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Chair

The Honourable Wayne Easter

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● (1535)

[*English*]

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

Pursuant to Standing Order 83.1, we'll deal with the pre-budget consultations in advance of the 2018 budget.

We have two panels this afternoon, and the first panel is here.

I believe you've been informed that we want you to try to hold your presentations to about five minutes so that we can have time for a good series of questions. The way we've restructured the room makes it seem as if you're almost on the other side of the island, if you're in P.E.I., but in any event, that's the way it is. There are a lot of people here.

We will start with the Association des collèges et universités de la francophonie canadienne with Ms. Bourgeois, who is co-chair and president, Mr. Mocquais, and Ms. Brouillette. Who will lead off?

Mrs. Lise Bourgeois (President, Cité collégiale, and Co-Chair, Association des collèges et universités de la francophonie canadienne): I will start this off.

The Chair: The floor is yours. Welcome.

[*Translation*]

Ms. Lise Bourgeois: Hello Mr. Chair, members of the committee, ladies and gentlemen.

On behalf of the board of directors of the Association des collèges et universités de la francophonie canadienne, or ACUFC, on behalf of my colleagues here and on my own behalf, thank you for this invitation to present our comments and recommendations in person, which for the most part are included in the brief we submitted in July for your committee's prebudget consultations for the 2018 federal budget.

Before I talk about the contribution that colleges and universities make to the productivity and competitiveness of businesses and Canadians, I will begin with a brief introduction of the ACUFC and provide an overview of the colleges and universities in Canada's francophonie.

The ACUFC represents 21 francophone or bilingual colleges and universities located in francophone minority communities, that is, outside of Quebec. The ACUFC fosters cooperation among its members, represents their common interests, and enhances their visibility, both in Canada and internationally. The ACUFC helps to carry out pan-Canadian collective projects, share resources, and consequently achieve significant economies of scale.

The colleges and universities of the Canadian francophonie have the dual mandate of offering programs of study, as does any post-secondary institution, and of promoting the sustainability of the communities their serve by contributing to the development of their human capital and to their cultural and economic growth.

Many of our post-secondary institutions are small and some are located in rural areas.

[*English*]

We offer more than 1,150 post-secondary programs in French.

[*Translation*]

In total, there are over 42,600 students enrolled in our programs. Our institutions produce more than 10,000 graduates each year, although that represents just 8% of all of the anglophone majority programs.

By training the highly-qualified and bilingual workforce of today and tomorrow, the colleges and universities of Canada's francophonie serve as ambassadors for the official languages, Canadian identity, inclusion, and the dynamism and vitality of these communities and the country as a whole.

Federal support for our educational institutions is therefore essential and must go beyond the funding initiatives designed for the anglophone majority, which are rarely tailored to or accessible to the minority, unless the government includes specific measures for the minority.

I will let my colleague Pierre-Yves Mocquais explain how the post-secondary institutions in Canada's francophonie help increase the productivity and competitiveness of business and Canadians and, above all, present our recommendation for the upcoming budget.

Mr. Pierre-Yves Mocquais (Member of the Board of Directors, Campus Saint-Jean, University of Alberta, Association des collèges et universités de la francophonie canadienne): Thank you Mr. Chair, members of the committee.

The most recent studies on the economic impact of our institutions illustrate the economic contribution of their thousands of employees, students and graduates, which is estimated at hundreds of millions of dollars for the respective provinces and for Canada as a whole.

Moreover, through the many partnerships between the universities, colleges and businesses, bilingual professionals are trained who meet market needs and foster knowledge, innovation and technology transfer to the private sector.

It is a well-known fact that bilingualism increases Canadians' productivity and competitiveness in the labour market, in Canada and internationally. According to research conducted by Rodrigue Landry, stronger French education leads to greater bilingualism. Mastering both official languages as well as the French and English professional terminology in a given field also enables Canadians to take advantage of opportunities in the development of francophone-dominated foreign markets.

Finally, according to a recent study by the European Institute of Business Administration, French is the world's third most important language of business and will be among the most widely spoken languages in the world by 2050.

Unfortunately, while French is expanding globally, we are seeing an erosion of the French language in Canada that is as serious as the deterioration of our roads and bridge infrastructure. This does not give francophone and Acadian communities the linguistic security to which they are entitled. This is clearly related to the state of federal funding for the official languages over the past 10 years. This has resulted in a marked decline. It is time to catch up and move forward.

To remedy this situation, the ACUFC recommends that the federal government increase its investment in the 2018-2023 action plan for the official languages and that funding be provided in the 2018 budget for three priority areas in particular. They are as follows.

First, we recommend strengthening and expanding the initial and ongoing training offered to health care professionals in all disciplines and at more post-secondary institutions throughout Canada. This requires an investment of $130 million.

Secondly, we are asking for better initial and ongoing training for legal professionals in both official languages in all areas of the law. This requires an investment of $76.5 million.

Finally, we recommend strengthening and enhancing the education and research programs at post-secondary institutions in the Canadian francophonie and their network initiatives in order to improve access to and flexibility in post-secondary education in French in Canada. This requires an investment of $17.6 million.

● (1540)

Ms. Lise Bourgeois: It is clear that the colleges and universities of the Canadian francophonie occupy a unique place and play a critical leadership role in the communities they serve and in Canada as a whole.

By supporting the colleges and universities of the Canadian francophonie, the federal government can achieve the productivity and competitiveness goals set out in the 2018 budget and fulfill its vision of official languages that prioritizes bilingualism and community vitality.

Thank you for the invitation.

My colleagues Mr. Mocquais and Ms. Brouillette and I will be pleased to take your questions.

[*English*]

The Chair: Thank you.

I take it that your request totals about $225 million. Is that correct?

Mr. Pierre-Yves Mocquais: That is correct.

The Chair: I'll go to Mr. Mueller of the Canada Green Building Council.

Members, I gather that the PDF is on your iPads, if you want to follow it.

Witnesses, you may see us looking at the iPads from time to time. Members are not playing games. All the submissions that you sent prior to mid-August are on the iPads. Thank you for that work.

Mr. Mueller.

Mr. Thomas Mueller (President and Chief Executive Officer, Canada Green Building Council): Thank you, Mr. Chair, for inviting me to speak to the finance committee today.

My presentation will be about the role of the building sector in a low-carbon economy and how the Government of Canada could consider activities in its 2018 budget.

We know that Canada can build a low-carbon economy and reach its 30% reduction target from the building sector by 2030 by focusing on three initiatives.

First is to invest in zero-carbon building standards for new federally owned and federally funded buildings. Zero-carbon buildings will ensure we create the building stock of the future that will continue to operate at a very low carbon performance.

Second, we think that creating opportunities, road maps, for targeted retrofit investments in each jurisdiction for federally owned and federally funded buildings is also a very important part. Without the retrofit of existing buildings, it would be very hard to reach our 2030 targets. It's also part of building a retrofit economy that will grow the economy and result in skilled new jobs in Canada.

Third is building investor confidence in Canada's retrofit economy, particularly in the commercial and residential sectors.

These actions will establish Canadian excellence in green building innovation, grow the economy through job creation, and increase productivity. Here are a few details.

First, the government has a role to play in mainstreaming zero-carbon buildings, since the government is one of the largest, if not the largest, building owner in the country. By adopting a zero-carbon standard for all new or leased federal buildings, the government would set an example and drive uptake of zero-carbon solutions in the commercial and institutional sectors. It would accelerate the commercial development of low-carbon goods and services and technologies.

It would also increase the confidence, and in a way, de-risk green building solutions for the industry. The government has done this before, starting in 2005, with the adoption of LEED in its green building policy. Also, down the road, it would create the conditions for widespread market adoption of zero-carbon technology in Canada and downstream export opportunities.

The CaGBC proposes to work with the federal government to adopt the zero-carbon building standard as a third-party standard and verification in new and existing federal buildings.

Second, as I said before, building retrofits are an essential part of reaching climate change targets by 2030. They're also the greatest opportunity to grow the economy and to create skilled jobs.

The council proposes to create and implement targeted, what we call “retrofit road maps” for each province and territory to optimize energy performance and incorporate on-site renewable energy systems to significantly reduce carbon emissions from existing larger buildings. These actions we are proposing would reduce carbon emissions from the large-building sector by 51%, over-shooting the federal target of 30%.

The success of these carbon reduction activities will depend on a number of factors that are unique to each region and relate to existing building type, size, and age, and also the carbon intensity of the heating sources and the electricity grids. I'll just make this point. An identical building in Quebec with the same level of carbon intensity, if operating on fossil fuels, will generate 36 times as many carbon emissions than if it were operating on a clean energy source. That's where the opportunity is. Meanwhile in Quebec, there's a lot of clean electricity from hydro power.

Finally, the third recommendation is that we need to build investor confidence to engage the private sector in investing in building retrofits. We know that the returns on investment.... The council has over 300 million square feet of existing buildings in its LEED program. The investor confidence project, or the ICP, is a standardized framework for risk assessment and verification of building retrofits.

We have found, through consultation with government and the industry, that performance uncertainty after the retrofit is one of the big barriers in the industry.

● (1545)

This would unleash investment and help to grow the retrofit market. It would provide commercial investors and building owners with confidence in project engineering, performance outcomes, and financial returns.

We are currently piloting this project with the MaRS discovery centre in Toronto, and we propose that the federal government embed the ICP, the investor confidence project, as a requirement in the low-carbon economy fund, the Canada infrastructure bank, and the national housing strategy. These are three great opportunities to support retrofit in buildings.

I would like to finish by reiterating that our recommendations will drive the low-carbon economy while contributing to sustainable economic growth and mitigating the effects of climate change. By adopting the three recommended initiatives, the Government of Canada will secure economic and environmental benefits that extend across the Canadian economy. It would do this, first of all, by spurring innovation within Canadian companies. We already see that happening, but through further investment it could be broadened a great deal. It would also do this by further developing leading expertise and technology in Canada’s green building and clean-tech sectors. Canada is already a leader in these sectors, but with further investment, this leadership could be expanded and make Canada more competitive globally.

It would enable the growth of Canadian small and medium-sized enterprises, because in that sector we see a lot of activity, and it would also create export opportunities for Canadian products and services in the growing, global, green building marketplace. That marketplace is growing exponentially year over year, with about 75 countries having active green building markets, industries, and councils.

Finally, retrofits and our other recommendations will benefit Canadians by creating healthier, more productive environments to live and work in. There is mounting evidence that green buildings are also healthy buildings that contribute to the overall mental and physical health of Canadians in our schools, workplaces, and our homes.

Thank you very much.

● (1550)

The Chair: Thanks, Mr. Mueller.

We will now turn to Ms. Hollihan and the Canadian Counselling and Psychotherapy Association.

Ms. Kim Hollihan (Deputy Chief Executive Officer, Canadian Counselling and Psychotherapy Association): Thank you, Mr. Chairman, for the invitation to present to the committee.

Good afternoon, honourable members.

On behalf of the Canadian Counselling and Psychotherapy Association, or CCPA, it is my pleasure to be here today to discuss our recommendations to support the federal government in its efforts to increase productivity and competitiveness in the Canadian economy. CCPA is a national bilingual association representing the collective voice of over 6,200 professional counsellors and psychotherapists. Our association promotes the profession and its contribution to the mental health and well-being of Canadians.

Investments in areas related to mental health and mental illness are vital to the general welfare of all Canadians, particularly given that mental illness will impact one in five individuals in their lifetimes. Despite the incidence of mental health issues in the general population, people with mental health needs face multiple barriers accessing services. These barriers in turn result in adverse consequences for the Canadian economy. In 2011, the annual productivity impact of mental health problems in the workplace was estimated to be over $6 billion.

The key to any successful business is its workers. By ensuring employees have access to the services and supports they need, businesses can maximize productivity and competitiveness.

We believe the following recommendations will assist the federal government in addressing barriers related to the accessibility of mental health services.

First, CCPA recommends that the federal government include counsellors and psychotherapists as an eligible expense in the public service health care plan. We understand that mental health claims account for nearly half of all health claims among federal public servants. Including counsellors and psychotherapists as approved service providers will increase access for those in need and can have a positive economic impact as well.

Wait times for mental health services are a considerable problem with potentially negative consequences for those seeking help. Adding counsellors and psychotherapists to the mental health care continuum will reduce wait times, increase early intervention, and minimize the need for specialist care for preventable, chronic conditions. The need for more expensive treatments down the line can be reduced, resulting in long-term savings in our health care systems.

I would like to emphasize that CCPA is not suggesting that counsellors and psychotherapists replace other mental health professionals. Like many of our health and mental health partners, we advocate for appropriateness of care: access to the right care from the right provider at the right time. We believe that the addition of a fully qualified resource makes appropriateness of care more attainable.

Second, CCPA recommends that the federal government reinstate Canadian certified counsellors, or CCCs, to the list of approved service providers for Health Canada's first nations and Inuit health branch programming in provinces that have not regulated counselling psychotherapy. The decision to remove CCCs has significantly reduced appropriate universal access to mental health counselling services for indigenous peoples across the country.

Given CCPA's collective body of work specific to indigenous mental health and the rigour of our national certification program that has been in existence for over 30 years, we are confident in requesting the reinstatement of CCCs as approved providers of the FNIHB counselling benefit. Their reinstatement would support and help indigenous communities, families, and vulnerable individuals by increasing the availability of services and expanding the number of service providers.

Finally, we recommend that the loan forgiveness program for physicians and nurses be extended to university graduates of counselling programs. The program has worked wonderfully for providing incentives for graduates to work in rural, remote, and northern regions of Canada. We feel that, should the government extend a similar program to university graduates of counselling programs, this would attract and retain these much-needed professionals in communities that are at high risk with limited mental health services. The federal government could also consider grants, scholarships, and bursaries in exchange for a return-of-service commitment, wage incentives, a guaranteed minimum income, and/or tax credits for practising in remote areas.

Access to mental health care is a priority shared by federal, provincial, and territorial governments, as recently articulated in the common statement of principles on shared health priorities. We strongly believe that our recommendations will contribute to the common goal of improving access to mental health services and supports for Canadians and their families.

Thank you for your time and attention. I would be happy to take questions.

● (1555)

The Chair: Thank you very much, Kim.

The Canadian Medical Association, Mr. Marcoux, president, and Mr. Feeley, vice-president, member relevance.

The floor is yours. Welcome, and thank you.

[*Translation*]

Dr. Laurent Marcoux (President, Canadian Medical Association): Thank you.

Hello ladies and gentlemen.

The Canadian Medical Association's 2018 pre-budget brief has been provided to you so I will not use our time rehashing our recommendations in detail. But I want to be clear: acting on the CMA's key recommendation—that the federal government provide targeted funding to support the development of a pan-Canadian senior strategy to address the needs of the aging population—is the defining challenge facing our nation today.

Canada's health care system is confronted with a growing and aging population with more complex and chronic health care needs. When our public health system was created about 50 years ago, Canada's population was just over 20 million and the average life expectancy was 71. Today, our population is over 35 million and the average life expectancy is 10 years longer.

Relying on acute care hospitals to care for our aging population is an ineffective use of health care dollars, and it is not sustainable. The demands on our system will simply become too great, and such an approach will fail both our aging population and the remainder of Canadians who must access the health care system in a timely fashion.

The CMA is delighted to report that Liberal MP Mr. Marc Serré has introduced a motion to establish a national seniors strategy in Canada. The motion was adopted by the House of Commons, and the Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities will now undertake a study on the topic.

By developing a national seniors strategy now, the federal government will help Canadians be as productive as possible in their workplaces and in their communities.

Implementing the CMA's recommendations as an integrated package is essential to stitching together the elements of community-based and residential care for seniors. In addition to making a meaningful contribution to meeting the future care needs of Canada's aging population, these recommendations will mitigate the impacts of economic pressures on individuals and jurisdictions across the country.

With strong leadership now, we can evolve our system and right our course. The CMA's pre-budget recommendations provide a clear roadmap to do so.

● (1600)

[*English*]

I must also call attention to the proposed taxation changes announced for consultation on July 18. I will not repeat all the points made in the thousands of letters, emails, and in the media over the course of the last two months. However, we must understand that this is a proposal of the most significant changes to the tax system in 45 years, and the CMA believes that a 75-day consultation is inadequate to deal with the scope of these changes. The unintended consequences for our members and for over one million other small business operators are worrisome.

We acknowledge the diversity of opinion and perspectives on this issue, including the support expressed this week by some physicians. What we can all agree on is that a comprehensive review of our tax system is required, and that takes time.

[*Translation*]

As Parliament resumes this week, our nation turns to its elected representatives for leadership.

Respecting and celebrating our health care professionals, be they nurses, doctors, therapists, counsellors or others, is a sign of great leadership.

With the serious challenges facing our health care system, it is critical that we discuss Budget 2018 and all other public policy matters within the context of Canadian values.

I will be pleased to take your questions.

Thank you.

[*English*]

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

From the Conference Board of Canada, Mr. Craig Alexander, senior vice-president and chief economist.

Mr. Alexander.

Mr. Craig Alexander (Senior Vice-President and Chief Economist, The Conference Board of Canada): Thank you very much, and thank you to the committee for the opportunity to appear and discuss how the government can help boost productivity.

This is a critical priority. Since the end of the Second World War, roughly 80% of the rise in the standard of living of Canadians has come from greater productivity. It fuels the economic growth that creates jobs and generates the income that lifts living standards, and it's this income that provides the tax base to pay for social priorities. However, Canada has a pressing productivity problem. Over several decades, labour productivity in Canada has slowed significantly, and in conjunction with an aging population, this is dragging down the country's potential pace of economic growth and creates significant restrictions on income growth and tax revenues. We need to do better.

What can the government do to foster better productivity growth? The most basic recommendation is running sound and stable macroeconomic policy. This includes public investments in key economic and social areas, such as infrastructure, health, and skills development. However, the spending and investment must be balanced with the need to keep taxes competitive and stable. Canada also requires prudent regulatory oversight, but the regulatory burden should be kept appropriate and stable.

Sound fiscal policy is about running balanced budgets over the economic cycle. On this point I would stress that the finances of the Government of Canada are in good shape. The country can afford deficits for a few years. Ultimately, however, sound fiscal policy means returning to balance. I would also emphasize that putting weight on the debt-to-GDP ratio as a fiscal anchor is inappropriate, because the government does not have control on the denominator, GDP.

Beyond sound macroeconomic policy, there are targeted options that might enhance Canada's productivity, which the Conference Board of Canada has identified in its research. To boost firm-level productivity, the focus should be on supporting fast-growing small and medium-sized businesses. Canada is a very easy place to launch a business, but many businesses have difficulty scaling up. In recent years, venture capital has been increased, but a strong case can be made that we need to put a greater priority on later-stage funding. More research is needed to understand truly what the barriers are to our fast-growing SMEs.

Capital investment can be a catalyst to greater productivity, but Canadian firms have been reluctant to invest in recent years. Productivity is picking up this year, but the pace of investment is still weaker than it ought to be.

An area for improvement is commercialization. Canada has very generous R and D tax credits, but is weak on commercializing that research. One suggestion for improvement is more funding for programs that bring researchers together with industry, like the grants from NSERC. We might consider more initial direct funding or loans for approved R and D projects, then complement that later with indirect support through tax credits. This is an approach that has been used in a number of other high-productivity countries, but the programs have to be structured properly.

Government procurement, if used strategically, can be leveraged to sustain growth in fast-growing SMEs. It can help encourage investment and growth. It can also help firms succeed in international markets. Trade agreements and policies that create more international trade boost productivity because firms face greater competition, and firms that face more competition tend to be more productive.

One factor constraining business investment is shortages of high-skilled labour, while at the same time there are still pools of underutilized labour in Canada. This raises the question as to how to improve labour market outcomes. The labour market is being transformed by an aging population, globalization, and technical change, so I think the first step is upscaling the labour force. This starts at birth and runs the entire life cycle of individuals. Canada should invest more in early childhood education. An imperative is to get the basics right, and that means improving literacy, numeracy, math, and critical skills.

There are groups of the population within Canada who are facing barriers to success. We desperately need better education outcomes for aboriginal and first nations people. This requires more funding to support indigenous learners. There are barriers that women face in the labour market. Women represent over half of post-secondary graduates, but they are under-represented in the STEM fields. Our research shows that experiential learning can be very impactful with skills development and entry into the labour market.

● (1605)

We need to expand funding for co-ops and apprenticeships, but again a gender lens is useful. Women are less likely to pursue apprenticeships than men, and this needs to be addressed to fully unlock opportunities.

In order to make progress in reducing the gender wage gap and the immigrant wage gap, funding should be made available to measure progress towards diversity targets, and diversity initiatives should have clear benchmarks. When feasible, progress should be reported publicly. Also, learners with disabilities need greater support, such as adequate accommodation, to achieve education success and workplace learning opportunities.

One major factor holding back firm productivity is weak innovation leadership skills and scale-up management skills. We may indeed have enough venture capital money, but venture capital is often about the mentoring of businesses and the development of the leadership and management skills to grow the businesses. As a result, we need to expand business education, and we also need that to be part of education programs across the board in some form.

Beyond the upscaling, the impact of demographics means that we need to raise immigration levels over time, but we need to do a better job of integrating newcomers into the economy. I would be happy to talk about policy options in that area in the Qs and As.

The bottom line is that the federal government influences productivity growth through a vast number of channels. Getting the basics right means running sound and stable macroeconomic policy. The more sophisticated dimension to raising productivity is through targeted programs and initiatives.

The government has been clear that it wants to fuel inclusive growth. The constructive way to tackle this issue is to remove the barriers to success. Allowing Canadians and newcomers to realize their potential will ultimately raise living standards, which is the true goal.

The Chair: Thank you very much.

Turning to the Canadian Psychiatric Association, we have Mr. Brimacombe, CEO, and Mr. Sinha, president.

● (1610)

Dr. Nachiketa Sinha (President, Canadian Psychiatric Association): Thank you, Mr. Chairman and honourable members, and good afternoon. The Canadian Psychiatric Association is very pleased to be with you this afternoon.

My name is Dr. Nachiketa Sinha, and I am the CPA president. I am joined at the table by Mr. Glenn Brimacombe, CEO of the CPA.

The CPA is a member-based voluntary professional association and is considered the national voice of psychiatry. We all understand the essentialness of one's mental health and its relationship to our quality of life, our relationships, and sense of belonging, as well as fulfilling our potential as a productive and contributing member of society.

To underscore this point, I have shared with the committee, as part of our written submission, a series of infographics that make compelling sense for the need to invest in a range of mental health initiatives. In our view, investments focused on mental health prevention and promotion, improved access to care, early diagnosis and treatment, and the availability of appropriate community services and supports can change the trajectory of someone who suffers from mental illness. We believe that the mental health of Canadians is integrally tied to the future prosperity of this great country and to the precondition that must be addressed to unleash the unlimited potential that is Canada. In short, mental health must be our first wealth.

When it comes to funding mental health services and support, the federal government has indeed made an historic choice by investing $5 billion over the next 10 years for mental health. The CPA strongly applauds the federal government for its leadership and foresight in focusing on a sector of the health system that has been systematically underfunded for decades.

To make this point even clearer, last week at our annual conference, the CPA conferred its highest civilian honour, the president's commendation, on the Prime Minister.

While $500 million per year for the next 10 years earmarked for mental health is surely an important step that will begin to provide needed resources to a system that is already stretched, the CPA, which is a member of the Canadian Alliance on Mental Illness and Mental Health, has called on governments to increase funding for mental health from 7% to a minimum of 9%, which, by our calculations, would require an annual investment by the federal government of $778 million. This would also see the federal government contributing 25% of provincial expenditures for mental health.

As we move forward, we hope that the federal government will continue to invest in mental health services and programs across the country. With the objective of accelerating the introduction of proven and/or promising mental health innovations, the CPA calls on the federal government to establish a five-year, $100-million mental health innovation fund. You may recall that the rationale for such a fund was clearly articulated by the Naylor health innovation report, and innovation is a point that is recognized by the "Common Statement of Principles on Shared Health Priorities" released by federal, provincial, and territorial governments a couple of weeks ago.

The CPA also recognizes that in many cases mental health research is often the precursor to new cost-effective innovations that are ultimately introduced into the health system. By investing in mental health research, we can accelerate the impact of evidence-based decision-making. Currently it is our understanding that the Canadian Institutes of Health Research devote less than 5% of grant-based funding to mental health research while the burden of mental health stands at more than 10%. Clearly more can be done.

We are aware of the government's intent to legalize cannabis in 2018. In May 2017, the CPA released its position statement, "Implications of Cannabis Legalization on Youth and Young Adults." In short, the CPA recommends that Canadians should not be legally allowed to use marijuana until the age of 21 and that legislation should restrict the quantity and potency of that drug until they are 25.

While the CPA was not invited to appear before the Standing Committee on Health, despite our requests, there is a responsibility on the federal government to ensure that adequate resources are invested in the areas of public education, research, prevention, early identification, cannabis-cessation treatment programs, and advertising and marketing guidelines. The CPA stands ready to work with the government to protect the mental health of Canadians.

Finally, the CPA is concerned with the proposed changes by the federal government with regard to incorporation.

● (1615)

While we are supportive of the leadership role that the Canadian Medical Association and others have played, we are concerned that the proposed measures would only serve to exacerbate the already low number of practising psychiatrists, and in particular new psychiatrists who are looking to establish a practice in Canada.

Thank you again for the opportunity to appear before this committee.

The Chair: Thank you very much to all the witnesses for their presentations.

I do note, Mr. Marcoux, that you did mention the small business tax, which has come up since you presented your brief. That's fine. There likely will be questions on that, I'm sure, but we are holding hearings next week on that issue as well, in addition to pre-budget consultations. I just wanted you to know that, and whether you're a witness or not, there will be a button on the finance website to submit your remarks and we'll pass those on to the minister.

Turning to questions, then, Mr. Sorbara, we'll go to five-minute rounds.

Mr. Francesco Sorbara: Thank you, Mr. Chair. Thank you, everyone, for being here.

I'd like to go directly to the CMA, and your recommendation number three about the Canada caregiver credit, a credit we introduced in prior budgets. I thought it was something very powerful that a lot of Canadians would take up, given our aging population and the number of individuals who need assistance.

Have you estimated what the impact would be to go from a non-refundable to a refundable tax credit on finances, or even just the uptake in the number of people who would be able to utilize the caregiver credit?

Dr. Laurent Marcoux: Thank you for the question.

[*Translation*]

That is a very important question.

We recognize the importance of offering credits, but the whole health care system is actually in need of reform. As I said in my opening remarks, the Canadian health care system was designed to provide care at hospitals. A person may be suffering from three or four chronic illnesses. The need to stabilize those illnesses places tremendous pressure on health care institutions. Even the patients who are suffering from those chronic illnesses are not satisfied with the care. It is very difficult for them to go to the hospital and wait in emergency or on different floors. Moreover, this is very costly to the health care system.

We therefore recommend an overhaul of the health care system to bring Canada into the 21st century with a health care system that better meets Canadians' needs.

[*English*]

Mr. Francesco Sorbara: Thank you, sir.

I'll go to Mr. Alexander from the Conference Board.

Craig, I meet with a number of economists and friends in downtown Toronto, and I always ask this one question. What are the headwinds facing the Canadian economy in terms of productivity and competitiveness? The one recurring answer I get is demographics. That's usually the first one that pops up.

I would like to hear what you can offer up in terms of how can we do a better job of utilizing and integrating immigrants when they come to this beautiful country. Are there gaps that exist in income or occupation levels? I'd like to hear a few ideas from you. I think it would be great to put them on the record.

Mr. Craig Alexander: Sure.

At the moment, about 70% of our Canadian population growth is coming from immigration. The economy grows because either you have more workers or you use your workers more productively. When we think about the trend slowing in the Canadian economy, we realize that if we hold productivity constant and the aging effect takes place, what will happen is that growth will slow.

Canada is doing a very good job of bringing in additional newcomers, which is helping to offset some of the impact of the aging population. It's not going to be enough to stop the impact, because the baby boomer cohort is so large that you couldn't bring in enough newcomers to fully offset the impact.

The other dimension is that as you ramp up immigration and it levels, it becomes really important to make sure that you integrate the new immigrants correctly and effectively. One advantage Canada has is the enormous public support for immigration. This actually stands out for Canada, relative to many other countries that at the moment are much less welcoming to immigrants. There's a real opportunity for Canada to attract top international talent, because we're a beacon of light.

That being said, the integration is still not optimal. When we look at newcomers coming to Canada, we see a significant wage gap. The wage gap has grown over time.

What's interesting is that when you ask immigrants five years after they've arrived whether, given the challenges they're having in the labour market, they would do it again, 90% of them say yes, but when you ask them why, they'll say it's for their kids. That's not a good outcome. We need to be giving a good experience to the newcomers themselves.

I think there has been progress. Some of the changes in the immigration system that have been introduced in recent years have been helpful in improving integration. There are, however, things we could do. For example, the government might consider support for local immigration partnerships, immigrant employment councils, and other comparable initiatives that have demonstrated that they are effective and low-cost ways to improve immigrant integration. Groups such as TRIEC in Toronto are very effective and low-cost in improving integration.

The government could leverage technology more, so that when they are looking to come to Canada, newcomers can get a lot more information pre-arrival about where to get settlement services, where to get language training, about what is already there. There is a lot of support for newcomers. It has to be accessed.

We also might consider—and this is probably the most contentious—federally funded settlement services for selected temporary residents. For example, providing access to federal settlement support for international students who have identified that at the end of their program they plan to look for permanent residency could actually facilitate their integration.

Those are a few ideas.

● (1620)

Mr. Francesco Sorbara: If you don't mind forwarding some of those ideas to the committee that would be wonderful.

Mr. Craig Alexander: The recommendations that I just noted are in my submission today, but I'd also be happy to provide more.

The Chair: Thank you.

I might remind other witnesses—because when there are six, sometimes you don't get a chance for questions—to raise their hands on any point they specifically want to engage in. Just get my attention and we'll let you in.

Mr. Kmiec.

Mr. Tom Kmiec (Calgary Shepard, CPC): Thank you, Mr. Chair.

I'll start with the Canadian Psychiatric Association, which mentioned the proposed small business tax changes. I also want to ask about the effect that macro tax policy decisions have on psychiatry and the delivery of services.

What would be the impact upon those of your membership who choose to deliver the services in their communities of this proposal that has been put forward by Finance Canada, but also of other tax changes that might potentially come down? How much sensitivity is there, in the delivery of services, either in choosing to remain open or changing where they deliver psychiatric services?

Dr. Nachiketa Sinha: It is quite significant, to sum it up in a sentence.

I work on the front line, in the trenches. I am in constant touch with my colleagues in New Brunswick—that's where I come from—and this has become a major cause for concern.

We have to understand that at a psychiatry practice, our motto is centred around patient care. When we talk of patient care, it is about access. One of the biggest concerns we have is that things be put in place to improve the numbers of patients being seen on a timely basis to provide better access. If these tax changes are put in place, they would have an impact upon people being employed at these psychiatry practices who in turn deliver services to their patients.

Our friends here talked about appropriate care and appropriate access. This is a major issue. We believe that any tax changes should also be in accordance with the ground reality of health care that happens on the front lines. Members of the psychiatric association, both nationally and at the ground level of the New Brunswick Psychiatric Association, are very concerned about these changes.

Mr. Tom Kmiec: Mr. Marcoux and Mr. Feeley, during your presentation you mentioned that the small business tax is a big issue, but I want to talk about medical student debt, specifically, because I know over the last few years there has been a lot of talk about reducing student debt, and the different means and changes. They got rid of the education tax credit and the textbook tax credit and moved toward trying to do other things for students. But medical students have a significant amount of debt when they graduate, and some of them choose to become general practitioners in their communities, and then, basically, they have to run a clinic, raise a family, and manage their debt loads.

With these small business tax changes being proposed, and other potential macro tax policy decisions the government might make, what will the impact be on newly graduated students? Are you hearing a lot of them say that they might choose a different jurisdiction for their practice? What would be the financial impact on them, for those who may be choosing to start a general practice?

● (1625)

Dr. Laurent Marcoux: Thank you for the question.

[*Translation*]

I'll let Mr. Feeley provide more details after I've made a few general comments.

You raised an important point among many others that are causing problems. That's why we're asking for more time to conduct a further review and to find better answers to all your questions.

We know there's a major concern among students, who end up in debt at the end of their studies. They must settle and start a family, while planning for their retirement. However, they don't have much time left to plan for retirement when they finish their studies at the age of 35, and they need to pay off their debts and get their family settled. It's a major concern among many other concerns shared by our members.

I represent 86,000 doctors who are members, and 60% of those doctors are incorporated. These doctors have reacted in a number of ways, and our association must take this into account. We're asking the government to give us more time to answer such important questions.

Given the way our country is set up, we had described small businesses as the backbone of our economy. By making such quick and drastic changes, how can we be sure there won't be any unexpected and negative consequences? It's a bit quick. As you know, it happened in the middle of the summer, and people didn't have time to react.

I'll ask Mr. Feeley to answer your question in more detail.

[*English*]

Mr. John Feeley (Vice-President, Member Relevance, Canadian Medical Association): It's hard to predict what the true implications would be with any change. I think there's a potential for changed behaviours or choices of where people will practice and how they'll practice. They may choose to look at different opportunities, maybe not independent practice. I know that about 65% of trainees would say they would look for a different mode of practice from independent community-based practice.

That would have an impact on how we deliver medical services today.

Mr. Tom Kmiec: Do I have time for one more, Mr. Chair?

The Chair: You have time for a very short one.

Mr. Tom Kmiec: Mr. Alexander, you had said you thought Canada could afford to run a few years of deficits. How many more years of deficits do you think we can run?

Mr. Craig Alexander: The federal government fiscal situation is in good shape, but when you look at federal plus provincial finances, you can see that the country as a whole is running larger government deficits. I think the federal government can run deficits for a few years. I don't really care when we return to balance, whether it's three years from now, or four years from now, or five years from now, but ultimately, sound fiscal policy is to return to balance.

I don't like the discussion being weighted on keeping the debt-to-GDP ratio low, because I also know there will be economic cycles, and governments cannot smooth out the business cycle. We will at some point have another recession. When we have a recession, the debt-to-GDP ratio will jump because the denominator has contracted, and that is beyond the control of policy-makers. At the same time that we have the next downturn, there will be a lot of pressure to provide fiscal stimulus to help the economy get out of the recession, which would be a perfectly reasonable fiscal policy response to a downturn, but that again would make the debt-to-GDP ratio higher.

As a result, I don't feel that it is a fiscal anchor. I think the prudent fiscal policy is a commitment to ultimately return to balance, but it really isn't a matter of one year, two years, or three years. It's a matter of setting a course and then navigating along it.

The Chair: Thank you.

Mr. Dusseault.

[*Translation*]

Mr. Pierre-Luc Dusseault (Sherbrooke, NDP): Thank you, Mr. Chair.

I also want to thank the witnesses for being here.

My first question is for Ms. Hollihan. It concerns her recommendation regarding the GST that applies to psychotherapy services. According to the Excise Tax Act, the GST doesn't apply to psychology services, among other things. A number of other health care services are also exempt.

Can you discuss this recommendation and briefly explain the difference between psychology and psychotherapy? Why should psychotherapy also be a GST-exempt health care service?

● (1630)

[*English*]

Ms. Kim Hollihan: Thank you for the opportunity to speak about our recommendation that mental health counselling services be classed as zero-rated for HST and GST.

There are two issues here. One is around access to care. The second has to do with fairness in the labour market. I'll speak to the access to care issue first.

Typically an individual has to pay out of pocket to see a counsellor or psychotherapist. This is because counselling and psychotherapy are not publicly funded. Very rarely are they covered by third-party insurance programs. As a result, when an individual goes to a counsellor or psychotherapist, they have to pay out of pocket, which is a significant financial burden. On top of that, they have to pay the relevant taxes. In our opinion, that creates a significant barrier to accessing counselling and psychotherapy.

The second issue is around fairness. As you mentioned, in terms of mental health professions, all regulated professions are exempt from HST/GST. As a result, counsellors and psychotherapists, even though they are providing a very similar service—there are overlapping scopes of practices—are subjected to this tax that their colleagues, who are providing very comparable services but in different professions, are not having to pay.

From that perspective, our challenge is that counselling and psychotherapy are regulated in only four provinces in Canada—Nova Scotia, New Brunswick, Ontario, and Quebec. Our understanding is that we must have five provinces in order to be eligible for the HST/GST exemption. Most provinces are working towards regulation right now. We have a couple that are getting quite close, so we're optimistic that we'll reach that five mark in the very near future, but it does take a lot of time to get a profession regulated.

[*Translation*]

Mr. Pierre-Luc Dusseault: Thank you.

I'll now turn to Mr. Mueller.

Yesterday, I asked a question about the eco-energy program, and it was well received by the home builders. I asked the Canadian Home Builders' Association representative whether he thought we should bring back a program such as the eco-energy program, which once existed at the federal level.

Since I didn't hear anything from you on the matter, I was wondering whether it's something you would recommend. Should the committee recommend to the Minister of Finance that an eco-energy program be brought back, so that homeowners can renovate their homes to make them more ecological?

[*English*]

Mr. Thomas Mueller: Thank you for that question. It's a really important one.

The previous government had the ecoENERGY program, which wasn't shown to be particularly effective in getting homeowners to reduce energy use on a large scale. I think there is an opportunity for this government to look at what mechanisms exist to finance retrofit in the home sector, because it's very consumer-driven. In order to do that, you need both the utilities that have a direct relation with the consumer on site as well as the cities and provinces. The cities and the utilities are critically important in making some of that happen.

A number of different programs on the housing side have been shown to bear some results. Some have come out of the United States. One is called the PACE program, which is basically loans to homeowners to make improvements. First of all, it has to be measured. I think there's no doubt about it. It has to be measured so that what you invest shows real savings in energy and carbon. The homeowner, through own-build financing and those types of things, pays back that loan, that investment, over time through the energy savings. That creates a cycle of rigour, I think, that's very important to make the right changes that provide results, and the homeowner who currently lives in the house, and the one who lives in the house five or 10 years from now, can pay back the investment that was made in energy efficiency improvements.

Just financing something, a certain behaviour, does not necessarily yield the results you're looking for.

● (1635)

The Chair: We let everybody else go over, so you get a short one, Pierre.

[*Translation*]

Mr. Pierre-Luc Dusseault: I must turn immediately to the Association des collèges et universités de la francophonie canadienne representatives.

You're suggesting that a more bilingual population represents economic potential. Can you support this assertion? Since our committee is discussing competitiveness and productivity, I want to know how a more bilingual population could help achieve these two objectives.

Ms. Lise Bourgeois: I emphasized a bit earlier the number of programs we're currently providing and the fact that we could provide more programs if we had additional funding. Each year, over 10,000 bilingual graduates join the job market. I think this contributes to our country's competitiveness and economic development. The additional funding is necessary, in particular when it comes to the five-year action plan. This would help us increase the number of graduates of our college or university programs. It would also help us provide services in French in urban, rural or remote environments, but also bilingual services.

Mr. Pierre-Yves Mocquais: Regarding health care services, I want to add that there are currently 100 health care training programs in French, and 70 of those programs were created in the past 13 years. We received a request concerning health care training. If we had additional programs, we could respond to the request.

Other participants in this discussion spoke earlier about the aging population. It's important to be able to meet the demand, in particular in sectors where many people are concerned.

[*English*]

The Chair: Thank you, everyone.

Ms. O'Connell.

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

I have several questions. Let me start with Mr. Mueller and Mr. Alexander. You both somewhat touched on a point we heard from witnesses previously in terms of how the U.S. does a really good job of using its procurement, in particular the military, for setting the stage and creating industry, so to speak.

Mr. Mueller, your point was about government, in the sense that if we have to retrofit a building or do something within our purview, we should make it green and create an economy that would allow local businesses to become the experts.

Mr. Alexander, if I heard you correctly, you were talking essentially about the same thing in terms of procurement.

Do either of you want to elaborate on that, or correct me if I've misunderstood? You're saying we're not going to create the overall economy, but we're going to lay the foundation to allow the investments and that new green industry to take hold.

Mr. Thomas Mueller: Currently, we are having several meetings with the Treasury Board Secretariat, Public Works and Procurement Canada, as well as with DND. I can speak only on the building side, but I think you can also extend it to transportation and other areas. I think the federal government has tremendous opportunities through procurement to drive innovation in the Canadian marketplace. You see pockets of it on building sites, as I mentioned in my remarks. I think there is way more opportunity to use that tool. I think Public Works, with their real property, is already doing really well and is very progressive in its thinking on what new and existing buildings can look like, and it has projects under way.

I think that DND, which is also a large owner—granted, their focus is on defence—also has an opportunity. The American army and navy have been investing in green building technology and renewable energy technology for at least a decade. They are leaders in that space and many projects have been done, obviously for security and for military reasons. These are cross-benefits that can be utilized.

Again, 60% of the federal buildings are owned and operated by the Department of National Defence, and this is an opportunity to look at—it's really critical—the assessment of where these opportunities exist for retrofit and for new buildings. Where do you get the biggest savings for DND and overall, also for the custodial departments? You really need a federal strategy that covers the entire federal building stock, and to use procurement to really drive innovation in the Canadian marketplace.

We have seen in the past that it's very effective. Very briefly, initially, about 10 years ago, the federal government and the governments across the country were leading to de-risk this kind of green building construction and retrofit, but over the last five years it was actually the private sector that took very big leaps forward in investing in buildings through pension funds and so on, to have very high-performing buildings, so the government played a very important role in making that happen.

Thank you.

● (1640)

Ms. Jennifer O'Connell: Mr. Alexander, you can certainly add to that but I'm also going to ask another question because I have limited time.

You spoke about having more women in the workforce, and the opportunities through co-ops and apprenticeships, which are certainly something the government can partner with. You also talked about education.

I went to a high school where I took metal shop. We also had woodworking and various trades we could take, though I probably wouldn't have signed up for it as a co-op, to be quite honest. I wonder if you've also advocated for or given much thought about the provincial level starting even earlier to supply non-traditional employment routes. Do you see other opportunities where we could partner, as a federal government, to really open up opportunities for women or other underutilized populations in different sectors?

Mr. Craig Alexander: Sure. On the procurement side, very quickly, if we think about the government as a consumer of goods and services, it's an enormous potential client base. Obviously, the government needs to purchase the right goods from the firms that can provide the products and services that it needs. In terms of leveraging procurement, however, that can be used strategically where it makes sense.

When we think about small and medium-sized businesses, we have a lot of evidence to show that in terms of gazelles—these are small businesses that are rapidly growing—when we compare Canada with the United States, we actually have, proportionally, about the same number of gazelles. Canada isn't behind. But when you get to around the five-year mark in terms of the lifespan of a business, all of a sudden the number of gazelles in Canada collapses. Basically, this is a signal that says that it's pretty good to open a business in Canada, and we rank very well in the ease of opening, but the challenge is scaling up.

Using a small portion of government procurement towards small and medium-sized businesses could actually have an enormous leveraging effect to help those businesses. Moreover, you could even use the procurement narrowly. For example, if you want to promote fast-growing small and medium-sized businesses that are led by women, you could target procurement towards firms that have those characteristics. There's an opportunity. It can't be used for 100% of the procurement. It has to be done sensibly, but even a small portion of government procurement, used strategically, can actually serve goals.

In terms of women in the labour force, the outcomes women are having have improved enormously over the years, but clearly there are still barriers. One of the barriers is lack of willingness to go into some of the non-traditional areas that can have very gainful employment with good income. Some of it has to do with overcoming stereotypes.

Some of the push-back you often get on issues related to gender economics that involve women being promoted onto boards is the view that a particular industry just doesn't have as many women who reach the executive levels. That means you actually need more women in those industries who can rise through the ranks, so that you help to address some of that issue.

There are a lot of barriers that can be used, and I think that the focus on improving gender outcomes actually has enormous merit.

● (1645)

The Chair: Thank you.

Mr. Kelly.

Mr. Pat Kelly (Calgary Rocky Ridge, CPC): Thank you.

I'd like to begin with Mr. Marcoux.

You said in your opening remarks that you have received thousands of letters and emails—presumably from your membership—that raised concerns about the tax changes that were announced. You pointed out that this is the most significant tax change in 45 years, done with 75 days of consultation, which you have characterized as inadequate.

I'd like you to share with us, if you can, some examples of some of the items, even by anecdote, that your members have shared in these letters and emails. I'll let you pass on some of the concerns that were raised.

[*Translation*]

Dr. Laurent Marcoux: Thank you.

This news led to an immediate reaction. People called us. That said, I think senior management would be better able to share details in this regard. I'll ask Mr. Feeley to answer you. His answer will be more specific than mine would be.

[*English*]

Mr. John Feeley: Thank you.

Some examples would be how physicians have been responding. In terms of seniors care, we talked earlier about moving more care into the community, and how hospitals are also moving more care into the community. Physicians are responding to that, in some cases, by expanding their practices, the footprint of their practices, and bringing more people or staff into their practices. They're making those investments in their medical practices, within a certain framework, and they're concerned. This change creates a lot of uncertainty, and they're wondering whether they are making the right decisions.

Mr. Pat Kelly: Did any say that they have an immediate plan to either modify, cancel, scale back, or otherwise not continue with a community-based practice?

Mr. John Feeley: We did some survey research, and certainly trainees are questioning whether or not to enter into community-based practice. As well, there are others who would move more quickly into, say, retirement.

The Chair: I will not take time from you, Pat, but I want to point out that proposals for tax changes have been announced and consultations are ongoing until October 2. I don't want anybody watching this committee to believe that the tax changes have been announced. There are consultations on the proposals.

Pat.

Mr. Pat Kelly: Thank you.

With that, perhaps, I will then move to Mr. Alexander.

I noted that in your remarks you mentioned the necessity of a competitive and stable tax environment in a fiscal environment. You spoke of stability being critical for driving prosperity and economic growth. Would you characterize...? We have had the announcement of a change. That is, again, the largest in 45 years, announced with 75 days of consultation. Is that the type of stable tax environment you think would help drive prosperity in Canada?

Mr. Craig Alexander: Obviously, from a business planning point of view, businesses like to have a good idea of what the tax system is going to look like so they can build their plans and make their decisions. When tax changes are considered, their full implications need to be considered, and also the timing of the implementation to give businesses an opportunity to adjust to tax changes.

My remarks were primarily focused not on the proposals currently being considered but, in general, on maintaining a competitive tax landscape. One of the things I am concerned about is that, ultimately, we will see tax reform in the United States and I am concerned it could put Canada in a less competitive situation.

● (1650)

Mr. Pat Kelly: Elimination of the dividend credit would raise small business income tax up to, in effect, a rate of 73%. Is that competitive?

Mr. Craig Alexander: The Conference Board hasn't done an analysis on it.

Mr. Pat Kelly: Last, I'll move on to the deficit situation.

You acknowledge the reasonableness of running deficits during a recession and, indeed, generally the political demand to do so. Yet we have not had a recession and have gone into a significant deficit. How do you characterize this as contributing to the stability necessary for prosperity?

Mr. Craig Alexander: When the Canadian economy is weak, when you are in a recession, fiscal policy can be very effective in helping mitigate the degree of impact of the business cycle.

The Canadian economy in 2014 suffered a very severe commodity shock. Parts of the country were driven into recession. In 2015 economic growth was below 1%, and in 2016 economic growth was only 1.3%. We were below potential. That meant that the slack in the economy was increasing and so there was scope for monetary and fiscal policy to provide support.

However, this year the Canadian economy is likely to have the fastest growth in the G7. Economic growth is likely to be over 3%. This is one of the reasons the Bank of Canada has now reversed the half point of rate cuts it provided in the fallout of the commodity shock. The Bank of Canada has scaled back the amount of monetary stimulus it's providing.

Looking forward, I would argue that the Canadian economy does not need fiscal stimulus at a time when the slack in the economy is being eaten up. Having said that, I do believe that we have an infrastructure deficit. I do believe a lot of our infrastructure was put in place in the 1970s, 1980s, and 1990s. It's old. It needs refurbishment. It needs replacement.

I think that public investment in infrastructure can be a catalyst to private sector investment. In point of fact, investing in core economic and social priorities has merit, but ultimately you have to be fiscally responsible, and that means returning to balance. I don't think the government should eliminate the deficit in one year—I think it would be too much of an economic adjustment—but ultimately, I think balancing the books is called for.

The Chair: Thank you, both.

Mr. Fergus.

[*Translation*]

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

I want to ask the Association des collèges et universités de la francophonie canadienne representatives some questions.

Ms. Bourgeois and Mr. Mocquais, in your recommendations, you emphasized the importance of investing more in the education of people who will work in health care.

I've spoken with a number of Canadians who are part of the linguistic minority. They all noted the extent to which the lack of services in their language has led to major issues when they fall ill. These people are often older. They can't find health care in their first language.

There's a lag between the training of health care professionals and service delivery. Can you talk about the importance of investing more in the education of people who can provide health care services to linguistic minorities, especially those made up of francophones outside Quebec?

Mr. Pierre-Yves Mocquais: Thank you for your question, Mr. Fergus.

First, these programs are absolutely essential. However, we must always make a distinction between the short programs, which are delivered quickly, and the longer programs, which can achieve more advanced objectives over time. We're working on these two levels.

Let's take the case of Alberta, where I'm from. There are growing needs in this field, and we're unable to meet them. In the past three years, the number of students applying for admission to the bilingual nursing program at the University of Alberta has more than doubled. However, there are a limited number of places. The demand for nursing attendant training, which is very short, is constantly increasing. The demand is extremely high, and we're currently unable to meet it.

These things absolutely must be implemented in the anglophone provinces in Canada.

I'll leave the floor to my colleagues if they want to respond as well.

● (1655)

Ms. Lise Bourgeois: I'll build on what Mr. Mocquais said and explain what we could do with increased funding.

First, it would help maintain the long or short training programs we already provide. Increased funding would help us work together to increase the number of programs, both in terms of the current health care services being provided and the new services to meet new needs.

I've heard a great deal of discussion here about the aging population and the fact that not all people receive care in hospitals. I'm part of the management team of a college, and I can say there's an increasing demand for home care and there are new health care needs.

Increased funding would enable us to provide more health care and legal training, and even to quickly adapt our programs to better accommodate new immigrants and meet their needs.

Mr. Greg Fergus: Thank you.

Ms. Brouillette, you do have anything to add?

Ms. Lynn Brouillette (Acting Director General, Association des collèges et universités de la francophonie canadienne): Yes, please.

[*English*]

The Chair: At this point, Greg, we're out of time.

Go ahead.

[*Translation*]

Ms. Lynn Brouillette: I simply want to add something about clients.

Mr. Alexander referred to immigrants and international students. These people represent many of the clients in our 21 francophone colleges and universities across Canada. There are also many clients from francophone and immersion schools. All these clients will become bilingual graduates who are able to provide services in both official languages.

That's why we're asking for a larger investment in the multi-year action plan for official languages, which will cover the next five years. In the past 10 years, this action plan has maintained the status quo in terms of funding. The funding we're discussing must come from this plan. Larger investments are needed for us to be able to train professionals who can give all Canadians not only services in French, but services in both official languages.

[*English*]

Mr. Greg Fergus: Mr. Chair, to clarify, it's just a yes-or-no answer.

The Chair: Okay.

Yes or no, quickly.

[*Translation*]

Mr. Greg Fergus: Ms. Brouillette, you said the status quo had been maintained in terms of funding. Are you referring to an indexed or nominal status quo?

Ms. Lynn Brouillette: I was referring to a non-indexed status quo.

Mr. Greg Fergus: Thank you.

[*English*]

The Chair: Mr. Kmiec, we only have about three minutes.

Mr. Tom Kmiec: I'll go back to you, Mr. Alexander. I was looking at the Conference Board of Canada's fall outlook that was put out not too long ago. It has a bunch of details about what the Conference Board predicts will happen to the economy and raises the point of record high consumer debt in Canada. It also says that this debt has been sustaining a lot of the growth that we've been seeing in Canada.

The government is running a huge deficit and has a massive debt that it's servicing every single year. Most of the provinces are in the same boat. We're spending money we don't have.

I'm guilty, just like all our consumers, of running up the debt in my household. I try to do my best to pay it down over time, but I'm also not a massive national economy. I know that it does happen. There is such a thing as debt that you need to have, especially when your wife tells you so.

For a national economy, this is sustaining a lot of the growth we're seeing throughout Canada. I know that back home in my province of Alberta, a lot of families are still hurting from the downturn in the price of oil, which was one portion of it. Then there are also a whole bunch of bad tax decisions and bad decisions on energy policy, and there are the LMRs, the ratings, for small and medium-sized businesses that are in oil and gas back home.

How much risk is there to the national budget that consumer spending will actually deflate or weaken much more than even what you're predicting here? How much of an impact would it have?

● (1700)

Mr. Craig Alexander: Canadians have increased their leverage substantially in recent years. The debt-to-GDP ratio gets a lot of attention, but it's actually not a very good metric of risk because you're measuring the total stock of debt to the total annual flow of income. It's better to look at debt service burdens.

When you look at the share of income going to service debt, you see that it has increased by about two percentage points. What's holding it down are the interest payments on debt, which have dropped to such low levels because of where interest rates are. That creates the vulnerability. What actually happens when interest rates head higher?

In my former life at the TD bank, we did a lot of stress-testing around the household balance sheets. What I can say is that if interest rates were to rise about two percentage points, probably about 8% to 10% of Canadian households would have a debt service ratio of more than 40% of their income. That's really where the alarm bells go off. This is where you have intense financial pressure.

Mr. Tom Kmiec: Mr. Alexander, do you think the government is ready for it if such a scenario were to happen?

Mr. Craig Alexander: There's a vulnerability of high household debt if the economy suffers a severe shock, such as, for example, if we had an unemployment shock or if the Bank of Canada fell behind the inflation curve and had to really push up interest rates. We have a vulnerability now that the high level of household debt could aggravate the economic cycle and make the next downturn more severe, because there is an imbalance in household finances.

The Chair: We will have to cut it there. Thanks to both of you.

I do have one quick question for you, Mr. Mueller. I went through your three recommendations in terms of retrofitting. What I can't quite understand is how you conceptualize those three recommendations in a budget. It's a great proposal, but how do you do it in a budget? What are you really asking for us to do in the budget? Is it money? Is it programs that would come from other areas or what?

Mr. Thomas Mueller: I think what we're asking for in the real estate sector, particularly in the building industry.... It is a longer game. It requires constant investment. What we are really asking for, as an example, in funding of the federal government buildings portfolio, is that it will be given consideration, so that the federal government building portfolio can move towards low-carbon or zero-carbon buildings, and so key assets in the federal government building portfolio can be retrofitted. I think that's one consideration.

The other one is that there are existing funds that have already been established, such as the low-carbon economy fund, and particularly the infrastructure bank. Those kinds of mechanisms play a very important role in funding. Money can be directed towards making improvements to either new or existing building construction. The government has a really important role to play there.

It's an ongoing consideration of the building sector and an ongoing investment on the part of the government.

The Chair: Thank you for that bit of clarification.

I'd like to thank all of the witnesses, both for your presentations earlier in August and your testimony today.

We will suspend for five minutes and bring up the next panel.

● (1700)

(Pause)

● (1710)

The Chair: We'll reconvene. Welcome to the witnesses for the pre-budget consultations in advance of the 2018 budget. We thank those who made submissions prior to the middle of August as well, and we thank you for coming today.

Starting with the Association of Consulting Engineering Companies, we have Mr. Gamble, president and CEO. We'll try to keep it to five minutes, please.

Mr. John Gamble (President and Chief Executive Officer, Association of Consulting Engineering Companies - Canada): Thank you, Chairman, and committee members.

The Association of Consulting Engineering Companies - Canada is the national voice of consulting engineering in Canada. We represent over 400 companies that collectively employ approximately 60,000 Canadians. Our members provide professional engineering and other science-related and project delivery services to both public and private sector clients.

In broad strokes, we certainly applaud and support the federal government's commitment to infrastructure investment. Sufficient, up-to-date, well-maintained infrastructure enhances prosperity, productivity, and competitiveness, as noted by numerous studies cited in our written submission, over a number of years.

We feel a need to really think hard about prioritizing those investments. Some infrastructure investments improve productivity and grow the economy. Other investments in the community social infrastructure enhance quality of life. Both are important. Both are needed, but there needs to be a balancing act, and sufficient priority should be given to core infrastructure that grows the economy, creates jobs, and expands the tax base. This is essential to ensure financial viability and sustainability, and the capacity to deliver social infrastructure in the longer term.

It's a bit of a balancing act, but I would say the recent commitment of $2.1 billion to transportation and trade corridors is a good illustration of that kind of investment.

A lot can be learned from the recent Senate report, “Smarter Planning, Smarter Spending”. The report makes a number of very pragmatic and practical recommendations that are, for the most part, consistent with what ACEC has been recommending for several years. We think it could further improve and strengthen the existing infrastructure program.

I want to take a moment to talk about the Canada infrastructure bank, which has great potential. If successful, it has the opportunity to create funding for large-scale projects that might otherwise be difficult, if not impossible, to find funding for in public dollars alone. However, we note that there is significant private sector capital already available in the Canadian marketplace, and that some provinces and municipalities already have strong borrowing regimes in place. Therefore, clarity on the mandate of the bank is critical to removing uncertainty and earning the confidence of the infrastructure stakeholder community. Otherwise, the creation of the bank may have some unintended consequences for existing institutions and private lenders. The private lenders will also be wanting assurances that the governance of the bank reflects best practices, so that projects will be approved on a merit base and a strong business case.

To encourage active participation from the design and construction sectors, risk must be fairly allocated among all project participants, including the bank and the overall owner of the infrastructure asset, according to each participant's capacity, ability, and contractual authority to manage and mitigate risk. As a centre of excellence, the bank will be expected to promote best practices in procurement and contracting to facilitate the equitable and effective allocation of risk and reward.

I also want to showcase another recent Senate report, “National Corridor: Enhancing and Facilitating Commerce and Internal Trade”. We strongly support this notion of a national corridor to provide a pre-established cross-country network of trade routes to accommodate economic infrastructure such as road, rail, power, pipeline, and communications projects. We need this infrastructure to be competitive and connect our country.

A national corridor would help address social and environmental challenges associated with the planning, development, and implementation of major nation-building infrastructure projects, but in a less costly and more timely manner. A national corridor would require a significantly smaller geographic and environmental footprint than the current fragmented approach to national infrastructure projects.

This idea goes back—and here's your heritage moment—to echo a proposal by General Richard Rohmer back in 1967.

I'll let the rest of our written submission speak for itself, but my members have asked that I raise the proposed changes to the Canadian controlled private corporations taxation regime. I meant to come here to speak mainly about infrastructure, but this has caused quite a reaction in our industry.

We believe that further review and consultation are needed before the federal government implements changes to how corporations are taxed. While these proposals are no doubt well intentioned, in their current form they would nevertheless have a profound and damaging impact on businesses in Canada, an impact we believe was unanticipated by the government. We believe that a more comprehensive review of the Canadian tax system, with meaningful input from the stakeholder community, is necessary to achieve tax fairness while retaining a business climate that rewards entrepreneurship, innovation, and job creation.

Thank you for the opportunity to be here, and I look forward to your questions.

● (1715)

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

We have, from Canada Foundation for Innovation, Ms. O'Reilly Runte, president and CEO; and Mr. Moorman, senior adviser, policy and planning.

Welcome.

Dr. Roseann O'Reilly Runte (President and Chief Executive Officer, Canada Foundation for Innovation): Thank you.

Good evening, ladies and gentlemen. Thank you for inviting me to speak about the Canada Foundation for Innovation and how it contributes to making Canadians more productive and Canadian businesses more competitive.

The two questions this committee has posed are crucial to the future of our country, and the two recommendations that we propose for budget 2018 are crucial to ensuring that our future is bright.

First, we recommend increasing support to the federal research funding agencies to improve the research ecosystem. Second, we recommend regularized support for research infrastructure through the Canada Foundation for Innovation. Our recommendations echo those set out by the Government of Canada's Advisory Panel for the Review of Federal Support for Fundamental Science, which was convened to determine how to strengthen the foundations of this country's research and technology. As you know, the report by this panel was released in the spring shortly after the publication of “The Path to Prosperity” report by the Government of Canada's Advisory Council on Economic Growth. These two documents share one common recommendation: that Canadians, particularly young Canadians, need more opportunities to gain modern skills and knowledge to be productive in their workplaces and in their communities.

You may ask, how does support for research funding contribute to this? Let's look back 20 years when the Government of Canada endeavoured to curb the country's brain drain by starting to invest in cutting-edge research tools at universities and colleges right across the country through the Canada Foundation for Innovation. By providing state-of-the-art labs and facilities, Canada turned the situation around. Cumulative investments in infrastructure over the years have allowed Canadian researchers to become global leaders in areas such as regenerative medicine, agrifood, and energy, and now we're looking at quantum computing, artificial intelligence and clean technology.

To advance these areas, however, and to compete globally, Canada needs to sustain a robust ecosystem of research. We can attract and retain the best and brightest minds in the world to think big and to innovate, and it is here that our young people enter some of the best training grounds in the world. They are mentored by the top minds, who transfer insight and critical thinking skills. They get the hands-on advanced technical skills that employers are looking for, and they experience what productive collaborations look like among academic, public and private sectors, both nationally and internationally. These are the capabilities that we need to nurture to help a new generation compete in, and adapt quickly to, an evolving market of jobs. We need to drive increased productivity, business competitiveness and economic growth.

We are not the only nation in the world to realize this, however. Other countries are investing heavily in research to drive their economy. In a world where research talent is more mobile and in higher demand than ever, Canada is engaged in a global race. We are in a position to win. This is Canada's time to lead intellectually in science and technology.

Ultimately, federal measures aimed at making Canadians and Canadian business more productive and competitive come down to investing in the next generation, investing in their minds and in their opportunities, so that they can make positive and meaningful contributions to society.

Ladies and gentlemen, I think we all know that the future of Canada lies in its youth. Canada's ability to attract and retain the brightest minds in the world and provide them with access to cutting-edge research tools, the ones they need to learn, explore, discover, and innovate will pave the way to enhancing our country's future growth and prosperity.

Thank you.

● (1720)

The Chair: Thank you very much.

We'll now turn to the Agriculture and Agri-Food Labour Task Force with Ms. MacDonald-Dewhirst, executive director; and Mark Wales, chair.

Ms. MacDonald-Dewhirst, go ahead.

● (1725)

Ms. Portia MacDonald-Dewhirst (Executive Director, Canadian Agricultural Human Resource Council, Agriculture and Agri-Food Labour Task Force): Thank you.

Abundant, healthy, safe, and affordable food is available to us in Canada as a result of our world-class food system. It's a system that feeds 36 million Canadians, and as the fifth largest exporter, feeds a multitude of people around the world. It's an important industry to our country, not only for nourishment but also because it employs 2.3 million Canadians and is a leading driver of our provincial and national economies.

Domestic and global demand for the Canada brand is high and there are great expectations for the growth of this industry, as documented by many, including the federal government's budget of 2017, which identified an objective to grow Canada's agrifood exports to $75 billion by 2025. All indications are clear that there's enough demand for Canada's products to achieve this ambitious target; however, the agrifood industry relies on people, farm and food businesses and their workers, to plant, grow, care for animals, harvest, prepare, and package its products. Unfortunately, the business of farm and food production is struggling to find enough workers and its future is in jeopardy.

Our research clarifies that the worker shortage is doubling every 10 years. On-farm job vacancies are exceptionally high, from 7% to 10%, when the national average is only 1.8%. These vacancies are costing the industry billions of dollars each year. The vacancies exist despite extensive efforts by business owners to recruit and attract workers, and are resulting in delays or cancellation of expansion plans by large, growth-oriented agrifood business owners.

The Chair: I don't want to interrupt, but members, the power point presentation is also on your iPads, if you want to pick it up there as well.

Thank you. Go ahead.

Ms. Portia MacDonald-Dewhirst: Thank you. We've provided some visual aids for you.

To be clear, these shortages are being experienced across all aspects of this industry, even though the industry brings in approximately 45,000 temporary foreign workers each year, workers who secure Canadian jobs.

The inability to fill job vacancies is the industry's top business risk identified by Canada's farm and food producers. Without being able to fill key positions, farmers are choosing to forgo planting all their fields. They are avoiding labour intensive crops. They are unable to fill orders. They aren't able to take advantage of demand opportunities in new markets. They are opting out of expanding operations, choosing to retire early and opting out of the business altogether. Despite high hopes for the industry, sustainability and growth are currently at risk.

I'll turn it over to Mark Wales, who is the co-chair of our labour task force.

Mr. Mark Wales (Chair, Agriculture and Agri-Food Labour Task Force): Thank you, Portia.

A number of industry leaders have come forward to create Canada's national labour task force. Together with the support of CAHRC, they have researched and documented an agriculture and agrifood workforce action plan. It includes very clear short-, medium-, and long-term solutions to ensure the industry can get ahead of workforce shortages so that it can thrive and grow well into the future. Specifically, it identifies the need to increase the supply of labour and improve the knowledge and the skills of workers.

This plan is supported by 85 leading industry organizations, agrifood companies, and municipal leaders across Canada, as you can see on the slide. The plan, which was referenced in the HUMA committee review, includes recommendations for government to provide funding for industry to address these critical and chronic labour shortages with action items such as a national career awareness initiative and outreach to new immigrants being settled in urban centres so they can better connect with agricultural career opportunities.

Growth for the sector also involves securing international workers when Canadians are not available. The workforce action plan includes a very specific recommendation to improve agricultural components of the temporary foreign worker program into an agriculture and agrifood worker international workforce program with three distinct streams: the seasonal agricultural worker program to remain an identifiable, stand-alone program for seasonal workers and farmers; the agricultural stream; and a new agrifood stream. Both need fixes and both should support an immigration pathway to permanency for farm and food workers. This recommended international workforce program was referenced by the HUMA committee report.

It is also recommended that an interdepartmental advisory council for the industry be developed to support improved labour availability. This council should include Employment and Social Development Canada, Service Canada, the immigration department, and the agriculture department. Many issues affecting the industry are interdepartmental and multi-jurisdictional. Departments must work more closely together and consult more fully with industry stakeholders to find the best methods to meet growing demand and support the sector with its labour requirements.

This truly is an industry with high growth potential. However, achieving that potential and meeting the ambitious export targets set by the federal government will be a challenge. It will require collaboration and strategic action to grow the agri workforce. It is urgent that due focus and attention be given to these activities now. By taking these steps, Canada will be able to secure and grow its position as a world leader in agriculture and food production, and increase the extensive benefits the industry provides to Canadians and to people around the world.

I have one final comment, if I may. I would be remiss in not supporting the first speaker in identifying that the recently announced changes to the small business corporations in the tax act would be devastating to farmers in their current form. We have more than 220,000 farm families across this country who are all middle-class small business owners. We need to have some recognition that these changes are a problem for us. I would applaud the minister today. He did an op-ed in *The Western Producer* indicating that he's recognized how important agriculture is, and indicating a willingness to revisit the suggested changes. I want to highlight how important those are, because it's a real concern.

Thank you.

● (1730)

The Chair: Thank you, Mr. Wales.

You might not have been here, but I mentioned earlier that there are consultations until October 2. They're not being implemented into law, but there are consultations and draft proposals.

Thank you for that.

Next we have Mr. Kelly from the Canadian Federation of Independent Business.

Mr. Daniel Kelly (President and Chief Executive Officer, Canadian Federation of Independent Business): Thank you very much. It's a pleasure to be here. You've been keeping us very busy at the Canadian Federation of Independent Business over the last few months. I also want to say a special thanks to your committee chair, who has recently become a bit of a folk hero on the part of members of CFIB for recent comments he's made in the media.

I was hoping to bring to you a whole series of recommendations for the 2018 budget, but right now we're playing a bit of defence at CFIB and we hope to talk to you a little more about some of the changes that are currently under discussion.

As is noted in my slide deck, the number one issue that small businesses in Canada feel sensitive about is the existing tax burden which they as entrepreneurs have. I've not talked to an entrepreneur who doesn't say that the total amount of taxes they pay is unfairly too high. Yet, it seems as though we're headed down a course where that may become an even higher burden for many of those firms.

We're bringing to you some brand new data, data we just collected at CFIB from our membership, as to the potential effect of the proposed changes, as we know, Chair. We released this just today. Eighty-eight per cent of small businesses in Canada don't believe that the government itself fully understands the potential impact of these changes. Ninety-two per cent of small firms feel as though these changes will bring a great deal of uncertainty to their business lives. Eighty-eight per cent said it will make it more difficult for them to grow. Ninety-five per cent of them say that this will affect middle-class business owners. I have to say that was backed up by a special survey we did of tax professionals. Again, 95% of tax professionals, accountants, and tax lawyers in the country whom we surveyed said that these changes will affect middle-income-earning small business owners. Ninety-four per cent of small business owners oppose the change. I should note that 3% of small businesses in Canada were sympathetic and saw the need for some change. How significant are the proposed changes? Eighty-seven per cent said that they would be significant to their firm, and only 9% said that the changes that are under consideration would not be significant to them.

When we look at some of the specific changes that are under consideration, two-thirds of small firms, members of CFIB, said that they have some form of passive savings in their business. The number one category in that section was property or land that they as a business owned. After that it was shares, often shares in another private business that they may own through their corporation. When we asked business owners about income sharing, or income sprinkling as it is referred to in the discussion document, again, two-thirds of business owners, CFIB members, said that they did some form of sharing of business income with family members in the business. For 57% it was with their spouse. Nineteen per cent said that they shared income with kids—their children who were 25 years or older—and another 15% shared with their children who were between the ages of 18 and 24.

We asked about the consultation process, and 94% of business owners said that they would like to have a full, proper consultation process, as your government is doing with so many other areas of public policy. I do want to remind the committee why we have a lower rate of taxation on small business in the first place. First, it helps account for the overall higher burden of taxation that small firms feel and the higher cost of complying with taxation that small firms feel compared to their larger counterparts. Also, it addresses their more limited access to financing, allowing them to plow those retained earnings back into the business to help it grow for the future.

When looking at tax fairness, many entrepreneurs have reminded us that there are many areas in which they feel the burden is unfairly targeted at them. For example, entrepreneurs pay twice the rate of Canada pension plan premiums as do other Canadians. They pay 1.4 times the rate of employment insurance premiums compared to employees. They pay double to five times more in property taxes, 100% of workers' compensation or WSIB premiums, and 100% of payroll taxes like the employer health tax.

CFIB is part of a 65-member coalition. Sixty-five business associations have come together to call on the government to do a couple of things. Most importantly, we are asking government to take these proposals off the table and to replace them with a bottom-up consultation of business owners and their associations on any gaps in current tax policy.

● (1735)

I want to urge committee members to make sure that you pay close attention to the information that the accounting community is coming forward with. It is absolutely true that at least two of the three changes under consideration would affect business owners with income levels as low as $50,000. It is absolutely untrue that these changes would only affect business owners who have $150,000 or more in income.

Also, these changes would result in higher levels of taxation on entrepreneurs than on other Canadians. This isn't about making business owners even to that of the taxes of other Canadians, but would raise tax in important areas to rates higher than other Canadians pay. The small business corporate tax rate was the number one thing that small business owners said would help them strengthen their business performance. They endorsed the recommendations. All four political parties in the last election campaigned to reduce the small business corporate tax rate to 9%. This is an important measure, and we urge you to get back to that in the 2018 budget.

On some of our other recommendations, we urge you to put in place a strong plan to get the country out of deficit financing. We ask you in a series of recommendations in our package related to the red tape burden focused on small and medium-size firms. Addressing skills and labour shortages is a critical area, and I endorse the comments that were shared from the agricultural community on that front. We've made many recommendations along those lines.

As I wrap up, another idea we want to put in for your consideration is lowering the rate of employment insurance premiums on small firms. We have lobbied for years to make that an equal split between employers and employees. You may be able to do that by lowering the rate on the first $500,000 in payroll, as an example.

In conclusion, we urge you not to proceed with these changes. We in the business community, CFIB specifically, are 100% committed to working with government to shore up any areas in income tax legislation that may need to be shored up. We get that there are businesses that are stretching the definition and we are prepared to help the government in those efforts, but these changes are not the way. We urge you to set them aside and replace this with a proper consultation process including the business community and provincial governments.

Thank you so much.

● (1740)

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

We'll now turn to the Canadian Union of Public Employees, Mr. Sanger.

Welcome, Toby.

Mr. Toby Sanger (Senior Economist, Canadian Union of Public Employees): Thank you very much.

On behalf of the 650,000 CUPE members who deliver quality public services in communities across Canada, thank you for the opportunity to present our priorities for the next federal budget. Our written submission addresses the questions that the committee posed about productivity. The main point is that, if we focus on inclusive growth instead of trickle-down growth, productivity growth will follow.

All of us should be glad that our economy has grown at the strongest pace in 15 years and that the jobless rate is the lowest since October 2008, but despite the federal government's positive initiatives to date, the benefits of stronger economic growth are not tangibly being experienced by most working Canadians. Average wage growth is barely 1.5%, no more than inflation.

We're very glad to see provinces committing to a $15 an hour minimum wage. The federal government should do so soon. It should also introduce a modernized fair wage policy and proactive pay equity legislation.

We also need to increase the social wage all Canadians receive through public education, health care, pensions, and other services. Increased investments in the care economy will strengthen inclusive growth and equality.

We outline a number of priorities for these in our submission. I'll just highlight a few here.

On health care, we urge the federal government to introduce a national, pan-Canadian prescription drug program and to significantly expand funding for continuing residential, community, and long-term care. I was glad to hear the Canadian Medical Association put a strong focus on a seniors policy and residential care in their submission.

We also need a significant increase in funding committed for quality public early learning and child care. This would generate hundreds of thousands of jobs, promote women's equality, increase productivity, and could pay for itself in economic and fiscal terms. The IMF recently came out with a report effectively urging Canada to do the same and making the same point, urging that the federal government invest about $8 billion in early learning and child care. Much greater support for child welfare and for child care is particularly important for indigenous children and communities.

We support reducing and ultimately eliminating undergraduate and college tuition fees. Half of the cost could be paid for by eliminating federal education tax credits and loan-based financial assistance.

We also need more support for literacy and essential skills, as Craig Alexander of the Conference Board also mentioned in the previous session.

The federal government has made substantial infrastructure funding commitments in the positive areas of affordable housing, social infrastructure, public transit, and green infrastructure, although a lot of it is back-end loaded. However, privatizing it through the Canada infrastructure bank will be counterproductive and negative for the economy because it will significantly increase costs and user fees for the public.

Turning now to tax fairness, we have called for progressive tax reform for many years. This should be done in a comprehensive way for it to be effective and should involve a comprehensive review of our tax system, as the finance committee had explored before. We and other members of the Canadian Coalition for Tax Fairness support the federal government's proposals to reduce tax avoidance through private corporations, but it should be combined with closing the stock option loophole, further action on tax havens, reducing preferential rates for capital gains, increasing corporate tax rates, and levelling the playing field by taxing foreign e-commerce companies such as Uber, Netflix, and Google on the business that they do in Canada. These will make the tax system fairer, increase equality, generate billions in additional revenues, strengthen the integrity of the tax system, and be good for the economy.

I'm glad that the committee is going to hold special hearings on the proposals for tax planning regarding private corporations. Unfortunately, there's been a lot of misinformation and a certain amount of scaremongering about the effects of these tax changes. It's clearly unfair that some can use private corporations to avoid taxes that other Canadians in similar circumstances pay. These measures predominantly benefit higher incomes, for whom the benefits exceed the cost of tax accountants and lawyers.

● (1745)

At most, the number of families who directly benefit from income sprinkling represent less than 1% of all Canadian families. There will be some evidence coming out on that next week.

Proposed stricter rules regarding intergenerational transfer only apply in specific circumstances used for other forms of tax avoidance. Other mechanisms to pass on their family farms and businesses with preferential tax terms would remain. I can point to the bits in the discussion document that iterate that point.

Proposals regarding passive income seek to equalize effective tax rates between passive income taken out of a corporation and passive income invested by individuals. Passive income kept within a corporation will continue to benefit from preferential tax rates compared with individual investments.

Once again, I'm glad the committee is going to hold hearings. I do agree that it would be good to have a comprehensive review of the tax system, because little bits like this cause problems. I hope you'll also invite some finance officials to your hearings for them to explain some of their proposals.

Thank you very much.

The Chair: Thank you very much.

We'll turn to Restaurants Canada, Ms. Reynolds, executive vice-president, government affairs; and Mr. Lefebvre, vice-president, federal and Quebec affairs. Welcome.

[*Translation*]

Mr. David Lefebvre (Vice-President, Federal and Québec Affairs, Restaurants Canada): Thank you, Mr. Chair.

Good evening.

I'm pleased that Joyce Reynolds and I will be speaking to you today on behalf of a Canadian industry that amounts to $80 billion.

The restaurant industry, which includes 1.2 million employees, is the fourth largest private employer in the country. Each million invested in our industry generates about 27 jobs. One out of five Canadians aged 15 to 24 works in a restaurant. The restaurant industry, which amounts to 95,000 businesses and 18 million clients a day, maintains personal and direct contact and a special daily connection with Canadians. More than two-thirds of Canada's restaurants are locally owned and operated by independent entrepreneurs. These restaurants are found across the country, both in major centres and remote regions. However, their overall profit margin is only 4.3%.

We're asking the government to help the industry generate more revenue, lower costs and improve its profitability. Our goal is to continue to be an economic driver and an industry that creates jobs. Our recommendations concern these three areas.

We're requesting funding for a culinary tourism strategy, a reduction in interprovincial trade barriers related to alcohol, a cap on credit card fees, a repeal of the escalator excise tax on alcohol implemented in the recent budget, and, lastly, an overall tax reduction for small- and medium-sized businesses.

Our brief also informs you about our budget positions regarding the restrictions in marketing to young people. We believe these restrictions will harm sales to all industry clients and will have negative consequences for community and charitable activities.

[*English*]

Ms. Joyce Reynolds (Executive Vice-President, Government Affairs, Restaurants Canada): We would be happy to answer questions on any of the recommendations that are in our submission. However, in the brief time that we have today, we want to focus on an issue that wasn't covered in our brief, one that was just beginning to appear on our radar screen when we submitted our brief in early August. It is one that we are hearing about from our members on a daily basis. That, of course, is the proposed business tax rule changes.

The consultation began during the height of the busy summer season for restaurants, and it wasn't until later in the summer that they began to check in with their accountants and tax advisers, to find out what it was really going to mean to their businesses and to their families. That's when we really started getting the calls. The proposals are hugely complex. They would fundamentally change the tax system and are clearly a game-changer for some small businesses in our sector.

Restaurant businesses share many of the characteristics of farm businesses. They operate seven days a week for between 16 and 24 hours a day, and the whole family is usually involved in the business from an early age. As a result, the rules that restrict the sharing of the profits of the business with family members through dividends and trusts, including lifetime capital gains exemptions, are concerning.

We are worried about the confusion and challenges that would result from the interpretation of reasonableness in terms of proving contribution to the business. We particularly object to the more restrictive rules for family members between the ages of 18 and 24 and those 25 and over. Restaurant family members typically continue to work weekends, evenings, and holidays while they are attending school, often taking courses to assist them in furthering the business when they graduate, so we don't think age should be a determinant of a family member's involvement or commitment to a business.

Restaurateurs and farmers also experience similar fluctuations in business because of seasonal ebbs and flows in business cycles. The proposed rules on passive income suggest that opportunities to invest in the growth of the business coincide when extra after-tax dollars are earned. This is typically not the case. Businesses must be able to invest their profits for that inevitable rainy day and for business expansion at the appropriate time.

Something else that differentiates entrepreneurs who operate restaurants from other professionals is that they directly employ a lot of people. You would be hard pressed to find a one person restaurant business that incorporates. Responsibility for payroll contributes significantly to the risks that a small business must take on, a risk that entails mortgaging their family home and assets without a safety net or pension plan to fall back on.

The majority of restaurants operating as corporations have been doing so for their entire business lives, and have arranged their retirement and estate planning around existing rules. It would be unfair to pull the rug out from under them at this point in their lives. At a minimum, the rules must be applied on a go-forward basis with currently owned corporations grandfathered, but that won't address concerns about the willingness of businesses to invest in the future.

As a result, we recommend that the government withdraw its current proposals and engage in a more in-depth examination of the taxation system.

● (1750)

[*Translation*]

Mr. David Lefebvre: In conclusion, we have serious reservations about the tax proposals for small businesses and other additional costs imposed on our industry. If we continue to constantly decrease the profitability of an already precarious industry, a number of restaurants and other businesses may go bankrupt or run a serious deficit. However, if we work together, we're sure we can improve the profitability of the food services industry, which represents 4% of Canada's gross domestic product.

[*English*]

The Chair: Thank you all.

Turning to questions, if we can hold it to five minutes each, we'll get eight in.

Mr. Grewal.

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

I think it's a testament to our democracy that Dan Kelly and Toby Sanger can sit right beside each other and have a passionate discussion about the government's proposed tax changes.

I want to start off with Portia and Mark. You mentioned the TFW program. I want to get your feedback on how the government can improve that, because changes have been made. We understand that there's a labour shortage in Canada, and there are challenges with that. Could I get your opinion really quickly on what we can do to make the process a little bit easier?

Ms. Portia MacDonald-Dewhirst: I have a few thoughts on that. Certainly, one would be an interdepartmental advisory council so that the different departments can work together to prioritize agriculture. The temporary foreign worker program started in the agriculture industry. It's the biggest user of the program, and the use of the program is quite a disjointed process right now. It's quite confusing for employers to use. There really is a need for some kind of overview and research into the program in order to consolidate it and streamline it so that it works for this industry, for primary production and for processing.

Mr. Raj Grewal: Thank you. I appreciate your feedback. We'll definitely take it back to the ministers in charge to make sure that for next season it's more accessible, more transparent, and results-oriented, because we need to ensure that we support our local farmers. When they benefit, all of Canada benefits as well.

Mr. Kelly, I really appreciate your presentation and your slide deck. It takes me back to my business school days. One thing I found interesting was to wonder about the methodology by which your questions were asked in your survey. If you ask a small business owner.... I go back to my corporate law days. The number one thing I too would complain about is taxes, because I had my own business and wanted to make more money at the end of the day.

Just give us a bit of the methodology on the basis of which these facts are being presented to us.

Mr. Daniel Kelly: The sample size, I believe, was almost 9,000 businesses, in a survey that was done over a couple of days. It was an online survey of our membership.

Because many businesses aren't particularly familiar with the details of these proposed changes, we provided a two-page backgrounder, which we had passed by tax professionals to ensure that the information was accurate. We put it in front of our members and also provided direct links to the federal government's consultation paper in case they wished to find out more. We then asked the questions. The questions themselves are worded exactly as they are on the slide.

I get the concern that no business likes to pay taxes. That's absolutely true. Business owners and Canadians in general complain and grumble about the taxes they are paying. This, though, is a little bit different—

● (1755)

Mr. Raj Grewal: Let me cut you off.

Mr. Daniel Kelly: —and that's why we wanted to share the data, as we have.

Mr. Raj Grewal: I appreciate that. I'm sorry; it's not to cut you off, but my time is limited. Can you send us the two-pager?

Mr. Daniel Kelly: Absolutely, yes. We're happy to do so.

Mr. Raj Grewal: Send it to our committee. It would be great to look at.

Toby, thank you so much for reiterating that there's a lot of misinformation going about outside about the proposed tax changes, and I want to highlight the word “proposed”, because there is a government consultation going on.

Let's go back to why we're here for budget 2018.

Toby, what do you think is the number one thing that the Government of Canada can do in budget 2018 that can further economic growth for all Canadians?

Mr. Toby Sanger: As I mentioned in the presentation, I think it's increased investments in areas such as child care. I'm really glad that the government made that commitment in the last budget, but I think most people agree that it wasn't enough, that it's going to cost a lot more to have an accessible, high-quality, and affordable child care program. Quebec has had a great experience with it.

That's one area. There are two other areas in health care. One is a pharmacare or drug prescription program, which could save money, actually, reducing costs by controlling the costs of medicines. Then third, much more needs to be done in terms of residential care, a seniors strategy. I'm very glad to see the CMA emphasize that as well.

Mr. Raj Grewal: Do I have a little more time?

Thank you, Mr. Chair. You're very generous with my time today.

The last question is for Restaurants Canada. I think everybody at this table agrees about your members' contributions to the Canadian economy. One thing I want to make sure you understood is that the tax changes are on a going-forward basis, so if you can, communicate that proposed tax changes are on a going-forward basis and won't affect prior situations.

One thing you said that I was interested in knowing is that many families run restaurants, which is true. The proposal regarding income sprinkling won't take away the ability of a son or daughter or husband or wife to work at a business; there will just be a reasonableness test assigned regarding it. The details of that test have not been outlined yet, and that's why we're having consultations.

Democracy works best when we have this conversation. Hopefully, we'll come together on a new proposal. I just wanted to provide you with that information to pass on to your members.

I used to work at Pepsi. It was my first job, so I have a soft spot in my heart for your industry. Thank you so much. We'll look forward to reviewing the rest of your proposal.

The Chair: Mr. Kmiec.

Mr. Tom Kmiec: It seems there's a theme amongst many of the participants here, and from the previous one, too, that nobody seems to like these tax changes proposed by Finance Canada.

I'd like to start with Mr. Kelly, and then maybe move to Ms. MacDonald-Dewhirst and Mr. Wales. I have some questions about the TFW program, and also about the family farm and how some of these tax changes will affect their business model.

Mr. Kelly, you provided us some data here showing that your members—very significantly, 57%—say this will have a very significant impact on them. Can you tell us a little bit about what people have been saying to your organization? I've received probably, between emails and Facebook messages and people attending my town halls, well over 1,000. A lot of them have told me exactly.... Some of them have gone through the trouble of modelling what would happen if these proposals were all implemented in the format they are now, and some of them have gone in between and said, “If they don't do it this way...”, and so on. What have you heard from some of your members? What have some of them been saying that they will do to their individual businesses?

● (1800)

Mr. Daniel Kelly: The implications of these proposed changes are huge and far-reaching. The income-sprinkling provisions in particular are a source of much concern and anxiety on the part of business owners. While it's absolutely true, as Mr. Grewal said, that business owners will still be able to have family members employed in their business, the uncertainty that this will create, as to whether or not the CRA is going to come in and then ask them to justify how much they happen to be paying a spouse for formal and informal work in the workplace is quite considerable.

I think there is a lack of understanding in general among parliamentarians, among bureaucrats in the Department of Finance, as well meaning as they may be, as to what it is to work in a small business. The roles are not as clearly defined as they are in large counterparts or in the House of Commons. There are many informal roles that need to be considered. The CRA is not particularly good at determining what is an informal contribution, or the risk that a business family happens to be taking on.

The other big change, of course, is on the passive income side. There is great concern about the abilities of a business owner to reinvest their profits back into the business. Yes, there are business owners who are worried about these provisions from a retirement savings perspective, but I'd say the number one concern is whether or not these changes are going to prevent them from saving their profit, getting it taxed away at a much higher rate in the beginning, and not allowing them to reinvest and grow their firm.

I'll wrap up on this. I would be doing you a disservice to not let you know—I think you as parliamentarians know this right now—that there is a lot of anger about these changes. Some may say that it's because of misinformation. Some may believe that we are providing the misinformation, but there is a lot of natural anger because of the tone the government is using with respect to the promotion of these changes. While there was some softening of the language from government, from the leaders on this front in recent days, there seems to be a doubling down on that, including in the first question period, which is deeply worrisome. I think we can't underestimate the impact that's having on business owners feeling as though their government is abandoning them. I wish I could sugar-coat it, but that's where it is.

The Chair: Mr. Kmiec.

Mr. Tom Kmiec: I was going to ask about the TOSI rules, which are also called income sprinkling. I'm using information from Moodys Gartner, which is a well-respected, well-known Canadian tax law firm. There's a reasonableness test, and it looks at functions performed by the individual, assets contributed by the individual, risk assumed by the individual, and all historical amounts already paid to the individual. All of that will be considered in the reasonableness test.

The consistent thing I hear is that it's really broad and nobody really understands how that will affect their business when they're trying to prove to the CRA that they meet some of these requirements.

Has the CFIB or anyone else you know modelled what the potential expenses could be for firms?

Mr. Daniel Kelly: We haven't. I think the data we have shared, though, shows the concern over the uncertainty that this has created.

We've been doing this for 46 years. When John Bulloch founded the Canadian Federation of Independent Business, it was to protect the small business corporate tax structures in Canada. One thing we've noticed in our experience, despite the intentions of the Department of Finance, is that whenever a set of policies or a piece of legislation gets to the Canada Revenue Agency, they are forced to define it, and it is often far bigger, far more serious than we hear about from the department itself. Then we can expect at least a decade, as these things wind their way through the courts, to help better determine the reasonableness test.

At minimum these changes, if they do nothing else, are going to create a decade of uncertainty for business owners, a decade of fear that the tax auditor is going to arrive. I don't think that's a helpful thing to do when the economy's just finally starting to show a few signs of life.

Mr. Tom Kmiec: Do I still have some time, Mr. Chair?

The Chair: You have time for one quick one, and then we have to go to the other side.

Mr. Tom Kmiec: This will be short.

Mr. Wales, you mentioned the 220,000 family farms. I got to visit a honey farm in Neerlandia during the summer, and nearly everybody working on the farm was from Mexico—really hard workers. They had tried to hire people locally. They told me that the Canadian who lasted longest, except for the owners, the family who operated it, a young guy and his wife, lasted three days.

How do you deal with that? On the one hand, we're telling Canadians to get a great education, upskill themselves, and get into these very technical fields. We're also trying to find labour for our family farms in order to sustain them and keep them going. Obviously, two, three, four, or five people can't keep a large farm going. With these tax changes and with the labour issues.... The Province of Alberta has also brought in Bill 6, and started applying commercial rules to family operations.

What does that mean for the family farm? Between the labour costs and these proposed tax reforms, what does it mean for the family farm?

● (1805)

Mr. Mark Wales: Do I have an hour to answer the question?

Mr. Tom Kmiec: We can talk after.

Mr. Mark Wales: That's fairly broad, but thanks for the question. It's really critical.

One of the challenges we face as farmers is that the Canadians we would like to employ typically do not live where the farms are. That's one of the first challenges we have. We don't have a lot of people available locally. The seasonal agricultural worker program, which was started here, has been around for over 50 years. It recognized that. Previously we had waves of immigrants come to this country, and typically they would go and work on farms. As they got older and retired, their children typically worked in town. We haven't had that in quite some time.

We're accessing every group in society we can in farms—women on farms, the indigenous community where they're nearby and localized. That's one of the things CAHRC has done. We've also worked with the organizations that are bringing in immigrants, trying to let them know that there are some good jobs on farms, and also with youth. This is one of the big concerns we have with these proposed changes. The group we are trying to attract back to the farm is generally the 18- to 24-year-old group. That aspect of the reasonableness test has us really concerned. Typically on a farm operation you may have no employees except at harvest time and planting time. Those are probably the two key periods in most farming operations. You may need the kids to come home. You may be working around the clock. You may be working under weather restrictions. You may have no employees the rest of the time, and yet the comment we've heard from Finance is that the expectation will be that if an 18- to 24-year-old is going to get remuneration, as dividends or whatever, they'll have to be employed kind of Monday to Friday or on a full-time basis year-round. That's not the farm type of employment. We are very seasonal, oriented to a very specific time period.

That's a challenge that we face. The intergenerational transfer issue obviously is huge, because probably three-quarters of those 220,000 farms change hands routinely. We're probably the one sector of the economy where that's the greatest issue. Most farmers are not getting any younger: $50 billion in farm assets is going to need to change hands in the not-too-distant future.

The Chair: Thank you, Mr. Wales.

Before I turn to Mr. Dusseault, I would say to the Restaurants Canada folks that I know the small business discussion kind of derailed what you had proposed, but I went through your brief, and you have quite a number of recommendations in there. Could you at least tell us, of the seven or eight or nine that are in there, what your priority recommendation might be?

Mr. Dusseault.

[*Translation*]

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

We had firm intentions to discuss tax rules for private corporations. However, since I know Mr. Kelly may appear before us again next week, I'll focus on other topics related instead to e-commerce. This topic may affect both Mr. Kelly and Mr. Sanger. Mr. Sanger referred to e-commerce in his brief. I think e-commerce is a grey and black cloud on the horizon, and a much larger and blacker cloud than the tax rule proposals.

Mr. Sanger, I want to know whether you've studied the impact of e-commerce and the resulting loss of revenue for governments. This type of commerce isn't subject to the same regulations as retail stores, which are well-established, such as the small- and medium-sized businesses represented by Mr. Kelly. Have you assessed the loss of revenue? That's my first question.

[*English*]

Mr. Toby Sanger: I'm glad you raised that question. Our union actually represents a number of people in the media and broadcasting industry, both public and private. It has found that a lot of its business advertising dollars have gone outside of Canada, to Google, Facebook, and other companies that run e-commerce platforms.

I was glad the federal government introduced a tax—or applied the GST—to Uber. Most people don't realize it, but Uber is a massive tax avoidance scheme. It's based in the Netherlands and avoids tax on all different levels.

Most Canadians probably also don't know that GST and sales taxes are not applied to imports of digital services, so that can cover a whole lot of different e-commerce or online platforms. If the producer of that service is based in Canada in any sort of way, then the sales taxes and GST apply, so it's a clear bias against Canadian producers in this vast expanding area, and it's caused a lot of disruption in the broadcast industry. If somebody produces an app in Canada, that will be taxed—it's subject to GST and sales taxes—but if it's produced in some other country, it's not taxed, so it's a clear bias.

It's hard to get all those figures. You had a question about the impact of it. We figure there's at least $1 billion or maybe $2 billion in revenue. More importantly, we're losing jobs, and it's weakening Canadian businesses, so I hope this is something the government will also act on, and that the CFIB and others will be active on.

A lot of other countries have moved on this issue, and it's time for Canada to do so as well.

● (1810)

[*Translation*]

Mr. Pierre-Luc Dusseault: That's the link I wanted to make with the small- and medium-sized businesses, which make up the fabric of our communities. These businesses talk to me a great deal about international competition and e-commerce. As I said earlier, this represents a much blacker cloud on the horizon and threatens Canadian jobs and businesses.

Mr. Kelly, do you have an opinion on the taxation of products that are sold online and that compete with Canadian businesses?

[*English*]

Mr. Daniel Kelly: Thank you, Toby, for your answer.

I agree that this is an area in need of review. It's a tax fairness issue that should concern the committee. There are several ways in which online players, particularly multinational online players based outside of Canada, have an advantage over domestic market players. In our view, that is unacceptable. All of these examples of foreign-based companies that can sell into Canada digitally and avoid GST, HST, and provincial sales taxes, need to be addressed.

The other major concern of course is that online retailers based in the U.S. will often ship products to Canada that will come and hit Canada, even though there is supposed to be a collection of import duties or GST/HST, especially when it's delivered by Canada Post, and that doesn't happen. That is deeply unfair. If you're trying to sell a pair of running shoes for 100 bucks and a big online player in the U.S. can have them shipped to you through Canada Post and avoid the 15% in Atlantic Canada or the 13% in Ontario, you're dead before you even start. That needs to be addressed, and addressed very quickly.

A final point on this is that it's very worrisome to us in the current NAFTA negotiations, because we know the U.S. is asking Canada to raise the de minimis figure to its number of about $800. That's $800 U.S., I'll add. If Canada comes anywhere close to that and raises it in the NAFTA negotiations—if this gets traded away—that would cause major pressures on Canadian retailers and Canadian merchants of all sorts. We urge the government that this is an important provision. We really think the government is doing a nice job in the NAFTA negotiations, but we really don't want to see this provision traded away as we secure the agreement.

The Chair: We'll have to leave it there. I have five people who urgently want to get on the list, so we're going to cut you at three minutes. I want short questions and short answers.

Mr. Fergus.

[*Translation*]

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

First, I want to thank all the witnesses. It was very interesting.

My question is for Ms. O'Reilly Runte. It concerns the role played by the Canada Foundation for Innovation, the CFI, in science and research in Canada.

Would Canada be in its enviable position today if the CFI hadn't been created in 1997?

How should we fund the CFI again to make sure Canada takes its place in an international competitiveness context?

● (1815)

Dr. Roseann O'Reilly Runte: Thank you for the question.

Without the 10,000 projects supported by the foundation in the past 20 years, we wouldn't really be in the same position today. Across Canada, we can see universities, laboratories and communities that have benefited from changes resulting from the foundation's investments. The other day, when I was in Waterloo, the mayor told me that the city really wouldn't be the city it is today if it hadn't received the foundation's first investment in its economy.

You'll be happy that I'm the only person who hasn't come here to discuss taxes today. I'm not asking you to provide additional funding, but simply to regularize the amount you allocated in the past.

I'm also offering you a bonus. In the past 20 years, Canada has spent $7.6 billion on research. With the matching funds, the return has reached $18.3 billion. We can therefore consider it a lucrative investment for the country rather than an expense.

[*English*]

The Chair: Thank you both, and yes, it does indeed at least make me happy.

Go ahead, Mr. Kelly.

Mr. Pat Kelly: Thanks very much.

Mr. Kelly, I'd like to start with you. The research your organization has done is quite revealing, and it speaks to the significance of these tax proposals. I appreciate, in particular, your reminder of why the rate on small business taxes is lower in the first place and what's lost in this are things like the cost of compliance to be a small business operator. Many small business owners would spend two, three, four, or maybe five or six per cent of what would be their profit on just compliance, having access to professional accounting, to legal, and to all of these things. A lot of this is forgotten in much of the debate.

I spoke to one of your counterparts in your provincial association last week, who talked about the immediate effect of the uncertainty: business owners either reconsidering or cancelling expansion plans, accelerating retirement, moving assets out of the company into personal names now, triggering immediate short-term, one-time tax bonuses to the crown while contributing nothing further, once that's done, to expanding the economy.

Do you want to add anything that you've heard from your own members about the immediate effects of this?

Mr. Daniel Kelly: I meant to add at the beginning that we have to look at these changes in the context of the larger picture that we're facing in Canada right now. We are starting to see some bright spots in the economy, and I'm happy about that. I think that a lot has been done over the years to make that happen, but we have to remember that we just announced an increase in employment insurance premiums a couple of weeks ago.

Starting next year, there will be five straight years of carbon taxes or carbon pricing increases happening across Canada by provincial governments at the behest of the feds. Canada pension plan premiums will be increasing for five years, just the base premium, and then the threshold is going up for another two years. Then as a result of these tax changes we threw in this big mothball of uncertainty, as I've referred to it in *The Globe and Mail*. Provincial governments are coming to the table with huge increases in the minimum wage in three of Canada's largest provinces, labour law changes that will please Toby but very few others.

I have to ask, how many more shocks can small business owners take before they start doing some of the things that you've just described? I am deeply worried right now that a lot of small business owners are feeling absolutely beleaguered and wondering deeply about their future and whether or not they have a business to pass along to their children. You might claim that is an exaggeration, but I'm just hearing it so often from members of CFIB that I think I need to share it with you.

● (1820)

The Chair: Thank you, Mr. Kelly.

Mr. McLeod.

Mr. Michael McLeod (Northwest Territories, Lib.): I don't think it will be fair to go through the pre-budget consultations without talking about infrastructure, so in my three minutes, I'd like to get John Gamble to talk a little about his presentation and how he has talked about infrastructure being an investment that grows our economy. I come from the Northwest Territories. I want him to explain to the committee how developing northern trade and transportation infrastructure can enhance our region and our national productivity.

Mr. John Gamble: Canada's north has unique challenges: the sheer geographical distances, the environmental challenges, and it's on both fronts, both the private business infrastructure, from the extractive industry, the natural resource industry, as well as the quality of life infrastructure. By that I don't necessarily mean day care, but things like roads, civic buildings, transportation, and the ability to connect communities are phenomenally expensive.

In the north, many communities are burning bunker oil. You can imagine the paradox there is that they're going to get hit on one hand by the carbon tax, yet they are in a region that is probably the most threatened in all of Canada, so we need a way to connect them to the rest of Canada.

Some of the resources in the north are extremely important to us. We have a lot of people talking about a high-tech industry. We should be able to support a high-tech industry in the south, but it relies on precious metals. Our tablets and cellphones use many precious metals, and there are abundant resources in the north, but it's two to three times more expensive to access and open a mine within our own Canadian borders than it is for a mining company to go to Chile. We need to access those resources so we can support industries in the south but also leverage that opportunity to create connectivity in communities as well.

I think the corridor concept that has been proposed for over 50 years has a lot of merit. It's not an easy thing to do, but I think it will certainly bear a lot of fruit, because it might increase the efficiencies of trying to get these complex approvals through. It will allow you to reduce the footprint. You can negotiate treaties in one right of way and have that dealt with. You can manage wildlife crossings, and reduce the geographical footprint. I grew up in the south, and I didn't have my eyes opened until my adult life, but we in the south owe it to our fellow Canadians up there to allow them to be prosperous through economic infrastructure, and we need to leverage that to give them infrastructure that will give them the quality of life we have here.

In previous budget submissions we supported the Mining Association and its recommendations on levelling the field. We stand by those. We certainly commend you to consider starting the process to get a national corridor together, because it's only going to get more difficult as the years pass by.

The Chair: Thank you, both. I'm sorry to have to cut you off.

Mr. Liepert, you have three minutes.

Mr. Ron Liepert (Calgary Signal Hill, CPC): I'll just make a couple of comments.

Thank you all for your presentations.

I think it's unfortunate that we had this whole tax thing come up when it did because, quite frankly, I'm only sitting in on this committee this afternoon, but I suspect this is a recurring theme.

The Chair: We've missed you, Ron.

Mr. Ron Liepert: I know you miss me, Mr. Chair. You'll miss me even more when I'm gone.

The unfortunate fact is that this is a pre-budget consultation and all we're talking about is one proposal that's been thrown out there by the Department of Finance.

I want to make a comment, and if any of you want to comment on my comment, you're welcome to. I want to come back to this comment that there's a lot of misinformation out there, which we hear all the time. I have some quotes here: farmers and physicians won't be affected by this, and small business owners won't be affected; only those making $150,000 will be affected. Bill Morneau made those comments. Then as we all know, the Prime Minister, in the election campaign, was quoted as saying that small businesses are nothing more than simply tax writeoffs.

Is there any wonder there's anger out there? Is there any wonder there's misinformation out there when we hear these kinds of comments? Then there's someone else in the room who recently said, “Whoever drafted [that proposal] doesn’t have a clue about the amount of effort that goes into being a small business or how it’s established.”

I'd just like to know if anyone would like to make a comment on this continued wording that's used by the government about how somehow we're all misinformed, that we don't know what's going on, that it knows what's going on, but we're all misinformed out here.

Dan, kick it off.

Voices: Oh, oh!

● (1825)

Mr. Daniel Kelly: Thank you for the soft lob.

The Chair: Let's make it quick.

Mr. Daniel Kelly: I'll be very quick.

I think the dialogue would be enhanced significantly if we heard from the Minister of Finance or even the Minister of Small Business, that they now understand that these proposals will affect middle-income business owners and they are not prepared to allow that to happen.

Mr. Ron Liepert: That's a good start.

Mr. Daniel Kelly: I think that would be a terrific start.

I also think it would be fair if we heard from the Minister of Finance or the Minister of Small Business and they said that, if there are instances raised with them where the rate of taxation on small business would be higher than that of other Canadians, they're not going to let that happen.

I further would suggest—and I've been thinking about this but haven't said this publicly—that if the minister is clear and sincere that businesses under $150,000 will not be affected by any of the three proposals, I'd like him to issue through a ministerial directive to the CRA, which is in the power of the minister of CRA's hands, to say that it will give a "get out of CRA jail free" card to any business owner who has under $150,000 a year in income.

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

Ms. O'Connell, you have three minutes.

Ms. Jennifer O'Connell: I have other questions, but I'll only have time for one.

Portia and Mark, my question is really in terms of agriculture. I know in the near term the labour shortage is pressing. Long term, how do we encourage more people to take up farming, particularly in college and university?

Not in my riding but close by, I have the University of Ontario Institute of Technology and Durham College. They're trying to become leaders in agriculture, hopefully, to promote future generations. Again, I get that your presentation was focused on your top priorities, but is there anything you can recommend to try to encourage the partnerships through colleges and universities to really encourage the future generations, not only in technology but workforce as well?

Mr. Mark Wales: CADAP has been a board member of CAHRC since its founding in 2006, as a non-voting member. We really need to get the word out that there are some really good jobs in agriculture. It's not what people traditionally think. There are some very high-tech jobs. I was going to make the comment about the 18- to 24-year-olds we're trying to encourage. Oftentimes, with the technology we have, they're the only ones who know how to make it work. You may have a great GPS unit, but your 18- to 24-year-old is the one who actually has to set it up for you.

With the huge expansion of the greenhouse industry, there are some very high-tech jobs there as well. Working in a greenhouse year-round is a great place to be. As the food industry grows in its complexity, there's a real need to have well-trained people. We just need to get the word out that there are all kinds of jobs.

Canada has a huge opportunity going forward. We're one of only six countries in the world, going forward, that are net exporters of food, and that's not going to change anytime soon. The world population's jumping up probably to over nine billion shortly. The opportunity is there.

Certainly, the budget this year and the Barton report clearly identified the opportunities, but we need to get the word out. I mean, a farm's a great place to work. It's a great place to raise a family.

We need to get past these small business tax changes because being able to transfer that family farm from one generation to the next to the next is part of our history. We need to keep that going, and we need to make sure it's not an advantage to sell to somebody not related to you rather than your own children. That's fundamentally wrong.

Thank you.

● (1830)

The Chair: Thank you.

Ms. Reynolds, you had a point you wanted to make, maybe from a question raised earlier.

Ms. Joyce Reynolds: Yes, Mr. Chair, thank you. I didn't want to miss that opportunity.

In a way, Dan stole my thunder, because what we are concerned about is the cumulative effect of a lot of new taxes on our industry. Of a restaurant's costs, more than 30% is for labour, and that's where the biggest pressures are. A lot of them are coming from the provincial level, as he mentioned. We really pride ourselves on being the number one first job provider in this country. We think those first jobs are really under threat, given the cost pressures.

The restaurant business cannot adjust to a 32% increase in labour costs in 18 months. If you look at the margins of 3.4% in Ontario, for instance, and you do the math, you realize that there are going to be an awful lot of casualties as a result of that, business casualties but also workers who will lose their jobs and won't be able to find jobs.

We're appealing to the federal government to assist us in ensuring that we can continue to provide youth jobs. The youth hires program that was part of the Liberal election platform would be a great place to start, but I would say that labour cost pressures.... One of the things that people often say is, "You just have to raise your prices; it's as simple as that." If it were as simple as that, why would we have razor-thin profit margins? We would just raise our prices so that we would have higher margins, but it's not possible to do so.

Thank you for the opportunity to provide my feedback on our number one priority.

The Chair: Ms. O'Reilly, go ahead.

Dr. Roseann O'Reilly Runte: I just wanted to tell the honourable Ms. O'Connell that helping the Canada Foundation for Innovation helps agriculture as well. Right now, we have more than 328 projects worth $130 million invested in improving agriculture across the country, young people in the labs, and faculty doing research trying to improve the industry.

The Chair: That's a very good point and a good high note to end on.

With that, I again thank the witnesses for their presentations and their directness. That's what we're here for.

The meeting is adjourned.

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