: Right.

As an example, one of the promises in the last election campaign was a reduction of the small business tax from 10% to 9%.

Ms. Charlotte Bell: Yes.

Mr. Ron Liepert: What would that impact be? You're basically small business, right?

Ms. Charlotte Bell: Lots of our members are small businesses, but I don't know how that would grow tourism in Canada. I think the small businesses would be in better financial shape, but—

Mr. Ron Liepert: They could spend more money on marketing instead of paying government.

Ms. Charlotte Bell: They might, yes. But definitely, if I had to give off the top of my head one thing we could do to increase the number of tourists, it would be to reduce the price of airfare. Because of the taxes and levies, we're about 40% higher than most places in the world.

Mr. Ron Liepert: Thank you.

The Chair: Mr. Sheehan, you have five minutes.

Mr. Terry Sheehan (Sault Ste. Marie, Lib.): Thank you very much, Mr. Chair.

I'll be directing some of my question to you, Henry. You mentioned that there were 122,000 direct and indirect jobs in the steel industry. Well, 14,000 of those direct and indirect jobs are in Sault Ste. Marie at Essar Steel and Tenaris tubes, and 8,000 other pensioners live in the area as well.

I wanted to ask you about budget 2016, which you alluded to, in terms of the modernization and the trade remedies that were put in there. Have they been successful? Perhaps you could describe what they did for the industry before I go on to 2017.

Mr. Henry Wegiel: With regard to the changes in 2016, the major one was that the initial trade remedies, which previous to that were five years, will now be for almost six years. That's in line with what the United States and other major countries throughout the world have. The new cases we've had—we just had another rebar case, and we have some OCTG cases—will now have the brand new six-year time frame associated with them, which will help the industry.

Mr. Terry Sheehan: That's very good.

Moving on, part of the 2016 budget was the consultation process that you and your association, along with the unions and many other stakeholders, vigorously participated in. It was great. In my opinion, there were four key recommendations that came forward in the 2017 budget—on the particular market situation, on anti-circumvention, on scope rulings, and of course on the union participation that you talked about.

Could you please describe to us how those four particular items will work within the industry and how we'll benefit?

Mr. Henry Wegiel: The biggest change we were after was with regard to, as you mentioned, the particular market situation. The companies outside of North America offshore are getting really smart at trying to circumvent anti-dumping duty orders. They will do things in order to have their costs and prices not reflect market realities, thereby reducing their dumping margins and hurting Canadian steel producers. This now gives Canadian government officials within CBSA the ability to tell them, “Hey, your prices and costs aren't actually market-based. There is something happening in your market that is distorting it. We're going to adjust for those factors to bring it up to a market-based price or cost, and therefore have the appropriate dumping margin.”

The second one is around scope rulings, involving an increase in transparency of the process. Let's say a producer here in Canada or someone from offshore wanted to know whether a product was within scope or not in scope of a ruling. Previously that would have been done without everybody knowing about it. Now it will be a transparent process. Companies can participate and determine whether the product is within or without scope, and provide arguments either way, which is similar to how it is done in other countries at this time.

Another big area is around anti-circumvention. There will be a formal process now where, if countries outside of Canada try to cheat the system through either mislabelling or transshipment of products, we are able to have a process that provides dumping duties on those products that try to cheat the Canadian system and the Canadian government and its people.

● (1655)

Mr. Terry Sheehan: As you mentioned, the union participation allows them to contribute in saying how this could hurt their membership and their pensioners, etc.

The other thing that you mentioned was the section 232 investigation the United States is undergoing. We were in Washington with the industry committee not too long ago, and it was an opportunity for us to remind them that we have the longest unprotected border in the world and we have a shared defence in NORAD. It's one of those things that I know is worrisome because of the opportunity for them to use the sort of back door on steel. But we also have trade balance, both in dollars and in tonnage, and the supply chain for the auto sector, for the products that we use in making steel here is fall through. I commend you on pointing that out. It is important. It's actually, in my opinion, a place where the North American Free Trade Agreement works quite well.

Going on to some of the changes that we've made, I'm going to ask you this question. Does it bring us closer and more aligned with the United States as it relates to what they're doing with trade?

Mr. Henry Wegiel: It absolutely does. As you mentioned, we're in an integrated market with Canada, the U.S., and Mexico. Whether we produce automobiles or energy pipes or construction goods, there is no border from a commercial perspective. We all make things together. In that regard, when we get unfair trade in Canada, the U.S. suffers because it ships six million tonnes of steel to Canada. When the U.S. has unfair trade, we suffer because we ship six million tonnes to the United States. We all have to build up our defences in alignment; otherwise, we all suffer. That's why in my remarks I mentioned Canada now putting in the trade remedies, modernization, which we have proposed in the bill, has sent a really big signal to the U.S. that we are there also in terms of looking at it as a NAFTA perimeter to protect from unfair trade and protect our integrated supply chains and economic activity.

The Chair: We'll have to cut the discussion there.

Ms. Shanahan, please hold it to three or four minutes.

Mrs. Brenda Shanahan (Châteauguay—Lacolle, Lib.): Excellent. Thank you, Chair.

Thank you very much to everyone, all the witnesses who are here with us today. It is my first time on the finance committee. I had the pleasure, though, of sitting on our government operations committee, as well as our public accounts committee, and I can say with great certainty that, if we don't pay now, we will pay later.

That's what really brings me to the Canada infrastructure bank. It's something that I have been looking forward to hearing about. I wanted to validate and clarify a few things for my understanding. As I say, it's the first time I'm on the finance committee, but I had a chance to look at the Canada infrastructure provisions that we put forward and the $35 billion that the government intends to put into the infrastructure bank: in fact $15 billion from the already-announced infrastructure investments that we're making in public transit, green infrastructure, and social infrastructure; and the other $20 billion for assets. I think that's important to underline because that's important, I think, to Canadians to know that we're not just spending money: not only will the infrastructure serve Canadians on a day-to-day basis, but also Canadians will be part owners of these infrastructure projects.

I'll get back to the cost of capital and why it's so important to have this financing option available for the infrastructure needs that we have. Really the difference when we're looking at investing is that it's so important to have the proper allocation, isn't it? All of you are financial people, so you know what I'm talking about: cash for security, fixed income to have that regular payment stream coming in, and then, of course, equity to take advantage of growth situations. With the size of pension funds and the importance of the demographics that we have now—the demographic pyramid now is inverse—it's important to shift and have that steady stream of pension income coming in to meet pension payments.

I'd like to hear a little bit of Mr. Hindery's thoughts on that, and also Mr. Kingston's.

● (1700)

Mr. Leo Hindery Jr.: I have two quick comments, ma'am.

Whether it be here in Canada or in the United States, federal investments in infrastructure will continue through the federal budgetary process. The projects that I'm mostly alluding to are what are called revenue-generating projects, which are the purview of our governors and our mayors, our large municipalities. These are the ones that we've been ignoring. It's the bridge in New York. It's the throughway in Pennsylvania. However, our federal government will continue to make investments on federally owned infrastructure. They don't come to the bank for those.

Mrs. Brenda Shanahan: If I can clarify, we are talking about public use infrastructure, not private, yes?

Mr. Leo Hindery Jr.: It's public use infrastructure, but again, it's not the federal portion in that, the Department of Defense portion. What I find gratifying about your comments about your own fiduciaries, your own pensioners, is that there has been some criticism by people who are not in these plans that these plans are overly beneficial.

We have found in discussions with the fiduciaries in the United States that they would find it gratifying to be able to say to the states that the money they have accumulated on behalf of their pensioners is going back into the states, back into these projects. As I said to your chair when we first met in DC where I was speaking to the National Governors Association, it's not you, the women and men in this room. You're the deciders. You're not the beneficiaries. It's your provincial leadership and your city leadership. I think it's a tremendous advantage to the pension community to be part of the solution.

Mr. Liepert was very correct in saying there's a sharp line between the federal side—whether it be my federal or your federal—and the provincial, state, municipal side.

Mrs. Brenda Shanahan: I thank you for that.

Mr. Kingston, from the private sector side, tell us why the private sector would be welcoming this type of infrastructure bank.

Mr. Brian Kingston: The real hope is that this bank will spur on projects that haven't been done already. These would be projects that the federal, provincial, and municipal levels have not been able to deliver for whatever reasons, so that includes megaprojects. I'd note, too, that it's not just pension funds that would be interested in some of these projects. There's a lot of private capital out there looking for returns.

So, if the right project comes to fruition and this model is what delivers it, I think you'll find a lot of interest from private sector investors and pension funds. I don't want to speculate on what those projects would be, but we know that there is a list of megaprojects.

Mrs. Brenda Shanahan: Have you done analysis around the kind of spinoff economic development that could happen with that kind of public investment and private—

Mr. Brian Kingston: We haven't done the analysis ourselves, but we know from past infrastructure spending that there are massive spinoffs going into the steel industry, into employment, into the construction industry. Infrastructure will inevitably be a big boost to the overall economy.

The Chair: Okay, we'll have to cut it there to wrap it up.

Mr. Dusseault, you can ask one short question.

Mr. Pierre-Luc Dusseault: It's very short. It's for Mr. Hindery.

Do you know the BlackRock investment company?

Mr. Leo Hindery Jr.: I do, sir.

Mr. Pierre-Luc Dusseault: You said you would be worried if Goldman Sachs was behind an infrastructure bank in the U.S.

Would you be as worried if BlackRock designed this bank in Canada?

Mr. Leo Hindery Jr.: There are two BlackRocks.

There's one that seeks very high rates of return, and it does have its own low interest rate, fixed-income portion of the bank, of the institution. As we were saying a moment ago and earlier to your two colleagues further down, the only thing that matters to me is size, impartiality, and low rate of return on the capital of the institution. Wherever it comes from, if it's in that 2% to 3% range, then I'm comforted.

● (1705)

The Chair: Okay, we'll have to leave it at that. We are slightly over time, cutting into the next panel.

I thank all the witnesses for their presentations and for their answers.

We will suspend for two minutes while the next panel comes forward. Thank you.

● (1705)

(Pause)

● (1710)

The Chair: Thank you all for coming.

As you know, we're dealing with the budget implementation act, Bill C-44.

We have presentations from five groups during this round. If you could hold your presentations as close to five minutes as possible, that would be helpful.

We'll start with the Canadian Chamber of Commerce, Mr. Brakel, senior director for economic, financial and tax policy.

Welcome, Mr. Brakel.

Mr. Hendrik Brakel (Senior Director, Economic, Financial and Tax Policy, Canadian Chamber of Commerce): Thank you very much, Mr. Chair and honourable members.

Thanks so much for having us. It's an honour and a pleasure to be with you today.

We really appreciate the opportunity to provide input, because the federal budget is of vital importance to our network of 200,000 businesses across Canada. We want to make a couple of quick points.

Firstly, we're concerned about the competitiveness of Canada. We've had nine consecutive quarters of falling business investment. We've had two years of zero export growth. Back in 2015, we could have attributed the weak business investment to declining natural resource prices, but in recent quarters we've seen weakness spreading into a variety of investment sectors: machinery and equipment, software, R and D.

It may be that the renegotiation of NAFTA is having a chilling effect, but we think it's absolutely critical to improve Canada's competitiveness and bring down the cost of doing business in Canada. Our members tell us all the time that Canada is a great place to do business, but it's an expensive place. Wages are high; taxes are rising—provincial corporate taxes, CPP contributions, carbon levies, and El stuck at high levels. At the same time, many countries are lowering corporate tax rates, including Japan, Spain, Israel, Norway, Italy, the U.K., and most importantly the United States. Our competitiveness challenges will become acute if and when the U.S. is able to lower corporate income taxes, and this will impede our ability to attract and retain foreign investment. Urgent action is needed.

At the Canadian Chamber of Commerce we've tried to develop recommendations that would make a difference. A patent box regime would be a game-changer by creating a 5% tax rate on profits derived from patents developed in Canada. That would be a huge incentive for companies to develop and commercialize innovative technology here. We also ask you to increase the 100% writeoff of business investment in the first year. That would be a big boost for Canadian investment.

On infrastructure, the Canadian Chamber of Commerce is supportive of the government's efforts to address Canada's infrastructure deficit. But it's crucial that we be strategic. The commitment of $60 billion in new funding for green, social, and transit investments over the next decade is certainly needed, but in our view the federal plan lacks some balance. The trade-enabling infrastructure, the stuff that enables the movement of products, services, and people through Canada and to markets around the world, represents around 12% of the new plan.

With 60% of Canada's GDP tied to trade, this category of infrastructure can improve our productivity, our long-term global competitiveness, and our economic well-being. As Canada's trade infrastructure is showing signs of strain, our competitors are aggressively investing in improvements to trade infrastructure. We've been urging that trade-enabling infrastructure, these roads and ports and airports, be made an equal priority alongside the green, social, and transit infrastructure.

We're optimistic about the Canada infrastructure bank. In our view, one of the biggest potential benefits of the bank could be its intelligence function. If the new institution is able to take a national view on identifying Canada's long-term infrastructure challenges, our choke points and gaps, and create export corridors in a strategic manner, it could be very valuable in the long run. We also think it would be a win if the bank could help speed up the time it takes to get major projects moving and pull more private sector funding into these projects.

Let's take a real example. VIA Rail has an interesting proposal to create a dedicated passenger service along the Ottawa-Toronto-Montreal corridor. We're not talking about high-speed rail; we're just talking about normal rail. Right now trains can travel a maximum of 50 miles per hour because they're sharing those tracks with cargo trains. Dedicated passenger rail would enable them to basically double the speed, so you would get from here to Toronto in about two and a half hours. This is big bucks—about $3 billion or $4 billion. We think that's something the infrastructure bank could leverage or could provide guarantees on to attract private sector investment so that it's not our tax dollars.

I'll stop here with one additional point, which the chamber will continue to make. If the government wants to make it easier for the private sector to invest in infrastructure, we also have to reduce regulation. It's not just pipelines. Regulatory uncertainty and delays of privately funded infrastructure projects are a problem that still needs to be addressed when it comes to attracting investment capital to Canada. Efforts to reduce federal-provincial duplication or to have environmental reviews completed in a defined time period would be hugely appreciated. We could also maybe fast-track approval processes for certain types of green energy investments.

Thank you so much for listening. I'm happy to take any questions.

● (1715)

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

Turning to the Canadian Federation of Students, we have Ms. Arte.

Welcome. The floor is yours.

Ms. Bilan Arte (Chairperson, Canadian Federation of Students): Thank you so much.

Good afternoon, members of the committee, and thank you so much for having me here on behalf of the Canadian Federation of Students.

With the release of budget 2017 on March 22, students welcomed investments for indigenous learners and part-time students. However, we felt that the budget lacked an innovative vision for higher education overall. I'm going to take you through that right now.

First, on the issue of funding for indigenous learners, the 2017 federal budget promised $90 million in funding over two years for the post-secondary student support program. This program is a federal initiative that distributes non-repayable financial support to indigenous students attending post-secondary education institutions.

While this commitment still fell short of the government's 2015 election promise of injecting the program with $15 million in funding annually, the injection of funds was nevertheless welcomed by students, and will permit an additional estimated 4,600 indigenous students to obtain funding for post-secondary education.

However, while removing the 2% annual funding cap on the post-secondary student support program, and injecting $90 million in new funds over two years, the program continues to fail to provide full zero-cost access to post-secondary education to all indigenous learners, a treaty right guaranteed in several foundational nation-to-nation treaties and reaffirmed as a constitutional right in the Canadian Constitution Act, 1982.

In order to address the backlog in applicants to the post-secondary student support program, whose funding has been capped for two decades, the government would need to invest an additional $420.8 million over three years, or an investment of $141 million per year. Additionally, eligibility for the program continues to exclude Métis students, something the federation would like to see changed.

Second, I wish to speak on the expansion of eligibility to the Canada student grants program. A second area of progress made in budget 2017 was with respect to the Canada student grants program, which will now include part-time students and those with dependent children, beginning in 2018-19.

We estimate that the investment of $167.2 million over four years will make an additional 10,000 part-time students and an additional 13,000 students with children eligible for these grants as of 2018.

Once again, while this reform is definitely a step in the right direction, we believe that Canada student grants program eligibility should also be expanded to include graduate students. Further, the federal government should take this one step further and eliminate interest rates on student loans, through the Canada student loans program, while providing two-stage assistance for all Canada student loans program borrowers five years after graduation. In the last academic year alone, we know the federal government profited by over $580 million in interest off public student loans, affecting the most vulnerable, impoverished groups in Canada. We believe this government must end this practice.

Third, we also saw that budget 2017 committed investments in co-operative education and work-integrated learning programs. These investments were welcomed by students. However, we feel that the government's focus on programs in the science, technology, engineering, and mathematic fields alone demonstrates a narrow understanding of innovation, and leaves many students behind.

Additionally, we were pleased to see, in budget 2017, progress in our fight to end unpaid internships. However, we will continue advocating until all unpaid internships are eliminated, including those that are part of a formal educational program.

The Chair: Slow down a bit, please.

Don't worry about the time. We'll give you the time.

● (1720)

Ms. Bilan Arte: Okay, thank you.

Students hope this will set an example for other youth employers as there continues to be an estimated 300,000 people working in unpaid internships every year in Canada.

Fourth, on investments to Canada's research capacity, budget 2017 saw investments to establish new research chairs and the establishment of a chief science advisory, among other welcome initiatives. However, budget 2017 missed an opportunity to restore and invest in basic fundamental research and include bold reinvestments in the tri-council agencies that would allow the granting councils to adequately support the research endeavours of graduate students and researchers across all disciplines.

Finally, despite some improvements made in the area of indigenous access to education through funding for the post-secondary students support program, expanded eligibility for the Canada student grants program, and investments in co-operative and work-integrated learning programs, students contend that budget 2017 and its subsequent implementation fails to address the crisis of post-secondary education funding in Canada. Canada's post-secondary education sector is financed increasingly through student debt, part of a larger trend of household debt leveraging our economy as a whole.

In 2015, household debt exceeded the size of the Canadian economy at $1.6 trillion, or 171% of household disposable income. Between 1999 and 2012, student loan debt alone rose by 140%, a product of systemic underfunding and under-prioritization of federal and provincial governments. Budget 2017 fails to comprehensively address mounting student debt, which has collectively reached over $28 billion.

The Canadian Federation of Students has proposed a bold plan for Canada's post-secondary sector through our budget submission, which can be realized through clear budget prioritization of post-secondary education. This plan proposes the elimination of all tuition fees in favour of public funding. We advocate for this funding to be governed by a federal act modelled after the Canada Health Act, recognizing the lack of a clear federal role in post-secondary education in our country. This investment in our country's future would yield billions in return through direct spending and taxation, advantages of social indicators, and general economic growth.

Canadian expenditure on post-secondary currently sits at approximately 2.5% of GDP through a complicated patchwork of programs rather than a more efficient and progressive universal system. We believe these monies can be better allocated to support a tuition-free universal system of access for all. We hope to see this kind of bold direction through the implementation of budget 2017 where possible, and certainly in budget 2018.

Thank you, committee members, for your time. I'm happy to take any questions.

The Chair: Thank you, Ms. Arte.

From the Petroleum Services Association of Canada, Ms. Elizabeth Aquin, the floor is yours.

Ms. Elizabeth Aquin (Senior Vice-President, Petroleum Services Association of Canada): Thank you, and good afternoon, committee members.

I am Elizabeth Aquin, senior vice-president of the Petroleum Services Association of Canada, or PSAC. Thank you for the opportunity to be here today to provide you with some comments. I understood that you wanted comments on the abolition of the Canadian exploration expense, so that's where my comments will be focused.

PSAC is the national trade association for the service, supply, and manufacturing sectors of the upstream petroleum industry, representing over 160 companies that employ over 30,000 workers. These are the companies that provide the innovation, technological advancement, and in-the-field experience to Canada's energy explorers and producers, helping to increase efficiency, improve safety, and protect the environment.

The oil and gas industry is a significant contributor to the Canadian GDP. According to a 2015 Canadian Energy Research Institute report, over the next 25 years Canada's oil and natural gas development is expected to contribute $7.6 trillion to Canada's GDP. However, with the collapse in commodity prices, capital investment in this sector plummeted from $81 billion in 2014 to $31 billion in 2016, and tens of thousands of workers were laid off. The situation has been exacerbated by the lack of access to tidewater and global markets for our resources. While we appreciate the approval of pipelines and other infrastructure projects such as LNG facilities, it will take years to get them built.

At this point, I will say that we do appreciate the $30-million one-time payment to the Government of Alberta, which today was translated into $235 million by way of a loan to the Orphan Well Association, so it will be repaid by industry, thereby creating thousands of jobs for workers that are much needed. Thank you for that.

The world still needs oil and gas, and Canada has one of the most robust regulatory regimes in the world, along with stringent environmental standards. We are already reducing GHG emissions per barrel of oil produced from the oil sands down to 30% of the 1990 levels. While Canada is said to be lagging in R and D, the oil and gas sector is the exception. According to the Government of Canada's Science, Technology and Innovation Council's report “State of the Nation 2014”, over the past 16 years, R and D investment in the oil and gas extraction industry has risen dramatically, increasing almost fourteenfold from 1999 to 2015. Ninety-four per cent of PSAC members report investing in R and D, with 45% planning to increase their budgets over the next two years and 22% already pursuing clean tech to reduce emissions.

If Canada is to play a meaningful role in reducing global emissions while the world still needs oil and gas, it should continue to supply those resources. If not, we will be faced with carbon leakage and the green paradox, where nations with far less concern for our environment produce the oil and gas that the world needs, and emissions will rise as a result.

Canadians need oil and gas, too. Today we import over 800,000 barrels of foreign oil. If we continue to discourage investment in this industry, we will end up importing more and contributing to greater emissions. Instead, let us continue to innovate, reduce carbon emissions, responsibly develop our vast natural resources, and not discard an industry that is vital to our country now and to those parts of the world that will benefit from our expertise, care of the environment, and energy supply to rise out of energy poverty.

We disagree that the Canadian exploration expense is a subsidy. Rather, we believe it is an important incentive in attracting capital to higher-risk exploration activity, comparable to R and D spending in other sectors, and a basic part of tax policy intended to incent investment that creates jobs and economic benefits while recognizing the risks involved. We believe that the term “fossil fuel subsidy” refers more to those countries that provide deep discounts to consumers through low prices for the purchase of fuels such as gasoline and kerosene, not to economic incentives to producers of the resource, where world markets dictate prices regardless of the cost to develop and produce the resource.

• (1725)

With less exploration per se versus development taking place today, abolishing the CEE sends a negative signal to investors that Canada is not supportive of this vital industry. Capital is mobile, and investors can easily choose to invest south of the border where investment is being welcomed, along with other places. This would be a loss for all Canadians, so we urge you to reconsider.

Thank you again.

The Chair: Thank you, Ms. Aquin.

From the Vancouver Economic Commission, we have Mr. Shepheard, director, Vancouver Film Commission.

Mr. David Shepheard (Director, Vancouver Film Commission, Vancouver Economic Commission): Thank you very much, Chairman.

I'm pleased to be here today on behalf of the Vancouver Economic Commission and our CEO, Ian McKay. He sends his direct apologies, but the Prime Minister is in Vancouver today and he's hosting him at some events, so I'm here on his behalf.

The Vancouver Economic Commission is the economic development platform for Vancouver. As many of you are aware, for several years now Vancouver has led the nation in GDP growth and in job growth, and it has the most diversified economy in Canada. In that context, we're delighted to speak in support of Bill C-44.

While most of my comments today will focus on division 20, on the invest in Canada act, I'd like to quickly address some of the components of the bill.

Regarding division 5 on the creation of a pan-Canadian artificial intelligence strategy, we support this initiative unequivocally. At the same time, to be clear and on the record, Vancouver and British Columbia boast some of the best world-class capacity in AI disciplines at the University of Victoria, UBC, and Simon Fraser University, as well as globally recognized clusters of quantum computing companies such as D-Wave and 1QBit. Vancouver is well positioned to lead the country in groundbreaking innovation in the quantum field, but most importantly from a national perspective, it's imperative that Canada continue to develop and retain some of the world's best researchers in the field of AI.

In the brief coming on division 8, on increasing the threshold of significance for the review, we support this measure. It's in line with previous practices, and is moving at a rate in line with GDP.

On division 20 regarding the invest in Canada act, the creation of a Canada-wide investment hub comes at a time when Canada's brand as a destination for global capital flows is at an all-time high. Political stability, fiscal strength, globally recognized post-secondary educational institutions, and a multicultural population have created a platform for 21st century innovation that is among the world's best.

Canada's ability and capacity to attract a bigger share of foreign direct investment must be a major priority for the Government of Canada, and the investment hub must demonstrate to the international investment community that Canada is a clear, cohesive, and comprehensive value proposition to attract further FDI.

While Canada's brand will undoubtedly open the door to conversations with investors from all over the world, the federal government's investment hub needs to be structured and resourced in a way that recognizes that investment capital lands in cities, regions, and communities across the country, and in most cases it is these local ecosystems and the regional clusters that make the investment possible. In that sense, Canada currently has 13 mini investment hubs, the big cities economic agencies alliance, and I know you just heard recently from Mike Darch, the president. Vancouver, through our CEO, who is the current chair of the CCCA, Consider Canada City Alliance, works closely with the trade commissioner service at Global Affairs Canada to brand Canada to international investors through our city-based platforms. It's a great partnership and a model that needs to be expanded and improved in the new investment hub.

In my own personal experience, I recently relocated from London to Vancouver to take on the role as its inaugural film commissioner. From that perspective, we're seeing how Canada's global brand value, equally weighted by Vancouver as a destination, is experiencing high levels of investment attraction from across the globe in the digital entertainment and technology sectors, based on big infrastructure projects and investment in companies.

VEC, through its daily work, is witnessing some of the same factors across all the main economic sectors that are part of the strategic focus for the city. The ongoing work of the city economic development agencies is delivering daily on what will surely be some of the key targets and outcomes for the investment hub. From that respect, it will be a valuable strategic partner for the success of this initiative.

Thank you very much for your time.

• (1730)

The Chair: Thanks very much, David.

We turn now to the Canadian Labour Congress.

Ms. MacEwen, senior economist, you get to be the one to wrap it up.

Ms. Angella MacEwen (Senior Economist, Canadian Labour Congress): Thank you very much.

I'd like to thank the committee for the opportunity to appear before you today.

The Canadian Labour Congress is Canada's largest labour central, bringing together Canada's national and international unions, along with provincial and territorial federations of labour and 130 district labour councils. We represent 3.3 million Canadians who work in virtually all sectors of the Canadian economy, in all occupations, and in all parts of Canada.

The 300-page budget implementation act, or Bill C-44, which was introduced on April 11, implements a variety of commitments contained in budget 2017. There are too many that are relevant to workers in Canada for me to comment on them all. I want to briefly highlight a few concerns.

Bill C-44 strengthens the Special Import Measures Act in several areas, as Canadian steel producers and unions had urged, but disappointingly, no mention is made of improving the standing of trade unions and establishing their right to bring trade complaints, which was promised in the text of budget 2017.

Division 11 deals with amendments to the Employment Insurance Act and the Canada Labour Code maternity and parental leave and benefit changes announced in budget 2017. We have argued consistently that the best way of expanding real options for working families, and women in particular, is for the federal government to commit to long-term, stable funding for universal, affordable, high-quality child care across Canada. I want to emphasize that the changes to EI parental benefits that are proposed in the bill are no substitute for concerted action to address the child care crisis in Canada.

Division 18 of part 4 would enacts the Canada infrastructure bank act, which establishes the Canada infrastructure bank as a crown corporation. The bank's purpose is to invest in and seek to attract private sector and institutional investment to revenue-generating infrastructure projects. In our pre-budget submission, we suggested that the federal government could accomplish this in several ways.

The government could issue green bonds in order to fund projects, such as the electrification of transportation, electric vehicle charging stations and networks, smart grid technology and transmission lines for renewable energy, and renewable energy storage. The government could also facilitate and fund innovative financing arrangements to ensure that financial institutions and utilities guarantee loans to municipal governments for property tax-based and utility-based “on-bill” financing for retrofits. The government could also develop a plan to re-establish postal banking through the Canada Post Corporation, and use this to finance green investments and spread local renewable energy generation in Canadian homes and small communities. The federal government could simply take advantage of its ability to borrow at remarkably low rates in order to provide low-cost access to capital for public infrastructure projects.

As many observers have pointed out, the case for the infrastructure bank, as it is described in budget 2017 and in this budget implementation bill, is not compelling. Yields on a 30-year Government of Canada bond currently sit at around 2%, which means Ottawa can borrow at much lower rates than those available in the private sector.

We agree there is a need for improved financing tools, but there is no case for a Canada infrastructure bank, which is simply a vehicle for massive and costly privatization.

There is further concern that the stated needs of pension funds for returns in the 7% to 9% range would mean increased user fees, which would be untenable for already expensive transit operations in most large urban centres.

Finally, infrastructure investment that is driven by the need for high returns would put socially useful investments in environmental infrastructure or affordable housing on the back burner for cash-strapped municipalities.

As CUPE economist Toby Sanger phrases it, “No homeowner in their right mind would commit to a...mortgage at a rate of 7 per cent or more when they can borrow at 2.5 per cent—especially when it involves locking in over 10, 20 or 30 years, and paying close to twice as much in total costs.” So, why would the federal government make the Canada infrastructure bank rely only on higher-cost private finance to fund what will have the public sector holding the risk if it fits, or if the right projects don't get funded?

• (1735)

Thank you very much.

The Chair: Thank you very much, Angella.

With that, we will go to questions. We will go to five-minute rounds in order to hold it pretty tight, starting with Mr. Fergus.

Mr. Greg Fergus: Thank you very much, Mr. Chair.

Thank you to the witnesses for coming. We heard a broad range of views today, and I was glad to hear them. Some of the comments were, of course, focused on what is in the budget implementation act, and some was on what is missing from the budget implementation act. You'll forgive me for focusing on the former rather than the latter, just so that it can help us in our process of eventually going through this implementation act clause by clause later in this process, if we ever get there, Mr. Chair.

My first question would be for Mr. Shepheard. I'm quite familiar with the work of the.... I've met with your CEO, who brought to my attention the importance of trying to direct the Government of Canada's attention toward great and innovative companies such as D-Wave and General Fusion.

How do you see the aspects of the invest in Canada provisions of the budget leading toward attracting more investment into, frankly, what could be world-changing technological innovation?

Mr. David Shepheard: For companies like those that are at the cutting edge of the technology that they're developing and creating, the investment attraction part of it and having a Canada-wide focus on how to attract those international investors are quite important because we're obviously globally competing for that kind of attention.

It is that combination of how organizations like ours can work on the ground with those innovative companies and bring them into a national and global context along with the provisions and outcomes of something like the investment hub would do. It would raise the game on the companies we work with every day and would then be celebrating Canada's innovative economy and showing us to be at the cutting edge of some of these amazing technologies that are being created in small companies right across the country, of which we have many in Vancouver.

● (1740)

Mr. Greg Fergus: Going further in terms of creating these strategic innovation hubs, do you have any concerns about whether...? Specifically for your neck of the woods, would Vancouver be the innovation hub for energy, or would you be part of the ecosystem? As we know, Calgary is certainly an energy leader, but we've also seen Toronto being headquarters to many energy companies. How do you see Vancouver placing itself within that ecosystem?

Mr. David Shepheard: That would be more of a question for some of my colleagues who work on some of the other areas, for instance, around green technology and on some of those really exciting elements that are coming through.

Vancouver has some distinct qualities in various sectors that we would want to see share the limelight on some of those innovation hubs and share an appropriate recognition of the talent and the cluster of those companies that we have in the province. It's being able to make sure those companies, that cluster of different industries, are well recognized within whatever the plans would be for those innovation hubs, and making sure that we can put the best case forward to have an appropriate level of investment and attention come to Vancouver and B.C.

Mr. Greg Fergus: Ms. Arte, thank you very much for your presentation. I certainly understand and appreciate the support for some of the moves we've made in regard to aboriginal education, the Canada student grants, and work-integrated learning and co-operatives.

I hear your point very clearly that perhaps the emphasis is too much on STEM as opposed to STEAM, adding arts into that. I would like to give you an opportunity to continue your thoughts on that.

Ms. Bilan Arte: Thank you for that question.

From our perspective it's incredibly important that we have a system of post-secondary education that is encouraging young people who are interested and passionate about any number of different areas and professions that could be of importance in our society and that they be given equal opportunity to access those.

When we talk about the dangers of particularly focusing on STEM or individual career paths, what we do see are a lot of young people who, even over the past 25 years in my generation, in many ways have been misled into thinking there would be a guaranteed job for them in a particular sector. For example, students were encouraged to go into teaching in Ontario, and then they saw a lack of teaching opportunities after there was a surplus of students who were graduating from the Ontario teachers colleges, or young people decided to focus on developing a career within the resource extraction industry and today aren't finding jobs in those fields.

We believe that the key to actually building a sustainable economic system across our country that actually encourages young people to be trained in a variety of different professions is going to ensure that we have people who are graduating not only in those STEM fields, but people who are also graduating in fields we know we need in our society today but may not necessarily be the ones where all of the public funds for support may be today.

Having the opportunity for anyone to be able to think about expanding their horizons in what they're passionate about will help us ensure that we have young people who are graduating from a variety of sectors and provide us with a diversity that we need in our society. In the same way we need people who are graduating from those STEM fields, we also need people who are graduating in architecture, who are graduating in a number of different fields. I think it's a bit short-sighted to pigeonhole young people and their futures into one particular job sector if those jobs disappear in the next 20 to 25 years.

The Chair: We'll have to cut you there.

Mr. Liepert.

Mr. Ron Liepert: Elizabeth, thank you for your presentation on behalf of the industry in Alberta, the industry which, quite frankly, has driven this country's economy for the last decade.

I'm glad you mentioned the clarification around the ridiculous assertion of fossil fuel subsidies. I was pleased that the parliamentary secretary and her staff were here to hear that. Maybe they'll take note and change their ridiculous notes that she reads from in question period on a regular basis, because there is a huge difference between incentives and subsidies.

I think what is important here is to point out that this is an industry that drove this economy, that continues to be a major part of this economy where, if we don't get rigs back in the field, if we don't get people back working again, for those 100 people who used to be on planes coming out of Prince Edward Island who aren't coming anymore, those jobs aren't going to be there.

In this budget we now have a recommendation to start to reduce those tax incentives and I think it's important that you outline what, if the government goes ahead with that initiative, it's going to do to the drilling industry in Alberta.

● (1745)

Ms. Elizabeth Aquin: Yes, thank you for the question.

I think it's hard to predict exactly what the impacts will be. Clearly, commodity prices have an impact. However, I think we are finding that Canada is overall less competitive these days. We have such a number of policies that are impacting our competitiveness and it's not anything taken singularly, but it's the cumulative effect of all of these things. When investors decide where to invest their capital, they do look at all of the aspects, whether it's carbon levies, methane emissions reductions, and now if they are looking at the Canadian exploration expense, it's just one more option that's off the table for them when they're looking where to invest their money.

I think it speaks to Canada not being as open to this industry as other countries are. Certainly as we look to the administration south of the border, they are doing everything they can to welcome and encourage activity down there.

As you have mentioned, the industry has been through devastating times. Tens of thousands of people have lost their jobs, and yes, in Alberta alone in 2014, we had over 100,000 non-resident workers. They have all gone back to their home provinces.

We need to build that investment climate back up again and continue to have a competitive environment to attract that capital, and it's proving difficult.

There is risk involved in exploration, and taking away this incentive that will help them decide to invest that capital is an important aspect of what we can do. As I said, I don't believe it's a subsidy in the normal sense. This isn't affecting the prices that they achieve for their products. It speaks to the risk, and they go on. This will mostly affect the small explorers and producers that these days often are the ones that go out and do exploratory wells which then pass those fields on to larger producers and encourage more development drilling.

Mr. Ron Liepert: Let's be up front about it: the only benefit is when you actually pay taxes. This is not like Bombardier, where we threw them eight times the money. Fifty million dollars is nice from the federal government for the well cleanup program, but for an industry, it's one-eighth of what we gave to one company in Quebec. That's a subsidy. I'd like you to outline the potential we could have in Alberta not only for job creation but for environmental cleanup, because $50 million and $250 million are nice numbers and will get a lot of people back to work, but they will only make a dent in a situation that needs action.

The Chair: Ms. Aquin, I think the money to Bombardier was a loan, not a subsidy.

Mr. Ron Liepert: We'll see if it ever gets paid back, Mr. Chair.

The Chair: Ms. Aquin, go ahead.

Ms. Elizabeth Aquin: I think that the benefit of having the exploration credit, the CEE and the CDE, is the fact that this goes to an industry. Private companies are spending money in order to claim this, as you say. They are putting people to work and creating economic benefits. Those benefits go far beyond those direct jobs in the companies themselves. When these companies explore for oil and gas that's ultimately developed, they are paying royalties and corporate taxes; people are paying income taxes, and the economic benefits are spread across the province and the country. In terms of all the rural communities where this activity takes place, they're giving business to the coffee shops, the motels, and the car-leasing places.

In fact, we have done studies on the oil and gas services sector, which is above and beyond just the exploration and production companies themselves. Our recent study has shown that in 2013 the oil and gas services sector alone contributed $119 billion to the Canadian GDP. That is beyond just.... That shows the reach and scope of this industry throughout the economy.

When you've seen the downturn over these last years, and maybe you've wondered why it's affected manufacturers in Ontario and Quebec, that's partly because of the energy industry. Many services and industries in this country contribute to the oil and gas industry, even investment banks on Bay Street, for example, and lawyers. It affects everybody, so having these incentives bodes well for all Canadians, really.

● (1750)

The Chair: Thank you both.

Go ahead, Mr. Dusseault.

[*Translation*]

Mr. Pierre-Luc Dusseault: Thank you, Mr. Chair.

Thank you all for being here today.

First, I'd like to get something straight, Ms. Arte. You said that students made $528 million in interest payments to the federal government. Is that correct?

Ms. Bilan Arte: It was $580 million.

Mr. Pierre-Luc Dusseault: Thank you.

That is money students paid into the government's coffers.

[*English*]

Ms. Bilan Arte: Yes, that's interest that's paid on student loans.

[*Translation*]

Mr. Pierre-Luc Dusseault: Do you think something should be done about that?

It seems to me that the government, or at least the Liberal Party, had pledged to eliminate interest charges on student loans. Do you think that's something Bill C-44 is missing, something we should perhaps address later in our discussions?

[*English*]

Ms. Bilan Arte: Sure. The work that the federal budget does, we believe, falls short of presenting a bold vision for post-secondary. From the perspective of the Canadian Federation of Students, that will always be the complete elimination of tuition fees and the funding of a totally universal system of post-secondary education.

We do think it is quite disappointing to see that the federal government is profiting over $580 million in interest rates alone off public student debt. I want to remind committee members that the people who are taking on these loans are poorer communities, impoverished communities, vulnerable communities in our society. They are the ones who are relying on the Canada student loans program and its provincial equivalents. The fact that the federal government is making so much money off the backs of poor Canadians and their families is quite disappointing to see.

There are a number of provinces that have completely eliminated interest rates on provincial student loans. Most recently, that happened in my own home province, Manitoba. We've seen this growing in different provinces, for example, Nova Scotia, Newfoundland and Labrador, and a few others.

We definitely believe that we need a bold vision for free education in this country, but at the very least, I think this government can commit to eliminating interest rates on provincial and public student loans.

[*Translation*]

Mr. Pierre-Luc Dusseault: Thank you.

I'd like to get something else straight, this time, with regard to indigenous people and their eligibility for student financial assistance programs.

Have you estimated how many people would be eligible further to these changes? Do you have a number? I'm not sure I heard correctly.

Ms. Bilan Arte: Yes, we have a number.

[*English*]

It's 4,600 indigenous students, in addition, who will be included. This doesn't fill the backlog that we believe includes over 10,000 indigenous students. This is a figure that has been released by the Assembly of First Nations, which is a group we have worked with. They estimate the backlog to be much higher than that. However, we are excited to see that with that $90-million commitment, at the very least it will change the lives of 4,600 indigenous students in this country, and that is significant.

[*Translation*]

Mr. Pierre-Luc Dusseault: Ms. MacEwen, we heard from a number of people on the issue of parental leave. Do you really see it as progress for a parent to have the option of taking 18 months of leave payable at 33% of their income, as opposed to 12 months payable at 55%?

Can you tell us what you think of the fact that, once a parent chooses an option and receives the first payment, their decision is irreversible? They won't have the ability to change their mind. If they choose the 18-month option, for instance, they are stuck with it.

Do you think that's an element we should address when we do our clause-by-clause study?

● (1755)

[*English*]

Ms. Angella MacEwen: Sure. When the Government of Canada did consultations around the parental leave changes, there was a wide group, including the CFIB, the Chamber of Commerce, and the health groups, who all told them that this was not a change that would help families or that would make it easier for businesses to have their employees go on leave. We presented other changes that would be better, such as adding specific leave for the father, making EI more accessible, those types of things.

The 55% of your pay is already a barrier for low-income families to take the whole year, so they're not going to have access to the 33%. That's simply not enough to live on if you're a low-income family.

Also, the family low-income supplement has not increased since it was introduced. It's completely phased out at a family income of $25,000 a year. I would recommend you look at the low-income family supplement on EI as well as other options for improving maternity and parental leave, specifically QPIP. If we wanted to make the program more accessible and work better for families, we'd look at what's happening in Quebec.

Child care is a necessary component of that, as well. That's very often what was driving the complaints. Parents would say that they couldn't find child care for one-year-olds, which then would lead us to the case where you can't modify it. If you can find child care at 14 months and your employer can give you leave for 14 months, that doesn't give you the flexibility to be able to go back at 14 months. You have to choose either a year or a year and a half. That doesn't offer a huge amount of flexibility for workers or families. We think this is not a good modification; it just isn't.

The Chair: Thank you, both.

We'll take Ms. O'Connell and Mr. Aboultaif, and that will be it.

Ms. O'Connell.

Ms. Jennifer O'Connell: Thank you, Mr. Chair.

Thank you, all, for being here. I apologize that we won't have time to ask everybody questions.

I want to start with my question for Mr. Shepheard. In terms of the invest in Canada hub, and then organizations such as yours or what you are part of, when I was in municipal government, even local municipalities wanted to attract that investment. I always found it was very difficult to quantify whether there was a good return on that investment. You might have these trade missions or communications, but it was very hard to determine whether or not any of those leads really translated into anything, especially when clusters were formed not just for one small municipality but, as an example, for where I come from, the greater Toronto area.

How do you translate whether or not it was through that hub or that cluster that business was attracted? I think you pointed out in your testimony some ways that the invest in Canada hub needs to work with these local organizations to ensure that these needs are being met, unless I misunderstood your testimony. Could you maybe comment on how you would like to see this type of hub work with the needs of the local commissions, etc.?

Mr. David Shepheard: We were trying to put across the fact that the invest in Canada hub is a good thing. It's exactly right. We should be working with the existing economic development agencies and structures already in place. They are trying to do the best they can to build those clusters in the local economies. They are also trying to maximize the talent in those specific areas, whether because of the outputs from educational establishments or because it's a natural hub. For us in Vancouver, it's a massively growing hub for green technology within the wider technology sphere.

The key message was that we are trying to do this work on a daily basis, and we would welcome working with a federal initiative while focusing on how that federal initiative can help us do our jobs better and get more impact from them.

Ms. Jennifer O'Connell: Thank you.

Ms. Arte, your conversation with Mr. Fergus raised some questions for me. It wasn't directly as part of your earlier testimony, but you raised issues about students finding jobs and opportunities in certain sectors. It is interesting, because when we did pre-budget consultations, a constant theme was the lack of access of information or the workforce information was in silos.

With the help of a group like yours, the Federation of Students, perhaps students could put pressure on universities to better understand workforce numbers. You raised the issue of teachers in Ontario. I was graduating from high school at a time when everybody went into teachers college, but that was because there was a shortage, and the result was that more people went into that stream than were probably needed. In the GTA we're going to have a shortage of skilled labour.

How do we ensure that institutions, in government and post-secondary education, are giving students the information they need to plan properly, depending on the field they want to go into?

● (1800)

Ms. Bilan Arte: I think that there are a number of different tensions there. The number one thing you point out is that a lot of young people today are finding themselves in a very competitive job market, a job market that provides a lot of precarious options for them as young people and as new graduates. For a lot of post-secondary institutions today, there are actually quite a few problematic private partnerships that are taking on the role of guiding our institutions in the options being provided to students. Students working on different research projects on campus, for example, often partner with private industry, the private sector. Those are often precarious situations of employment for young people. These situations, however, push them into specific types of fields, because of those public-private partnerships.

I think there is a huge role for the federal government to play when addressing the underfunding of the post-secondary education sector. The government can help by ensuring that our public institutions are actually accountable to the public. In Ontario, the institutions that govern, financially speaking, the direction of the universities and colleges are almost overrun by representatives from the private sector. A lot of that is reflective of the fact that most of the funding for our post-secondary institutions is now based either on tuition fees or on the private sector. Public funding is under 50% in the province of Ontario.

This is a very worrying trend. I think the number one intervention the federal government can make is to ensure that public funding remains the main funder for our post-secondary sector. This would create an opportunity for our post-secondary sector to be truly responsible to the public.

Ms. Jennifer O'Connell: Thank you.

The Chair: Mr. Aboultaif.

Mr. Ziad Aboultaif (Edmonton Manning, CPC): Thank you very much for coming before the committee today. I have a question for Mr. Brakel and Ms. Aquin.

I can't establish a reality check of the status quo, the economic situation we have from declining investment, high taxes, high payroll taxes, a carbon tax, and other policies that turn off investment that might otherwise come our way. Today there is a huge decline in investment, from $81 billion to $31 billion, in the oil sector alone.

There's a ban on tankers on the west coast, while they're allowed with the Saudi oil and other oils in the Atlantic provinces, and in the chair's riding. In respect of LNG, what's happening south of the border? The picture as we see it is very concerning from a business perspective and an economic perspective. In going forward, it seems that we're doing the wrong thing at the wrong time.

Could you elaborate on that? From the point of view of our policies, our approach, our economy, and the surrounding situation, it seems that this government is doing the wrong thing at the wrong time.

I would like to hear from Mr. Brakel and Ms. Aquin.

Mr. Hendrik Brakel: Thank you very much for your question.

I think that's absolutely critical. The defining variable of our economic well-being will be our ability to export and sell into the global economy. Our domestic economy has been weakening. Canadians continue to borrow and spend, and that has sustained our GDP growth, but when we see our exports basically flat for two years in a row and declining business investment for basically two years, what we want to do is create a more dynamic and exciting business climate to attract more foreign direct investment.

One of the things that we hear from multinational companies is that the Canadian groups will have to pitch to their headquarters and say, “This is why you have to allocate an additional billion dollars to Canada.” Then the next is the group from Mexico, and the next is the group from Europe. It is a very competitive dynamic. That's why we really want to focus on the costs of doing business in Canada. We want to make sure that we're competitive.

● (1805)

Mr. Ziad Aboultaif: Ms. Aquin.

Ms. Elizabeth Aquin: Thank you for the question.

From the oil and natural gas industry's perspective it seems that we haven't had a proper national dialogue on the direction in which we want to go in this country. As I have said, and as Mr. Liepert has said, this has been the economic engine of the country for many years. It has been a huge portion of our GDP, a huge contributor to jobs, to our standard of living, and to well-being in the country. Because of the discussion around climate change, I think oil and gas development appears to be discouraged and therefore, capital investment is being pushed away.

As I mentioned, we develop our resources responsibly compared to the rest of the world. We care so much about the environment that it doesn't make sense for us not to produce our resources and sell them while the world needs them. Our biggest customer—95% of our resources go to the U.S.—has become our biggest competitor, so it is taking less and less of our product all the time. We are selling it to them at at discount, and we are buying it back from them in eastern Canada at full price. It doesn't make sense for Canadians. We are losing jobs, royalties, and many economic benefits because of this.

Our industry does a great job of technology and innovation. As I mentioned, we are leaders in that. The Canadian oil field services sector is renowned around the world for its technology, innovation, and expertise. I think it's a shame if we discourage that and not take advantage of it.

Our members are pursuing clean tech. They are incorporating renewables into their service offerings, even within the oil and gas industry. If carbon is the problem, then I think we should address the carbon issue and try to lower that rather than throw out the baby with the bathwater, because by taking advantage of our natural resources, we can benefit. We can take those revenues and use them to develop technologies to reduce emissions and move to renewables.

At this point, I think we agree that we need all sources of energy to meet growing global demand. We aren't saying that this is the only one. What we are saying is that while we need it we should develop it because we do it so well. I think you will find that many of the exploration and production companies and the transmission companies, the pipeline companies, are already investing in renewables, such as wind and solar, and so forth. If we discourage investment, we are just hindering their ability to pursue those goals. I think it benefits us all to remain competitive. I see that we are eroding our competitiveness by certain actions that we're taking.

The Chair: We will have to cut it there. We are beyond time.

Can you explain why the Canadian oil discount price exists? There's a discount price in Canada. Can you explain that?

Also, what difference would the energy east pipeline make? I come from eastern Canada. That's where your 800,000 barrels come in from foreign sources. How would that improve investment in the oil and gas sector?

● (1810)

Ms. Elizabeth Aquin: The discount is because we only have one customer. We are selling to the U.S. The U.S. can ship their products offshore and can get world market prices for it.

If we had energy east.... In fact, maybe I shouldn't say this, but I think Keystone is just perpetuating the discount. It's still going to go to the same customer. However, it does achieve de-bottlenecking of our products. There will be a point in the next few years where we won't have the means to get our product to market unless we rely more and more on rail, and we know that is not the safest route.

In terms of energy east, it's because right now we are buying back that product from the U.S., from Venezuela, from Saudi Arabia, from world markets. In fact, not only are we paying full price for it there, but by doing that, we are creating more emissions because of the transportation of those fuels from other countries, on tankers and so forth, and displacing Canadian jobs. Again, if we had energy east, we would be able to sell to Europe and countries there.

On the west coast, the moratorium isn't helping, because that would give us access to more of the Asian markets. Each access would present different markets and allow us to get world prices so that we're not totally dependent on the U.S.

The Chair: With that, you are the last group of witnesses, and we certainly want to thank you for your appearance.

Before we adjourn, as chair and on behalf of all members, I want to thank all those who assisted the committee in getting to this point. We have three more divisions with public servants to finish, and amendments have to be in by May 25 at five o'clock.

I especially want to thank the Library of Parliament analysts for providing us with a 65-page briefing document on a 300-page budget implementation bill. It's certainly not omnibus. We know that.

Mr. Ziad Aboultaif: It was.

The Chair: I also want to thank the clerk and the assistant clerk for the difficult chore of scheduling witnesses, rescheduling witnesses, and rescheduling us. We thank the translators in the booth as well, who sometimes had a hard time keeping up with some witnesses, Ms. Arte.

Voices: Oh, oh!

The Chair: Thanks to the committee members for their endurance. We will meet again on the 29th.

The meeting is adjourned.