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Chair

The Honourable Wayne Easter

Standing Committee on Finance

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● (1535)

[*English*]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): I call the meeting to order. This meeting is held pursuant to Standing Order 83.1, pre-budget consultations in advance of the 2018 budget.

Welcome. I want to thank all the witnesses for appearing today, and also to thank those who were able to provide us with more substantive submissions prior to the August deadline. They are on our iPads. They've all been gone through, so you will see members from time to time looking at their iPads to see if you're saying the same thing today as you said then. However, I am aware that there are some issues that have emerged since August that are of concern to some people.

We will try to hold the witnesses to five-minute comments. We do have to suspend this session at 4:45 p.m., so that we can get the second panel done prior to votes tonight.

Again, I welcome all. We'll start with the Association of Canadian Publishers. We have Mr. Rollans who is the president, and Ms. Edwards who is the executive director.

Welcome, the floor is yours.

Ms. Kate Edwards (Executive Director, Association of Canadian Publishers): Thank you, Mr. Chair, and members of the committee. My name is Kate Edwards, and I serve as executive director of the Association of Canadian Publishers. I'm joined by Glenn Rollans, ACP president and co-owner of Brush Education, an independent publishing firm based in Edmonton. Together, we acknowledge that we're meeting today on the unceded traditional lands of the Algonquin Anishinabe people.

ACP represents 115 Canadian-owned, English-language book publishers active in trade, children's, literary, scholarly, and educational publishing. Our members are independent businesses, and operate in communities from coast to coast. We publish books that serve local and regional interests, and also those with broad appeal that reach audiences across Canada and around the world. Although our market has changed rapidly over the past decade, our members continue to adapt to technological change, and now produce books in a full range of digital formats in addition to print and audio. Canadian-owned publishing firms are responsible for roughly 80% of the new books published by Canadian authors each year.

Our industry's success has been made possible in part by strategic investment on the part of the Government of Canada, for which we are grateful. The support of the Canada book fund, a program of the Department of Canadian Heritage, remains essential to the health of a competitive domestic book publishing industry. The fund has been instrumental in stimulating independent publishers' successful transition to digital, and their continued pursuit of export markets. Its programs are well-administered and results-oriented, providing strong economic returns and high cultural value. The fund's annual budget has remained at $39.1 million since 2001.

This committee recognized the need for new investment during last year's pre-budget consultation, when it recommended to Parliament that the fund be increased. However, budget 2017 did not include an increase, so ACP maintains its recommendation that the annual budget of the Canada book fund be increased by $15 million per year, to a total of $54 million.

Mr. Glenn Rollans (President, Association of Canadian Publishers): Thank you, Mr. Chair, and members of the committee. Thank you, in particular, for arranging for us to meet here, under the spirit of the printed word, which rises behind you there, Mr. Chair.

Books have an important role among other media. They are authoritative, prestigious, long form, and intended to last. Because of those things, they have a unique role in our culture and our communities, and among our cultural exports, whether in print or digital form.

Books matter in ways that are unique to books. Canadian priorities matter to Canadian-owned publishers in ways they will never matter to foreign-owned publishers. Independent Canadian-owned publishers cope with structural challenges, in particular a marketplace defined by foreign-owned, multinational companies that enjoy huge economies of scale. We've also had to cope with serious losses to our industry caused directly, although inadvertently, by the Copyright Modernization Act of 2012.

The Canada book fund functions as an amplifier of our success in that intensely competitive, difficult environment. The fund is essential to the capacity of businesses such as mine to take risks and make investments in this arena, where we, for example, are the only independent Canadian book publisher specializing in medicine and health professions.

The Canada book fund has been supported by successive governments over a period of decades. That's because all those governments have understood and supported the role of Canadian-published books in building our communities, in understanding ourselves and our times, in education, and in our economy. They have also understood and supported the role played by Canadian-published books in bringing Canada to the world. Broadly speaking, our goals for our sector are your goals for our sector.

During a period of huge challenges and change for our sector, the Canada book fund has remained stuck. Its value has declined by more than 30% since 2001. Your investment in your goals for our sector has declined by more than 30% over that period. Our proposed increase in the Canada book fund from $39.1 million to $54 million is long overdue. It would pay off in strengthening Canadian artists' presence in digital media, in increased export earnings, and in employment and tax revenues. It would strengthen Canadian communities and Canadian education. It would enable our members, including my company and me, to do a better job for Canada.

Thank you. I look forward to any questions you might have.

The Chair: Thank you very much.

Next is the Association of Canadian Financial Officers, with Mr. Richard, president, and Mr. Chamberlain, director of labour relations. The floor is yours.

Mr. Dany Richard (President, Association of Canadian Financial Officers): Good afternoon. Thank you for this opportunity to present on behalf of ACFO. We are North America's largest union exclusively representing accountants, comptrollers, auditors, and financial professionals. We're speaking today on behalf of more than 4,600 dedicated federal public servants.

This committee has been tasked with finding ways to make Canadians and Canadian businesses more productive and competitive. As you prepare recommendations for the federal budget, I urge you to remember that our productive, world-class public service represents a tremendous competitive advantage for Canada. A recent study out of the U.K. confirmed this fact. Canada's public service generally and our financial management professionals specifically are among the world's best.

Maintaining our place among the world's best will require work. Canadians and Canadian businesses rely on quality and professional public services to be productive and competitive. The services we deliver and the resources we provide serve as a critical foundation upon which the economy is built. The renewal of the institutions that deliver those services has to be done right.

Too often that important renewal work is taken out of the hands of the people best placed to do it. Too often governments rely on consultants rather than listening to the people who know the system best. In the particular case of financial management and accountability, this too often means hiring multinational firms that spend the bulk of their time actually advising clients on how to invest less in public services through aggressive tax planning and the abuse of costly loopholes.

This outsourcing also comes at incredible cost. In 2011, during the height of the previous government's strategic and operational review, the government was paying one such consulting firm $90,000 per day.

This government pledged in budget 2017 to undertake top-to-bottom reviews of three departments this year, with more reviews to follow. Last week, the President of the Treasury Board announced that this year's reviews will be done at Health Canada, Canada Border Services Agency, and the Canada School of Public Service. We are calling on the government to rely on its own in-house expertise for these reviews. With world-class capabilities in public service financial management and accountability at its fingertips, there's no reason to look outside.

That's why our recommendation is that the government rely on its own financial management professionals to develop the framework for these departmental reviews and to carry out the reviews. After all, the goal is to ensure that spending is aligned with priorities and programs that deliver results for Canadians. We understand public finance. We understand value for money. We understand the unique challenges and opportunities of working in the public sector. It's not a conflict to engage my community in departmental reviews; in fact, it's what we exist to do. My job as an accountant in the public service is to give non-partisan, unbiased advice to the minister on how to best execute the mandate.

These reviews could be coordinated by the office of the comptroller general and carried out by the auditors and financial officers in each department. Their reports would then go to the minister's office or even to the operations and estimates committee for greater transparency and accountability. This model could be subject to impartial review by the Auditor General for additional accountability.

Why outsource to consultants and contractors whose job is to make sure they win their next contract? Why hand over the keys to profit-driven companies not bound by the same integrity and accountability rules as public servants? Why pay $90,000 per day for advice that is better provided by people you're already paying? Instead, turn to experts in public finance and accountability. Turn to the people who have committed to serving the Canadian public and will have signed an oath to do just that.

Acting on this simple recommendation will also have a bigger benefit. The legacy of downsizing and outsourcing has led to an over-reliance on expensive consultants, contract employees, and a part-time workforce. In this era of precarious work, the public service should be a model employer setting an example for others, not a participant in the race to the bottom.

This government has promised to restore respect for the public service. The repeal of anti-labour legislation and the respect shown for basic bargaining rights have been an important first step. Now it's time to reinvest in our capacity to serve Canadians. This recommendation will do that.

Our reputation around the world is good, but unless we invest in our own capacity, that reputation is at risk. Using public servants to carry out departmental reviews will send a strong message to the public service and to Canadians about the value of the institutions we all rely on. Invest in this competitive advantage and ensure that all Canadians can rely on quality public services as they make their own contributions to our economy.

● (1540)

As you can see from our written brief, we've made additional recommendations around financial reporting and ways to extend this government's commitment to tax fairness. I'm happy to answer any questions about any of our recommendations.

Merci.

The Chair: Thank you very much.

We will turn now to the Canadian Child Care Federation.

Mr. Giesbrecht.

● (1545)

Mr. Don Giesbrecht (Chief Executive Officer, Canadian Child Care Federation): Good afternoon to everyone. Mr. Chair and committee members, I thank you on behalf of the Canadian Child Care Federation, Canada's child care and early learning sector, for the opportunity to present to all of you today on how increased federal child care investment measures would help Canadians and Canadian businesses be more productive and competitive, and more specifically help women in their employment, productivity, economic security, and equality.

The reality for today's Canadian families requires that they have access to high-quality, affordable, inclusive, and accessible child care. It is a key economic element for the majority of Canadian families, including the middle class, and for our economy overall. Importantly, however, the economic benefit of child care is not just for the families of today but for the well-being of children in the future and of the contributions that Canada's early childhood workforce makes in the present.

For Canada's workforce and talent to thrive, the federal government must significantly increase its already allocated spending on child care, as outlined in our submitted brief, and accompany that increase with an expanded and more detailed evidence-based policy framework, with the goal of making high-quality child care fully accessible to all families and inclusive of all children in every part of Canada over the next decade. This will significantly support Canadians, but even more specifically women, in their employment, productivity, economic security, and equality.

Adding to our previously submitted brief outlining the work of the IMF on the economic impact and value of women's ability to enter into and stay in the workforce when child care is available, I draw your attention to data gathered and analyzed from Canada's own Pierre Fortin, using real-time data from the province of Quebec's child care system. Women's workforce participation increased significantly in Quebec in conjunction with the child care system in that province. Between 1997 and 2015, the labour force participation rate of women in Quebec increased from approximately 77% to 85%. This resulted in a net economic gain of 75¢ per dollar on top of each public dollar invested into the Quebec child care system.

Public opinion support for child care and its value for families, children, and the economy are further supported in the Manitoba Child Care Association's and Probe Research's public polling of Manitoba's opinions on the issue of child care. While of course Manitoba-specific, it closely mirrors the report's first-hand experiences and the continued systemic issues that are commonly discussed in the media and most certainly reported from our members across Canada. This research, done in the fall of 2016, found that a significant percentage of Manitobans have turned down jobs, delayed returning to work, or declined an educational opportunity because of the lack of available child care spaces.

Specifically, the lack of available child care has impacted upon Manitoba's families as follows: 30% report turning down a job; 41% have delayed returning to work; and 24% have declined an educational opportunity. As for businesses, a majority of Manitoba business leaders, 76%, in fact, say that the lack of child care in Manitoba is a serious issue, with 49% reporting that they have experienced difficulty finding skilled employees for reasons related to child care issues.

The child care sector is of course an employer as well as a service provider for families and children. A well thought-out workforce strategy specific to the child care sector will put people to work, supporting those who are also working and going to school. This fact should not be lost, as the child care workforce is the key to quality, and to be clear, child care and early learning must be of the highest quality, built on evidence and best practice.

This is not about creating child care that goes to the lowest bidder or is left to chance; it must be purposely planned. Canada's child care sector has long been known for its low wages and for recruitment and retention issues. Contributing to the economy in this primarily female-dominated profession contributes not only to the economic security of the families it serves, but also of those who work in it. If we are to value children and their well-being, the women and men who provide early years education and care for Canada's youngest citizens are integral to its purposeful planning and to contributing to a robust economy.

As an organization we are committed to working with the federal government to make early learning and child care a priority in this country. Our organization, along with its 13 provincial and territorial affiliates and national partners, brings invaluable expertise, commitment, and connections to the grassroots of child care services, children, families, and the sector.

We are pleased to put forward ideas for consideration on a number of ways the federal government can support and expand its existing commitments to quality child care, a key component of a productive and prosperous future for our country.

● (1550)

The Chair: Thank you very much.

Turning to the Canadian Dental Association, we have Mr. Levin, president, and Mr. Desjardins, director of public affairs.

Welcome.

Mr. Larry Levin (President, Canadian Dental Association): Thank you, Mr. Chair and members of the committee. Good afternoon, everyone. It's my pleasure to present to you, as you continue your pre-budget consultations.

The Canadian Dental Association is the national voice of dentistry, representing the profession and the 18,000 practising dentists in Canada, most of whom operate as small businesses, employing approximately 100,000 people and investing in their communities all across Canada.

Obviously, the discussion around the proposed changes to the Income Tax Act with regard to the Canadian-controlled private corporations provides added context in which these hearings occur. Our preference in appearing before you would have been to begin a discussion on federal leadership in funding targeted oral health programs for vulnerable populations, or to discuss increased long-term investment in programs such as the children's oral health initiative, which provides preventative oral health care for indigenous children. However, given the importance of the tax issue, I would like to spend some time discussing it.

In the CDA's pre-budget submission, we raised our concerns about the process and timeline to examine small business tax changes. At that time, we had only begun our internal discussions on that matter. Given the short timeline, with the October 2 deadline for submissions on the tax process only a few days away, we continue to consult with our members and other small business organizations to better understand the implications and the unintended consequences.

We know that these changes to tax policy will be far reaching, but the implications remain unclear and require more study. The government's discussion paper, released in July of this year, is a highly technical document. It is multi-faceted with multiple proposals. To effectively understand it's implications, more time is required on such a complex matter.

One of the biggest problems it creates is uncertainty, which is not helpful in a small business environment. Dental practices are like other small businesses. They provide middle-class jobs for tens of thousands of Canadians. They purchase supplies and equipment from Canadian suppliers. They're strong contributors to the economy, both locally and nationally. Most importantly, dental practices are like mini hospitals, requiring significant expenditures on capital equipment. Thus, like many other small businesses, the proposed tax changes could have a fundamental impact on how dental offices are established, how they're managed, and how they're staffed.

It is our view that the government's proposal takes too narrow a view of the impacts, without examining the deeper social or economic effects of such changes on small businesses and their employees. A 75-day consultation period is simply not sufficient time to properly analyze, consider the implications, and engage meaningfully with the government on these changes.

Moreover, we are concerned that some of the measures put forward in the proposal earlier this summer may make their way into the budget legislation. Including profound tax policy changes within a budget implementation bill will not allow the Standing Committee on Finance to adequately perform its duties to review the legislation, nor will it allow stakeholders to be properly consulted. We know that the committee is holding separate hearings to study these measures, and we hope those discussions will lead the government to re-evaluate its approach.

We know that the questions involved are complex and deserve an appropriate amount of study. The Canadian Dental Association would strongly recommend that the government establish a new process to allow for a more fulsome consideration of the implications of these wide-ranging proposals.

Thank you very much for your attention.

● (1555)

The Chair: Thank you, Mr. Levin. I expect that you may get some questions in that area later.

From the Centre for Israel and Jewish Affairs, we have Mr. Shack.

Mr. Noah Shack (Director of Policy, Centre for Israel and Jewish Affairs): Thank you, Chair. I'm grateful for the opportunity to speak to the members of this committee on behalf of the Centre for Israel and Jewish Affairs, the advocacy agent of the Jewish Federations of Canada. We're a national, non-partisan, non-profit organization representing more than 150,000 Jewish Canadians affiliated through local federations across Canada.

I'd like to quickly highlight six items for your consideration.

The first is security infrastructure. The federal security infrastructure program, or SIP, assists communities at risk of hate-motivated crime to improve their security infrastructure, sending a clear signal that victims need not shoulder the burden alone.

We welcomed the increase in funding for the SIP in the 2017 budget. Increased funding, combined with support for internal security measures and access controls, should make a valuable contribution to the security and well-being of vulnerable groups; however, additional funding is required to further modernize the program and maximize its effectiveness. I'd be happy to provide concrete examples in the Q and A.

The second item I'd like to highlight is affordable housing. We welcomed the commitment to support affordable housing in the 2017 budget; however, the housing needs of Canadians with disabilities are still often overlooked as governments tackle the broader challenges of poverty.

This is particularly acute for Canadians with developmental disabilities. Statistics Canada reports that the employment rate is 49% for Canadians with disabilities and 22.3% for those with developmental disabilities, compared with 79% for the rest of the population. Of adults with developmental disabilities, 90% live in poverty, and 18% to 30% of homeless individuals have a developmental disability.

There's a 40-year wait-list in Ontario right now for affordable housing with supports for those with developmental disabilities. We recommend that the 2018 budget include a set allocation of affordable housing funds for people with disabilities. This should include 5% of total affordable housing spending being directed to specifically support people with developmental disabilities, which will be a game-changer.

The third item I'd like to highlight is palliative care. High-quality palliative care services are currently accessible to fewer than 30% of Canadians. Even where appropriate palliative care policies and procedures are in place, there's often a lack of resources, training, and access that limits the provision of care. We hope the 2018 federal budget will address this shortfall.

The fourth item is charitable giving. Deductions for charitable gifts were previously tied to the lowest and highest personal income tax rates, for donations below and above $200 respectively. We welcome the increase in charitable tax credits for those with income exceeding $200,000 to the level of the new top personal tax rate of 33%; however, we believe the tax credit for charitable gifts should be raised to the new top tax rate, 33%, for all Canadians, regardless of their income, even if this new rate is applied to donations of another benchmark: higher than $200. This would ensure that all Canadians enjoy the same benefits from giving charitably, helping to grow the important charitable sector of Canada's economy and society.

The fifth item I'd like to highlight is combatting hatred. The June 2017 Statistics Canada hate crime report confirmed that Jews remain the most targeted religious minority in Canada. To combat hate targeting a wide array of identifiable groups, the 2018 budget should provide support for the development of dedicated police hate crime units. Additionally, the budget should include funding for a national education campaign for police, prosecutors, and the public about the dangers of hate speech so that it's taken seriously in every instance.

The last item I'd like to raise is green infrastructure for community institutions. The Jewish community, like many other communities across Canada, recognizes the imperative of ensuring a sustainable future. Government can help encourage a significant reduction in our collective ecological footprint by providing support for green communal infrastructure, such as incentives for green renovation or building of community centres and houses of worship. These institutions, often housing charitable organizations of limited means, in many cases lack the financial capacity to choose a more expensive green option. Incentives of this kind would help to tip the scales and encourage a more environmentally conscious approach.

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

The Chair: You have our appreciation, Mr. Shack.

Next is the National Airlines Council of Canada, Mr. Bergamini.

Mr. Massimo Bergamini (President and Chief Executive Officer, National Airlines Council of Canada): Good afternoon, Mr. Chair and members of the committee.

[*Translation*]

My name is Massimo Bergamini, and I am president and CEO of the National Airlines Council of Canada.

I want to thank you for the opportunity to appear today to provide my organization's perspective on the upcoming federal budget.

The National Airlines Council of Canada was created in 2008 by Canada's four largest airlines—Air Canada, Air Transat, WestJet and Jazz.

● (1600)

[*English*]

Our members carry more than 92% of Canada’s domestic air traffic and 65% of its international air traffic, and they employ over 50,000 Canadians directly and contribute to an additional 400,000 jobs in related sectors, such as aerospace and tourism. Those are significant statistics, which reflect the role that a strong, competitive aviation industry plays in ensuring Canada’s economic prosperity. Today in Canada, commercial aviation has become the only practical way for millions to travel, to be with family, for work, or simply to explore our vast country. And travel they do.

According to Statistics Canada, the total number of passengers emplaned and deplaned in Canada increased by some 30% between 2008 and 2016. The era of elite jetsetters is long past. For Canadians, flying is now part of daily life and the lifeblood of an open, diverse, and geographically dispersed society. The 2016 Canada Transportation Act review, also known as the Emerson report, recognized this in its detailed aviation chapter.

Beyond the numbers, we cannot lose sight of the fact that air transportation is first and foremost about people. As people now book flights as readily as they drive cars, air travel has become the domain of the middle class, not the one per cent. Commercial air travel is not a luxury in Canada, yet Canada's current policy framework treats it that way.

Our current system fails to recognize that air transportation serves both individual air travellers and the country's larger social and economic interests. Adding costs to air travel in the form of airport rents, fuel taxes, security fees, and now likely a carbon tax, stifles our global competitiveness and penalizes the people whom air transportation is meant to serve. Given the demographics of air travel today, let's call it what it is, another set of taxes on the middle class.

The Emerson report recognized how mounting fees and charges, as well as delays in security screening, affect travellers and the efficiency of the industry. It recommended phasing out airport rents, reforming the user-pay policy for air transport, and putting in place regulated performance standards for security screening. We urge your committee to recommend that the Government of Canada support the key competitiveness proposals of the Emerson report and put in place multi-year financial commitments starting in next year's federal fiscal framework.

[*Translation*]

I would now like to add a few words about for-profit airport privatization.

First of all, to be clear, we are not opposed to for-profit airport privatization on ideological grounds. Our concerns stem from our understanding of the international experience.

Australia, a country with a similar geography and population density, has tried airport privatization, and their experience is instructive.

[*English*]

As the Australian consumer protection agency reported this spring, privatization resulted in massive increases in costs for airlines and travellers alike. Since their transfer to not-for-profit airport authorities in the 1990s, Canadian airports have successfully leveraged billions of dollars in user-generated revenues to grow into successful global transportation hubs recognized as the most efficient in the world. Adopting a business model that puts profit first risks damaging these hubs, hurting travellers, communities, and regions.

Under this model, protecting travellers would require strict regulatory controls on the ability of the privatized airports to set rates and fees, as well as the mandating of strong service standards. This, of course, creates a catch-22 for government, as strict regulatory consumer protection would reduce the value of these assets in the marketplace.

This is why our organization has urged Finance Canada to make public the market surveys that it has on this matter as well as the economic models it is using to arrive at an optimal regulatory framework. The discussion around airport privatization should be done in public and with all of the relevant data available for scrutiny. The stakes are too high for travellers, for airlines, for communities, and for Canada to follow any other course.

[*Translation*]

Thank you.

[*English*]

The Chair: Thank you very much.

Next is the Retail Council of Canada. Mr. Littler, welcome.

Mr. Karl Littler (Vice-President, Public Affairs, Retail Council of Canada): Thank you, Mr. Chairman, for the opportunity to provide a retail industry perspective in your pre-budget deliberations.

The Retail Council of Canada is engaged on several key files before the government and before Parliament, among them the NAFTA renegotiations and the Canadian payments system. I have had the opportunity to speak to this committee previously about de minimis and interchange rates and would be happy to answer any questions on those, but will focus my remarks today on another matter of concern to our industry.

This being the season of hotly debated tax issues, I want to address a matter arising under the Income Tax Act. That is not the taxation of Canadian-controlled private corporations, but another proposed change that would negatively affect a very different demographic, namely our industry's two million employees.

Since time immemorial the retail industry has provided discounts to its employees, as have restaurants, travel and hospitality, and many other businesses. I can't speak for the other sectors, but these discounts are nearly ubiquitous in retail, whether in general merchandise, grocery, pharmacy, or fashion. For almost as long, the Income Tax Act has not treated these discounts as taxable benefits unless they provide merchandise below wholesale cost or involve reciprocal discounts beyond the employee's own employer. Not only is this rule well understood, but it forms a part of the Canada Revenue Agency's own employers' guide, of which I have attached the relevant sections to the written remarks that you have before you.

More recently, however, CRA has developed what is called a "folio", which is one way that CRA raises pending changes to its approach. That folio section, which you also have in front of you on the same page, contains a very different interpretation of the Income Tax Act, which would begin to treat employee discounts as taxable benefits come January 1. Initially we thought this might be a typo, and we flagged the inconsistency for CRA. But no, it turns out the CRA does intend to change its long-standing practice in just over three months' time.

How the Income Tax Act, which remains unchanged, can support two opposite interpretations is hard for us to comprehend. What we do know is that the law doesn't simply invert itself without legislative change. Either the long-standing interpretation was correct at the outset but has now drifted to the point of being unrecognizable or a decision has been made that the law was wrongly interpreted from the get-go, which surely requires more consultation, discussion, and debate than simply repurposing the rule in a CRA folio. What is also certain is the negative impact this will have on almost two million retail industry employees and, one imagines, hundreds of thousands if not more employees in other sectors.

For workers of typically modest incomes, these discounts are indeed small perks of the job. Of course, most industries offer some non-taxable perks, be they language training, education, public transit passes, social events, workplace refreshments, and the list goes on. All of these have some notional value, but the government has not seen fit to include them in income.

Why, then, would the government want to abandon its long-standing practice and start to tax a store employee for a 20% discount on a pair of jeans, or a restaurant worker coming off shift for a meal at the end of the night? If these benefits were truly substantial additions to income, that could perhaps be understood, but they are typically of small value in each instance and even over the course of the year. To be taxed on these will reduce income for front-line workers, or they will be forgone altogether to avoid the tax consequences.

The second problem will be an administrative nightmare for retail and other employers. Once the benefit becomes taxable, its value will have to be tracked over an entire workforce and over a large number of low-value transactions. Then there's the question of fair market value. Is it this week's sale price, last week's regular price, or a competitor's price? Does it matter whether a coupon or loyalty points could have been used? And so on. The system works effectively now because employers know to keep the discount at a level above the employer's own cost, so that tracking is not required. You add, then, another complex and in our view needless compliance burden.

However, mainly our concern is with our employee impact. In an industry with low margins but high turnover, these employee discounts are one way to provide a small reward to employees and to engender staff loyalty and attachment to the workplace. We can't help but think that there are other issues of far greater concern than capturing employee discounts in the income tax system.

If the government does not step in to correct this problem, then that is exactly what is going to happen several months before the next budget on which you are deliberating.

Thank you.

● (1605)

The Chair: Thank you, Mr. Littler.

I can't help but shake my head at this one, to be honest with you. In any event, we'll get to it.

We'll start with questions. We have to be tight. We'll go to five-minute rounds.

Mr. Sorbara.

● (1610)

Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.): Thank you, Mr. Chair, and welcome to everyone.

I'll start with the Association of Canadian Publishers.

My question concerns our commitment to the Canada Council for the Arts for funding to the $360-million level by a certain year. I want your feedback on how transformative that is for the Canadian arts community, please.

Mr. Glenn Rollans: Briefly, we're tremendously grateful for that increased investment in the arts. I think the Canada Council for the Arts plays an irreplaceable role in the arts generally. Many of our members benefit from the support for publishing and writing that comes through the council.

The quick description that I would give of the difference between what we're talking about today in the Canada book fund and the Canada Council for the Arts is that the CCA is a support for creation and the CBF is a support for dissemination. Canadian book publishers are equivalent to film producers. We build creative teams and create products, bring them to their audiences, and hopefully bring back enough money to do the same process again over and over. Those two pieces work in very complementary ways, and they're both really important to our members.

Mr. Francesco Sorbara: Thank you.

I'll go to the Association of Canadian Financial Officers on the recommendation on modernizing stock option deductions and the way we treat them.

Has your organization looked at the differential between a public company having a stock option and a private company that is not generating a lot of cash flow but gives its employees equity stakes, or as you would call them, options, from which they may benefit later on?

In my background I have read about that. I wonder whether you folks have looked at this at all.

Mr. Dany Richard: We haven't looked at it, no.

Mr. Francesco Sorbara: My next question is for the National Airlines Council of Canada. Could you quickly comment on—you alluded to it—the Australian experience for the consumer with respect to the airport privatizations that have occurred in Australia?

Mr. Massimo Bergamini: Yes. Thank you very much.

One reason we speak about Australia is due to the striking similarities with Canada in terms of territory and population density. Our understanding is that in their system they are operating under what they call literally a “soft touch” regulation regime that over the last 10 years has, according to the Australian consumer protection agency, resulted in increases in fees for both passengers and airlines of $1.6 billion Australian.

We've had the opportunity to discuss this with some of our counterparts in Australia, and they suggest to us that Canada should not jump headfirst into this process without meaningful and open evaluation of all the options.

Mr. Francesco Sorbara: Thank you, sir.

Mr. Littler, thank you for coming. It's great to see you again.

You provided a comment today on the potential discounts for somebody working in retail or at a restaurant—getting 10% or 5% off an item—and having it declared a taxable benefit. To be blunt, this is the first I've heard of this. I'm surprised and maybe, if I can use the word, at first glance and without reading all the information a little disappointed. I'd like to get some more information from you on that, if we could take it off to the next part. Thank you for raising that issue with us.

Thank you, Chair. I'm done.

The Chair: We're doing well.

Mr. Albas, you have five minutes.

Mr. Dan Albas (Central Okanagan—Similkameen—Nicola, CPC): I want to thank all our witnesses for coming here today and helping to educate us on where you think Canada needs to go in the next budget.

I'll start with the Retail Council. Sir, thank you very much for your briefing note.

It's usually small retailers, I'd say, the smaller operations, that are hit the hardest when it comes to compliance. Is that the case?

Mr. Karl Littler: I think the challenge for smaller retailers is that they are everything from head chef to bottle washer, in a sense. They have so many hats to wear, and there is a great deal of regulation—federal, provincial, municipal, and so on. Compliance is more of a challenge if you are investing, marketing, being the HR person, and so on; even when you grow a little bigger than that, it's a much greater challenge. Larger entities—we have a lot of large public companies as members—also face compliance challenges, but they tend to be able to have in-house expertise or at least retain expertise to deal with it.

● (1615)

Mr. Dan Albas: Yesterday we had the Macdonald-Laurier Institute, and a gentleman, Mr. Cross mentioned that it seems that there is a growing change in the climate. When you add up federal, provincial, and local government requirements on the business community, it's getting tougher and tougher.

Let me ask you this question. Is it also a great environment right now for large retail operations like Target?

Mr. Karl Littler: Sure—

Mr. Dan Albas: Oh wait. Target left. Okay then, Sears. I guess Sears is having problems, so even for the big retailers to be able to handle these kinds of regulations right now, it's probably not sending the right signal. Is that correct?

Mr. Karl Littler: That's right. I want to be clear. The reports of retail's death are much exaggerated. Retail grew in this country last year. Our retail employment is actually holding steady. In fact, full-time retail employment has increased in this country, but it is a very disruptive period.

Obviously the difficulties with managing shrinking exchange rates are part of that. There is a significant challenge operating domestically because of shipments of inbound parcels, so there are quite a number....

Certainly, retail feels the effects of a lot of regulation. We are involved in huge stewardship programs that cost billions of dollars for life cycle management of product. I'm not saying that they are not virtuous, but there are a great many cumulatively.

Mr. Dan Albas: Thank you.

In regard to this, have you met with CRA on the folio? Have you heard anything from either the commissioner or his staff? Have you heard anything from the Minister of National Revenue or her staff?

Mr. Karl Littler: We have had conversations with an assistant commissioner. This was originally brought up in a relatively low-bridge way, should I say. We put in a submission initially to say, “Hey, you have a dissonance between your employers' guide and your folio.” Frankly, that received a pro forma response. More recently, we, and also Canadian human resources professionals who would have to think about this as a trackable benefit, have made some overtures. The response has frankly been slow and indefinite.

We've also approached the Department of Finance, because ultimately, it is the purview of the Minister of Finance to propose legislation pertaining to the Income Tax Act, even though the interpretation lies with the CRA.

Mr. Dan Albas: Thank you very much.

I would like to go to the National Airlines Council.

Sir, do you know that the current privatization...? Again, technically, most of these airports are already privatized. It's just that they've gone to a governance shift where their governance is being done by a not-for-profit level. Is that correct?

Mr. Massimo Bergamini: Correct.

Mr. Dan Albas: Have you heard of any people who have stopped investing in airports or perhaps in expansion program projects right now because they're not sure of what the future holds?

Mr. Massimo Bergamini: We haven't heard that that kind of uncertainty has caused a chill in terms of the development of airports. What we do know is that it has brought to a stop meaningful discussion on fixes to the current governance system , which frankly is broken. It's more of a public policy chill that has been caused within the Government of Canada as a result of this. One of the victims of this initiative is progress in moving towards a more progressive governance system for our airports.

Mr. Dan Albas: Thank you very much.

The Chair: We'll have to go to Mr. Dusseault.

[*Translation*]

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

I would also like to thank all our witnesses for being here today.

I will start off with Mr. Littler, from the Retail Council of Canada.

I would like to hear your opinion in anticipation of the next budget, the 2018 budget, about the challenges facing retailers such as the ones we know, the most traditional ones, established in our streets, at home in Sherbrooke or elsewhere in Canada. In fact, merchants tell me about the competition from e-commerce, not only because the tax rules differ—not to mention taxes because they are foreign companies engaging in e-commerce—but also in terms of parcel delivery. One of my constituents, who is president of the Sherbrooke Chamber of Commerce, often gives the example of a product from China delivered to his neighbour. It would cost him more to send the same parcel to his neighbour, at the same address, from his house.

Do you think there is a serious problem with retail? Do you think we should be interested in this situation? How should we address this situation in the next budget?

● (1620)

[*English*]

Mr. Karl Littler: Thank you.

We are very concerned about unlevel playing fields developing in the online space relative to domestic sales. By that I'm not trying to create it as a bricks and mortar versus online thing. There are a great many companies that are operating “.ca” sites in Canada that are also very big contributors and current investors in the Canadian economy. We have spoken before about the de minimis rate and urge this committee and the government not to create an incentive for Canadians to show up literally anywhere else but Canada. Obviously, that is a stance we've taken in the current round of NAFTA renegotiations.

There are a multitude of other challenges. Frankly, there are postal rates that were set back when China was a developing country. That's still obtained with respect to Canada Post. There are difficulties with the CBSA's enforcement of duty and tax collection rules on packages that are valued above the de minimis rate, but still in the $100 to $200 range and it's an extremely porous system that creates an advantage, and certain shippers and certain recipients know that the likelihood that tax or duties will be collected is relatively low. That is a problem in itself. The Province of Quebec has been really at the forefront of pushing back on this. I noticed that Peter Simons recently had something to say about that and I noticed that Mr. Péladeau of Quebecor had a fair bit to say about it in a broader context, so we think it's timely that this issue be discussed.

[*Translation*]

Mr. Pierre-Luc Dusseault: Indeed.

Since I don't have much time left, I will turn to the representatives from the Association of Canadian Financial Officers.

In your brief, you put a lot of emphasis on the fight against tax evasion, and you recommend a few ways to get everyone to pay their fair share of taxes. So far, are you satisfied with the only response from the government, which suggests allocating more resources to the Canada Revenue Agency? This isn't bad news in itself, but there are several other legislative responses.

Several flaws in the Income Tax Act should be corrected. Is this an approach you are considering? Would you recommend that the committee review the Income Tax Act from scratch? It is fine to allocate new resources to the Canada Revenue Agency, but when the problem is legal, there is nothing to be done.

Mr. Dany Richard: Yes, there are several flaws in the Income Tax Act, and there are many ways to correct them.

We are working with accountants, and they often come up against suspicious things. They find that this makes no sense, and they want us to do something about it.

Changing the act is one possible approach. We think investing in the resources and methods we already have is an excellent way to tackle the problem of tax evasion. It's something that comes up every year, and the amounts involved only keep increasing.

There are many ways to go about it but we think investing in the resources we already have is an important way to do that.

Mr. Pierre-Luc Dusseault: Thank you.

For the time I have left, I would like to turn to the representative from the Canadian Child Care Federation.

We are familiar with the Canada child benefit. Would you recommend a national daycare program instead?

The Canada child benefit helps to pay for daycare. However, in Quebec, the costs are rather low compared to those in other provinces, like Ontario. Do you think the Canada child benefit is satisfactory? Would you prefer to see a more ambitious program that would provide subsidized daycare spots across Canada?

[*English*]

Mr. Don Giesbrecht: It's not so much a national program as it is continuing down the path that I think the federal government has already started, to execute bilateral, but starting with a multilateral framework, which outlines the principles and policies of federal investment, then work on provincial and territorial and with indigenous communities to create bilateral agreements. I think it is very hard in a country as vast as Canada, given the fact that child care is a provincial and territorial responsibility, to enact something that everybody will agree to across this country. At the same time, a strong policy framework and more enhanced investment than what is happening right now certainly would be two ways to keep going forward.

The Chair: Thank you all.

We'll be turning to Mr. McLeod.

Mr. Michael McLeod (Northwest Territories, Lib.): My question is also for the Canadian Child Care Federation.

I really appreciated your presentation. I totally agree with the title of your presentation, “Accessible, Affordable Child Care: The Key to Helping Canadians and Canadian Businesses Be More Productive and Competitive”. I represent a riding with a large aboriginal population. I think that really applies well there.

In our aboriginal communities, we have many times the social problems that other Canadians are facing in the cities and their communities. We really need to recognize that, to deal with these issues, we have to be able to do more with aboriginal young families and young children.

We've had an aboriginal head start program that has been in the system for quite a few years now. It has not expanded, has not had new mandates, and really hasn't been resourced well over the years, yet there is a real need in our communities for early intervention with young pregnant mothers while the child is still in the womb. We need to make sure the babies are born healthy. We need to have parent outreach. We need to have people visiting the homes. We need to have a good health promotion campaign. We need to ensure that we focus on culture and language.

There are so many things that are out there that the aboriginal head start program doesn't have under its responsibilities yet. It should. I would like to see it expanded to an aboriginal head start and family resource centre, so that we can help to give the proper head start to our young children and families in all our aboriginal communities.

I'd like to know what you think about that whole concept. I've heard a lot of people bring it up, and I think it's a good one.

● (1625)

Mr. Don Giesbrecht: It's about holistic policy and family policy in this country, which we really don't have a lot of. We certainly have the Canada child benefit. Prior to that, we had the universal child care benefit. Now we have the federal government back at the table with dollars and policy with regard to children and families, but it's just a start. We need a lot more.

As the evidence shows, if you're going to invest in children and families, it's not something that's going to cost: it actually returns money back into the public coffers. It is good for children and good for families. I absolutely agree with what you said in terms of an approach, which is, very specifically, that indigenous communities have the opportunity to create programs and services that work for their citizens.

Mr. Michael McLeod: In your presentation, you mentioned that for 2018-19, $1 billion is being targeted for investment, yet in 2005 the Liberal government put in $5 billion.

There is a bit of a difference when it comes to different pockets of money being invested for aboriginal head start, say, which is situated in the Department of Health in an office where.... I'm not sure if they know it's still there, but it doesn't get a whole lot of attention. I really have to reach when I want to talk about aboriginal issues and aboriginal children under the aboriginal head start program.

We know we're being underfunded, with even less than we had in 2005. What would be the number to cover child care for indigenous and non-indigenous people, for everybody in the system, for the whole program and that responsibility...?

Mr. Don Giesbrecht: Ultimately, as we say in our brief, the federal government right now is committed to a 10-year funding plan of $7 billion in total funding by the end of the 10th year, and I believe that at that time around $800 million is going to go into the system.

The benchmark in the OECD is 1% of GDP. Our recommendation is that by the end of year 10, we should be at 1% of GDP, which will allow you to have a wide range of services and a well-funded system across this country.

The Chair: Mr. Kmiec.

Mr. Tom Kmiec (Calgary Shepard, CPC): I'm going to start my questions with Mr. Richard and Mr. Chamberlain.

In your pre-budget submission, recommendation number four deals with work to eliminate transfer mispricing. You mention the dollar figures involved and the potential tax revenue that could be generated for the government. It's interesting to see the comparison between the small business tax changes being proposed by the government and the opportunity the government would have to actually go after a real tax loophole, as opposed to a tax law as it is.

On this issue of international subsidiaries being used.... I mean, Morneau Shepell opened an office in the Bahamas. I have a news release here. They did it for their so-called international pension consulting business, which could easily been done out of their offices, obviously, in Toronto. With a phone and an international airport right nearby, you could just as easily go and do your business in South America.

In your proposal, you make a recommendation that this should be where the government focuses its time in order to generate more revenue in terms of “fairness”. Why do you think the government has chosen instead to go after small business owners with very limited means and typically no accounting services because they can't afford fancy lawyers? In your proposal, you even identified the Bahamas, which is where Morneau Shepell opened its subsidiary, and the numbers we're talking about are far bigger than what these small business tax changes are proposing.

● (1630)

Mr. Scott Chamberlain (Director of Labour Relations, General Counsel, Association of Canadian Financial Officers): Thank you for that question. When you look at the quantum, you're quite right. With the income splitting, it's about $280 million in projected savings with the stock options, which we mentioned earlier subject to a conversation with Mr. Sorbara about public versus private. It looks to be about $560 million to $1 billion in potential savings. With the transfer pricing, it dwarfs both of those, with $7 billion to $8 billion in potential savings, dealing with the very simple premise that economic activity should be taxed where it occurs, which is not what's happening globally right now.

Partially, your answer is probably that the third and bigger item isn't completely within the control of the Canadian government alone. It's an international problem. There is a blueprint for dealing with this, a partial blueprint that this committee put together in October and that the government responded to in February in terms of the CRA's efforts to combat tax evasion.

To be fair, we support modernizing income splitting because, by and large, the bulk of that $280 million benefits lawyers, doctors, and accountants—like me, a lawyer, and the accountant beside me—and not the middle class. About 3% of that benefits them. By and large, it's a very small percentage of money that could be saved. These other items are much more significant.

Mr. Tom Kmiec: Can you explain what types of companies take advantage of transfer pricing typically, and what's their size?

Mr. Scott Chamberlain: I'm sorry. Could you repeat that?

Mr. Tom Kmiec: What types of companies take advantage of transfer pricing and what's their size? What kinds of business lines are they in, typically?

Mr. Scott Chamberlain: Certainly, it could be a large.... I'll give you an example of a large coffee company that might have its copyright for its well-known brand symbol reside in Luxembourg. What happens is that they notionally on paper transfer goods to that country and tax them in that country at a much lower rate than where the consumption and the production actually occur. Also, they ascribe the bulk of their profits to the royalties associated with that brand, that symbol that's owned in Luxembourg. Mostly, we're talking about very large companies.

I'll give you another example. I can't remember the exact island, but there's a British island that is notionally the biggest exporter of bananas in the world, and there's never a banana on this island. The goods are notionally transferred through this island. They are priced and taxed there, and even the economic activity occurs elsewhere. Essentially, if we're transfer pricing, we're allowing economic activity that occurs in this country to be taxed elsewhere and not go into public revenue.

The Chair: I'll let you have a very short question.

Mr. Tom Kmiec: The companies that do take advantage of this are obviously publicly listed companies. The biggest coffee company in the world is Starbucks. I'm guessing that's the one you were trying to imply without naming them, so I'm just going to name them. I'm guessing that it's publicly listed companies that typically take advantage of this.

Mr. Scott Chamberlain: Sure. I guess parliamentary privilege extends to witnesses, so that would be Starbucks I was referring to, yes. Google, Amazon, the largest companies... but it's not only the large companies. Anyone who deals in goods can take advantage of transfer, such as banana companies and that sort of thing. As I said, the amount of money we're talking about is $7 million to $8 million. It's a large amount of untaxed revenue.

The Chair: We'll have to move to the next questioner.

Mr. Fergus, you have five minutes.

[*Translation*]

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

I would like to thank all the witnesses for their very interesting testimony. I am very grateful to those who have travelled from outside the city to testify here, in Ottawa.

My first question is for Mr. Shack.

Mr. Shack, I am very interested in your submission on behalf of the Centre for Israel and Jewish Affairs. The question I would like to ask you has to do with security infrastructure. You acknowledged that the budget increase was very important for ensuring the safety of places of worship. You also recommended that we should be flexible about the program and go beyond the 50/50 formula. Could you expand on that and give us a specific case that demonstrates the importance of that flexibility?

● (1635)

[*English*]

Mr. Noah Shack: The fifty-fifty formula is something we definitely support in general terms. It's important that security infrastructure isn't just a government handout but a partnership of the institution, the community, and the government.

At the same time, a number of institutions, some of them, in our experience, synagogues and schools, would love to be able to apply and participate in the program. They've come to us and have spoken to us about wanting to be able to engage with the process, but unfortunately they're just not in a position to put up their half. I'm not aware of specific examples beyond our community, but I'm sure there are some.

Whenever that 50% requirement constitutes a barrier to accessing a program that's designed to help vulnerable people, I think there should be a consideration in place to extend to them some sort of relief in this regard if they can demonstrate, by providing financial statements, that there is a definitive financial hardship. Most of them are charities, so there's a lot of documentation in that regard. Whether it's getting rid of their 50% or asking them to contribute a smaller amount, that would go a long way towards opening up the program and enabling them to participate.

[*Translation*]

Mr. Greg Fergus: Is your community interested in having more flexibility? For instance, would a deadline extension enable you to collect 50% of the funds?

[*English*]

Mr. Noah Shack: Again, that's an interesting idea that might work for some institutions. For others, it may not be a function of time; it may take too long for them to raise the kind of money that would be required for the project. At a certain point, these security measures that are needed are not being put in place, and if it takes a number of years for them to gather the resources sufficient to participate, I think that would be too long. It wouldn't actually help them.

[*Translation*]

Mr. Greg Fergus: The second thing I would like to address with you is the charity donations. You would like even the small amounts to be subject to 33% tax credit.

I personally became very involved in the Liberal Party. As far as charitable donations are concerned, I always thought it was important to encourage Canadians to give larger amounts, which would allow them to take advantage of the maximum tax credit, set at 33% . I thought that was the idea. We want to provide incentives to Canadians. Instead of making a $150 donation, a person could give an extra $50 and take advantage of a more attractive credit.

If we were to give the maximum credit for small amounts, don't you think it could have a negative effect and encourage people not to give the maximum amount?

[*English*]

Mr. Noah Shack: No. I think our intention with this is very much along the lines of what you have suggested. The idea of extending a 33% tax credit for charitable giving to people who aren't earning over $200,000 potentially would incentivize them to give more. If that benchmark for where the 33% would kick in is $200 or $1,000, that's something that can be discussed and considered in terms of how much it would cost and what the government could entertain. The idea very much is to create that incentive and to encourage people, to say that if they give that extra amount, they will be able to receive that top benefit. Right now, it's a little bit askew.

Of course, we're happy that the top givers, the people who earn over $200,000, are able to receive that 33%. They are often the ones on whom charities rely most heavily, but not exclusively.

● (1640)

The Chair: Thanks to both of you.

Before I turn to Mr. Kmiec for the last question, I have two. One is for the Association of Canadian Financial Officers.

You talk in your brief about how maybe the federal government could be more productive by using people within its own employ who are professionals, and thus save money, rather than going to outside consultants. Do you have any cost figures or any figures on what amount of savings the federal government would gain by doing that?

Mr. Dany Richard: I can tell you, as a chartered professional accountant myself, with 10 years' experience in the public service, that too often we'll deal with outside resources, and when these contracts come back, we have to review them, correct them, and say, “You might want to revise this.” Why? It's because we have the experience; we're there. In terms of the dollar figure, they're spending $8 billion on these outside contracts. How much of that could be done in-house?

We all agree that if there's a lack of capacity, there might be a need for a portion of that, but for the most part throughout my career, every time I've see one of these reports I've said, “This is something that could have been done better in-house at a lesser cost.”

The Chair: Did you say $8 billion?

Mr. Dany Richard: Yes, $8 billion.

The Chair: Okay. That's good to know.

Mr. Levin, with regard to your presentation, I know you dealt mainly with “tax planning using private corporations”. I think your comments are important. Right at the moment, one of the difficulties for us as the finance committee is that we're doing pre-budget consultations, which this panel is doing this afternoon. We're also studying tax planning using private corporations. We had a hearing on that yesterday morning, and we'll have one tomorrow morning.

In terms of this presentation, I would suggest to you, and to others who may care to, that on the finance committee's website under “tax planning using private corporations”, there is a place to make submissions, and maybe you should submit this there as well. What comes in on that consultation will go to the minister's portfolio for the consultations that he's doing, which will end on October 2. It's just a suggestion so your remarks aren't lost and so they go, perhaps, to where they're better slated to get your point across.

Mr. Larry Levin: Thank you.

The Chair: We have Mr. Albas now, instead of Mr. Kmiec.

Mr. Albas, you have about three minutes.

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

I'd like to go to the Canadian Dental Association. Obviously, there are different standards in every province. My understanding is that, in British Columbia, the Health Professions Act only allows other dentists and family members to hold shares in a company. One of your members told me about not being able to sell shares to non-dentists to raise capital and about having to borrow to finance the dental practice. Are there similar limitations, as far as these practices go, across the country?

Mr. Kevin Desjardins (Director, Public Affairs, Canadian Dental Association): I think that within most of the health professions acts across the country, this is the limitation that's put on: a dental corporation can only be owned by a dentist. That is the reality, and it certainly narrows the market of who would want to buy that corporation at some point. Certainly, as you indicated, the dentist can't sell shares in it.

Borrowing is one way to access capital. The other way is, frankly, to save within the corporation to be able to access that capital on an ongoing basis.

Mr. Dan Albas: Again, with regard to saving for capital, there are obviously the passive versus active measures that are in here. Those would be quite detrimental to your members, then?

● (1645)

Mr. Kevin Desjardins: Absolutely.

Mr. Dan Albas: My understanding is that because of provincial standards, which are good things, there is a very real cost to maintaining what some people have told me is like a mini hospital. They are expected, obviously, to have the highest standards, and it can take a million dollars to open up a practice or to replace old equipment. Is this going to be an ongoing challenge, do you think?

Mr. Larry Levin: Yes, it will definitely be an ongoing challenge. The expenses for maintaining practices, which as you've said, are like mini hospitals, are ever increasing, with more stringent, and properly so, requirements to improve the level of care for Canadians.

Mr. Dan Albas: If practising dentists decide they have to pay off their training and equipment, that ends up meaning higher prices for consumers. We already know that, in most provinces, there are no dental programs. Is that going to have a detrimental effect on the ability of people with low incomes to have any kind of service from a dentist?

Mr. Larry Levin: There is always the potential for that. There is a lot of work that dentists do for access-to-care patients where the fees for delivering that service are below the cost of producing the service. In effect, a lot of it is more pro bono. The more difficult you make that to participate in...the potential is there. By and large, the vast majority of Canadian dentists are happy to participate in those programs, but it will be more difficult should this type of measure go through.

Mr. Dan Albas: Okay.

The Chair: I'm sorry. We'll have to end it there. We do have another panel that we have to complete before a vote. I would like to thank all of the witnesses for their presentations and for answering questions today. We'll suspend for three or four minutes while the next panel comes up.

● (1645)

(Pause)

● (1650)

The Chair: I will call the meeting to order. I hate to rush people, but we are going to have a very hard stop on account of the vote. We might be able to go to 10 to six, but we're scheduled to a quarter to six.

We're here on the pre-budget consultations in advance of the 2018 budget. I'll ask the witnesses to hold their remarks to about five minutes. We are a little tighter on time than normal, but we thought it would be better to finish the panel rather than to have you wait until after we vote, so be as concise as possible, please.

We are starting with the Financial Advisors Association of Canada, Mr. Pollock, president and CEO.

Mr. Greg Pollock (President and Chief Executive Officer, Advocis, The Financial Advisors Association of Canada): Thank you, Mr. Chairman. I am delighted to be here and to present before the committee.

Advocis is the oldest and largest voluntary association of financial advisers and planners in Canada, with about 13,000 members across the country. Our goal is to work co-operatively with decision-makers and the public, stressing the value of financial advice and striving for an environment in which all Canadians have access to the advice they need.

Small business financial advisers primarily work out of independent agencies, or as exclusive advisers of life insurers and independent mutual fund and securities dealers. They are provincially licensed to provide various financial products to the public. There are about 78,000 small and medium-sized business financial advisers in Canada servicing more than 13 million client accounts.

Financial advisers are a vital part of Canada's economy and are crucial to the long-term financial health of Canadian families and small businesses. Representing $19 billion in direct GDP, Canada's small business financial advice sector is larger than the pharmaceutical, aerospace, and motor vehicle industries. Our sector accounts for 180,000 direct jobs and about $4.5 billion in total tax revenues.

The greatest value to the Canadian economy is what financial advisers do for their clients. Small business advisers are uniquely positioned to provide advice to middle-class Canadians. Over 80% of all households have less than $100,000 of investable assets. The average client assets under management are $49,000. The average life insurance coverage is $187,000.

In aggregate, Canadian households receive $27 billion annually from life insurance, annuity, and health benefit payments derived from individual solutions provided by life insurance advisers. Small business financial advisers manage $650 billion in financial assets for Canadians.

People who receive financial advice are more financially secure, better protected, and better prepared for retirement and unexpected life events than people who do not receive advice. Economic studies have shown that advised households have up to four times the financial assets compared to non-advised households. Public policy should be aimed at giving Canadians greater access to professional financial advice.

As the Minister of Finance said this week, "The economy is doing well. We are in the best place in a decade." We agree. The Canadian economy is growing at a strong pace. That is why we have taken a keen interest in the government's proposals to change the taxation of Canadian-controlled private corporations.

Small business is the lifeblood of the Canadian economy. The 13,000 financial advisers that Advocis represents not only are small businesses themselves, but advise hundreds of thousands of small businesses across Canada with financial planning, succession and estate planning, and tax planning advice.

The small business coalition rightfully pointed out, in our recent letter to the Minister of Finance, that the changes to passive income rules could potentially result in a tax burden of 73% on corporately earned investment income, and 59% on corporately realized capital gains. The coalition also points out that the changes to income sprinkling would have an impact on all small businesses, not just the ones making over $150,000 per year. Finally, the tax bill for intergenerational transfers that result from the death of an owner could increase by 15% to 20%.

None of this, however, is new to you as members of the committee, so allow me to make an argument that doesn't solely rely on statistics or economic models.

Building a business is not an easy thing to do. They are built with blood, sweat, and tears. People use their life savings to start a small business. They take out loans and lines of credit on their houses, and borrow from friends and family. They work 80 to 90 hours a week, and deal with a level of stress that often goes unseen. At the end of the day, the sad reality is that most of the time small businesses do not succeed.

The financial advice industry is changing. Robo-advisers, regulatory challenges, and increasingly aggressive large institutions continue to put pressure on small business financial advisers.

● (1655)

These tax changes will not only make it more difficult for small business financial advisers to stay competitive and expand their businesses but will also limit the options for the small businesses they advise. The tax changes will make it harder for these businesses to grow at a time when large institutions in some sectors are rapidly expanding their reach.

The proposals aside, our members feel that the process, including some of the language delivered throughout the process, was not collaborative. Our members and their clients continuously hear from the government that these are tax loopholes, and that these changes will only impact the wealthy and those who make over $150,000, when we know that this is not the case.

The consultation was launched in the middle of July and finishes just two weeks after the summer. To us, that's a very short window for these fundamental changes. We would ask this committee, through the pre-budget process, to convey to the Prime Minister and the Minister of Finance the concerns and challenges that many organizations like Advocis have faced and have identified during this very short consultation.

We are worried that this is being rushed through. We must ensure that this is the right public policy for Canada.

● (1700)

The Chair: Thank you, Mr. Pollock.

I don't know if you were here when I mentioned to the Association of Canadian Financial Officers that—

Mr. Greg Pollock: I was, thank you.

The Chair: So you could consider doing that as well.

We'll turn now to BIOTECanada.

Mr. Casey.

Mr. Andrew Casey (President and Chief Executive Officer, BIOTECanada): Thank you, Mr. Chairman.

Thank you to the committee for this important opportunity, at a fairly critical time for this industry, to provide testimony.

By way of introduction, BIOTECanada is the national trade association representing Canada's biotech industry. That includes the large multinational pharmaceuticals, but the vast majority of our over 200 members are small to medium-sized start-up companies that are taking innovations and trying to move them forward.

The innovations are addressing some of the challenges we're facing as a global society. When you think about a planet whose population is rapidly moving from 7 billion to 9 billion, we need to find new ways to grow, to feed, to fuel, and to heal, and biotechnology is one of the ways in which we'll be able to do that.

Thankfully, in Canada we have a long and proud history of bringing forward innovation in this space to the global marketplace, dating back to some of the earliest days, including the development of penicillin, insulin, and even the technology that went into making canola seed, one of the biggest crops for this country. As a result, we have fantastic science and scientists right across the country. They are housed and located in clusters that exist right across the country. You'd expect to see some in the big urban centres like Montreal and Toronto, and of course that's where very significant clusters are. But when you look at the biotechnology industry, it's in every single province in every region.

[*Translation*]

Indeed, even the City of Sherbrooke, along with Sherbrooke Innopole, supports the industry.

[*English*]

Last week I was out in Prince Edward Island, Mr. Chairman, where I participated in the opening of the expansion of BioVectra, a very successful company that I know you're well aware of. We see huge clusters right across the country, and they're supporting companies that are bringing forward some remarkable innovation. There are companies that are taking mustard seed and turning it into jet fuel. Other companies, in parts of the country like the Okanagan Valley, are taking fruits and stopping them from turning brown. We have other companies that are looking at things like shrew saliva and turning that into a therapy for rare forms of cancer. Other companies are turning other remarkable innovations into solutions for some of these rare diseases that we're now seeing emerge into our space.

These are fantastic innovations, but the key that's actually going to make them successful is their ability to attract investment and talent, without which they are not going to be able to proceed. It requires a very special investor and very special talent to make these companies and their innovations successful.

The reason this is an important opportunity for us as BIOTECanada is that we're able to highlight the ability of government to put in place the policy and hosting conditions that will allow companies to track the investment and talent they need to be commercially successful.

For that reason, we've submitted some recommendations to the committee. There's nothing earth-shattering, but certainly they are ones we think are important and that recognize the importance of being able to track those key components to allow the industry to succeed.

First and foremost is the scientific research and experimental development tax incentive program. It has been absolutely paramount in the success of this industry. We encourage the committee to recommend that this, at a minimum, be kept in place, if not broadened. Indeed, there are some challenges for companies that have investment from outside of this country in terms of their ability to access these SR and ED tax credits. Expansion of that, to allow for some of those companies whose investors are outside of the country, would be very useful.

We would also encourage the committee to look at what we call an innovation or a patent box, which is an ability for companies to earn income from their patents at a reduced tax rate. It's being used in other jurisdictions, and we would encourage the committee to look into that and recommend that as well.

Finally, for an industry that is so important to the transformation of people's lives and of other industries in this country, we don't really measure it all that well. There was a survey that was in place many years ago that was discontinued, I think, in 2005. It was the biotechnology use and development survey, out of then Industry Canada. We would like to see the reinstatement of that survey, just to be able to figure out where we are as a country and where we need to go, because we have to keep up with other jurisdictions.

I will leave it at that, Mr. Chairman, in the interest of time, and I thank the committee for its time.

● (1705)

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

Now we'll turn to Dr. Karen R. Cohen, member of the management committee, Canadian Alliance on Mental Illness and Mental Health, and also Mr. Phelps, Saskatchewan-born at that.

Welcome.

Mr. Fred Phelps (Member of the Management Committee, Canadian Alliance on Mental Illness and Mental Health): Thank you, Mr. Chairman, and all members of the committee.

My name is Fred Phelps and I'm the executive director of the Canadian Association of Social Workers. I'm here today with Dr. Karen Cohen, CEO of the Canadian Psychological Association. We are proudly representing the Canadian Alliance on Mental Illness and Mental Health today.

Established in 1998, CAMIMH, as we call it, is a unique coalition of 17 organizations that represents both those who provide health and social services, and those that represent people with lived experience with mental illness, their families, and their caregivers.

CAMIMH has a long history of using its collective power for mental health advocacy, calling for the creation and then a decade later the extension of the mandate of the Mental Health Commission of Canada. CAMIMH also advocated very strongly, ahead of last year's federal-provincial discussions, for a new pan-Canadian health accord, with dedicated funding to support increased access to mental health services, so that many Canadians who need them are able to receive them.

The 2016-17 health accord and its bilateral agreements, including $5 billion in dedicated mental health funding over the next 10 years, represent a historic achievement and a strong start in seeing what CAMIMH has advocated for, which is the Government of Canada contributing 25% of provincial expenditures for mental health. CAMIMH also supports the common statement of principles on shared health priorities that will guide bilateral agreements and investments in mental health over the next 10 years.

We have all come to understand that you cannot manage what you cannot measure. There are data gaps in our understanding of what is being delivered in mental health services, its effectiveness, and who is being served, both in the public and private settings. That is why CAMIMH supports a standardized set of pan-Canadian indicators that would serve to improve the accountability and transparency of mental health care and delivery, identify areas of high performance, accelerate the adoption of leading practices, and highlight where improvements are required.

In support of nationwide indicators, CAMIMH advocates that the federal government establish a five-year, $100-million mental health innovation fund. It is our view that this targeted and time-limited fund would jump-start the spread of innovation and build a foundation for systemic and sustainable change to meet the mental health needs of all Canadians.

Dr. Karen R. Cohen (Member of the Management Committee, Canadian Alliance on Mental Illness and Mental Health): Canada's health systems fall short in making evidence-based psychotherapies available to Canadians who need it. Psychotherapies, delivered largely outside of publicly funded institutions by non-physician providers, are not covered by our public health insurance plans. While many Canadians have access to private health insurance through employment, coverage for psychotherapies is often too low to afford a sufficient dose of treatment.

Canada needs more systemic change to its mental health delivery systems, change which requires intergovernmental collaboration and commitment. Better access to better mental health care can be achieved by resourcing evidence-based interdisciplinary primary care that supports mental wellness, delivers early intervention, and treats chronic conditions, increasing mental health capacity and tertiary care, invests in community-based social and health services, and implementing new technologies to extend the reach of mental health care.

The United Kingdom and Australia have made systemic change with promising results. Options for Canada to implement such change to the delivery of mental health care have been proposed and costed out, either by enhancing mental health resources on primary care teams, augmenting fee-for-service models through private extended health care insurance, or adapting U.K. models for Canada.

Services and supports for mental health and illness are not limited to assessment and treatment. Improving the social determinants of health can transform the lives of those living with or at risk for mental illness. Mental illness impacts everyone, and income is one of the most important social determinants of health. A universal basic income to support all Canadians should be explored. This program could build on existing tax mechanisms, such as the guaranteed income supplement for seniors, the Canada child tax benefit for families with young children, and the goods and services tax credit.

Finally, the federal government should introduce a mental health parity act that affirms that mental health is valued equally to physical health. A mental health parity act would help ensure that communities and workplaces, through their policies, programs, and benefits, attends equally to mental and physical health.

Canada cannot afford to continue its current path of inaccessible mental health services and supports. The costs of mental illness to the economy and the workplace are massive. Some 500,000 Canadians in any given week are unable to work due to mental illness. The private sector spends between $180 billion and $300 billion on short-term disability for mental illness and $135 billion for long-term disability. In 2011, the economic cost of mental health problems was measured at $51 billion.

CAMIMH urges all levels of government to heed the recommendations of the mental health community and make mental health change happen. Our recommendations are explained in greater detail in our formal submission.

We thank you for your time today and look forward to any questions.

● (1710)

The Chair: Thank you.

To all the witnesses, your earlier submissions are certainly a part of the consultations.

We'll now turn to Dr. Kells, president of the Canadian Cardiovascular Society. Welcome.

Dr. Catherine Kells (President, Canadian Cardiovascular Society): Thank you.

I'm Dr. Catherine Kells. I'm a practising interventional cardiologist in Halifax, Nova Scotia, and I'm president of the Canadian Cardiovascular Society.

On behalf of the more than 2,000 cardiovascular physicians, surgeons, and scientists across the country, I want to thank the committee for inviting me to present this important health innovation project that can improve patient care and more effectively use health care dollars.

As an interventional cardiologist, I'm the doctor you will meet in the middle of the night if you come in with a heart attack.

Despite the incredible advances we have made in cardiovascular care, heart disease remains one of the top two leading causes of death in Canada. Twenty per cent of all Canadians will die of heart disease.

I spend most of my days and every night on call working to save the lives of mothers, fathers, husbands, co-workers, and friends. I am extremely well trained in the Canadian system. I keep up with all the latest literature and techniques.

However, unbelievably, when patients ask me what their risk of death or complications might be when I'm about to put a stent in their arteries, I can't answer them. I cannot reassure my patients by telling them my own success rate, my complication rate, or their long-term risk of death or recurrence. I cannot compare our results in Nova Scotia to those of other provinces, and if my patients ask if they should go to Toronto to have heart surgery because it's the biggest centre, I cannot honestly tell them how we compare, because I don't know.

Unlike many other countries, in Canada we do not have a pan-Canadian, unbiased reporting system that reports the outcomes of our interventions and therapies in cardiovascular disease. In fact, in the 2013 OECD report, Canada's rank was 10 out of 11 countries for quality.

There are provinces and some institutions that do report outcome data. From those reports, we know that the quality of cardiac care does vary substantially, depending upon where you and your loved ones receive treatment.

Canada's inability to measure outcomes on a national scale is a critical health issue but also an economic issue. The price tag of cardiovascular care is currently $20 billion annually, and it's predicted to reach $28.3 billion by 2020 as our population ages, yet we don't measure the outcomes to ensure we're getting value for the dollars invested.

We, the professionals who take care of the patients in the cardiovascular community, want to improve cardiovascular care across the country, but as said by my friend and colleague, we cannot manage what we do not measure.

That's why the CCS is making one strong recommendation to the Government of Canada: to invest, in budget 2018, in a pan-Canadian initiative, using real-world data, to inform and improve the delivery of cardiac care across Canada.

Not only is the recommendation critical, it's highly achievable. While Canada may be information poor when it comes to national cardiovascular outcomes and comparative data, it's actually data rich.

Much of the real-world data already exists in databases and electronic medical records spread in silos throughout the country, but it's not enough to measure the quality of care within a single province or a hospital alone.

This Canada-wide problem needs a Canada-wide solution. Some provinces, including Nova Scotia, where I work, have only a single cardiac centre. Without the ability to compare hospital performance across the country, we cannot identify system-wide gaps and share best practices to benefit the health of all Canadians. By linking, analyzing, and providing data back to the doctors and health care providers on a continuous basis, we can achieve enhanced care for patients and a more effective use of our health care dollars.

By comparison to others, the recommendation I'm bringing to you today is a bite-sized innovation. For $2.5 million per year, cardiovascular specialists across Canada believe they can transform the quality of cardiovascular care. We're asking for a five-year commitment of funding to scale up our initiative and demonstrate its value.

Our initiative is physician- and surgeon-led, bottom up, and the community is highly engaged. We're working collaboratively with partners, including the provincial registries and CIHI , so we don't duplicate their work.

By bringing together data silos, connecting health professionals to the data they need to see, and translating that evidence into actions, we will enable Canadians to live longer and healthier lives, experience increased productivity in their workplaces and communities, and contribute to our country's economy.

No funding mechanism currently exists within Canada to make this project sustainable, and that's why I'm here today. Budget 2018 can send a clear signal that the federal government is committed to improving the quality of cardiovascular care for all Canadians.

● (1715)

Thank you for the opportunity. I look forward to questions later.

The Chair: Thank you very much, Dr. Kells.

We now have the Canadian Consortium for Research, Ms. Votta-Bleeker, chair.

Dr. Lisa Votta-Bleeker (Chair, Canadian Consortium for Research): Good afternoon, Mr. Chair and committee members. Thank you for the invitation to present to you.

I'm Dr. Lisa Votta-Bleeker, and I'm the deputy CEO of the Canadian Psychological Association. I'm here to present today as the chair of the Canadian Consortium for Research, or the CCR.

With 20 member organizations, the CCR is a national coalition which represents more than 50,000 researchers and 650,000 students. We are the largest advocacy coalition in Canada, focusing on research funding in all science disciplines and support for post-secondary education.

Science—social, natural, and health—is a fundamental part of Canada, having relevance to societal well-being, human functioning, health, technology, innovation, productivity, and the economy. Its relevance can be measured at the individual, business, and community levels. As such, it is critical to develop, promote, and support a culture that values discovery and innovation. Achieving this requires continued and sustained investments in funding for research, students, infrastructure, and career development.

The CCR commends the government on its commitment to the review of fundamental science. The report of the prestigious panel, chaired by Dr. Naylor, was the most comprehensive review of federal support for fundamental science in 40 years. We are also pleased with yesterday's appointment of Dr. Mona Nemer as Canada's chief science adviser.

The government's investment in fundamental research for 2016-17 to the funding agencies, to students, and to research infrastructure has been an important infusion of support to help strengthen the Canadian research community. These commitments, coupled with the support for indigenous students pursuing post-secondary education, and the expanded eligibility criteria for the Canada student grants program will help to create a much-needed pool of future researchers.

The fundamental science report offers a comprehensive plan to both change and improve Canada's research ecosystem and restore the position of Canadians as research leaders on the international stage. Consistent with the CCR's recommendations to the panel, the first priority is to increase funding for independent investigator-led research. To this end, cumulative increases to the base funding of the federal research granting councils, from the current $3.5 billion to $4.8 billion by 2022, should be phased in over four years.

Enhanced personnel support for researchers and trainees at different career stages should be established, with a total base increase of $140 million per year phased in over four years, in equal increments of $35 million per year. This can be used to harmonize, upgrade, and strategically focus the system of graduate student and post-doctoral fellow supports. The report also made recommendations for stable annual funding for CFI in the amount of $300 million, another $35 million annually for major research facilities matching ratio funding, and an additional $143 million in increased support for indirect costs associated with facilities and operations.

The CCR supports efforts to improve coordination and harmonization and promote collaboration and share best practices among the four granting councils: CIHR, SSHRC, NSERC, and CFI. Balance across all research disciplines, including the social science and humanities, health, and natural sciences, as a foundational principle for funding is essential to a healthy research ecosystem.

Other foundational principles in the report include new forms of support for multidisciplinary and international research funding; support for indigenous researchers, diversity, and research that crosscuts disciplines; improved agility and timeliness in responding to emerging issues; and investment in digital research that will serve the long-term access and reuse of Canadian research. Therefore, the CCR strongly supports the implementation of all the recommendations embodied within the fundamental science review report.

Moving forward with these recommendations would enhance the well-being of Canadians, help them be as productive as possible in their workplaces and communities, help businesses to be more productive and competitive, and support a strong science culture upon which the development of good policy and programming is based.

We thank you for inviting us to speak to our input as part of the 2018 pre-budget consultations.

● (1720)

The Chair: Thank you, Dr. Votta-Bleeker.

We now have the Chartered Professional Accountants of Canada, Mr. Ball, welcome.

Mr. Bruce Ball (Vice-President, Taxation, Chartered Professional Accountants of Canada): Thank you, Mr. Chair and members. I am Bruce Ball, the vice-president of tax at Chartered Professional Accountants of Canada, otherwise known as CPA Canada.

We are one of the largest and most respected national accounting organizations in the world, representing more than 210,000 chartered professional accountants at home and abroad. Collectively, CPA Canada and the profession enable, champion, and safeguard the Canadian ideal of good business that values inclusion, sustainable growth, and social development in cultivating a healthy and thriving economy. At CPA Canada we're committed to acting in the public interest, contributing to Canada's economic and social development, and helping Canadians, businesses, and the economy to succeed and prosper over the long term.

Permit me to highlight some of our priorities and recommendations for the next federal budget, as summarized in our pre-budget submission. First is responsible fiscal management, which needs to include a clear fiscal path to balancing the budget over the medium term. Next is an efficient regulatory environment for business. At CPA Canada we believe in regulatory excellence that makes it easier for businesses to comply, which facilitates trade and enhances job creation and growth opportunities. Another is a national adaptation plan that encompasses and coordinates all the aspects of adaptation in Canada to the changing climate conditions.

As a tax professional, though, I want to focus on one of our central recommendations, and that's the need for tax reform. CPA Canada has long called for a top-to-bottom review of Canada's tax system. Many other national organizations, leading think tanks, economists, and academics have joined the chorus as well. For the last four years, this committee has recommended that the income tax system be simplified and that a national consultation process should be launched. According to CPA Canada's recent “Business Monitor” survey, more than seven of 10 business leaders in Canada agree that such a review is required. With the government's proposed changes to the tax planning involving private companies, the call for a comprehensive tax review is growing even louder and more urgent.

I did hear the comments from before in terms of discussion about the private company consultation, but I think what's driving it for us is that at many business meetings and professional organization meetings, we have heard the call for tax reform being raised more and more. There is also a significant disconnect in what the government is saying about these proposals and what Canadian experts, a number of stakeholders, and our members are saying as well.

CPA Canada fully supports the government's commitment to a fair tax system that is internationally competitive, supports economic growth, and ensures that everyone pays their share of tax so that all Canadians prosper. This is in the public interest. However, in many respects the current proposals run counter to the basic principles of sound tax policy, in our view—concepts such as fairness, simplicity, competitiveness, efficiency, certainty, appropriately targeted tax measures, and being consultative. We therefore believe that these proposals are not in the public interest.

I'll list some of our many concerns about these proposals. First, they may adversely affect middle-class small business owners and entrepreneurs. They will create barriers to business investment, innovation, entrepreneurship, and job creation, harming Canadian competitiveness overall. Of significant concern is the complexity and uncertainty that we believe it will add to the tax system. We also believe that they could result in inappropriate tax results in some situations. Finally, they will raise the cost of compliance, the overall cost of doing business, and also the government's cost to administer the tax system.

These proposals also fail to provide enough time for taxpayers to bring their affairs in line with the changes. These proposals represent major policy changes to the rules that have been entrenched in Canada's tax system for decades, yet only 75 days were allowed for the consultation process. We believe it's crucial that the government examine all the alternatives before enacting these proposals into law. In fact, we believe it's time to hit the pause button and take a look at the issues more broadly.

● (1725)

In this light, we encourage the committee to launch its planned comprehensive review of Canada's tax system. We think this is now the time to stop and take stock. A fair, efficient, and competitive tax system is essential to sustainability and also to inclusive economic growth.

In summary, to achieve this, at CPA of Canada we firmly believe that a comprehensive tax review is required. Thank you.

The Chair: Thank you, Mr. Ball.

We'll turn to five-minute rounds of questions.

Before I go to Ms. O'Connell, I can't help sitting here thinking, Dr. Kells—I'll age myself here—I remember in 1997, when Allan Rock was minister of health, he proposed a report card for health in Canada basically along the lines that you're proposing, only on the whole system. Federal-provincial jurisdiction got in the way of that, I understand, but I really think it's time we got there. You have to measure it.

Ms. O'Connell.

Ms. Jennifer O'Connell (Pickering—Uxbridge, Lib.): Mr. Pollock, I want to start with you. You talked about income sprinkling and the effects this is going to have on small businesses, but I didn't see your brief or your background data to back up that statement. If you have that, I'd appreciate receiving it.

The Canadian Centre for Policy Alternatives put out a report called “Splitting the Difference”. In it they say:

> By far the biggest winners are Canada's top 10% of families by income, who have access to nearly two-thirds of the total tax benefit from the current loophole. Nearly all of the families who benefit most from the income sprinkling are headed by male income earners, which undercuts claims that the current loophole is positive for gender equality; and almost half of all benefits flow to the richest 5% of families, those earning more than $216,000 a year.

It later goes on to say:

> On the other hand, more traditional small businesses such as family-run farms or restaurants are two and a half times less likely than professionals to benefit from income sprinkling.

Are you suggesting that their data is incorrect? If so, can we see yours?

Mr. Greg Pollock: Absolutely. We will share many examples. We have provided a lot of those examples to date already, but we certainly will do that.

I did see that report. I haven't read the full report myself, but I certainly have seen the highlights of the report. One thing we're finding troubling is that many of the tax experts—and there was just reference to some of them a moment ago—have very different points of view as to the implications of these changes. If that is the case, then I think we really need to pause for a moment, step back, and look at all of these reports that are coming out. I think we should be doing that. We need to understand each other's point of view. When we do that and understand that, then I think we'll be in a position to move forward.

Certainly, many of the tax experts we're relying on—and they are CPAs, at the end of the day, most of them—are very clear that there are many examples of private businesses where the owner of that business.... I'm thinking of a particular case right now where the owner is a woman, not a man, but you know, we—

Ms. Jennifer O'Connell: Right, but in fairness, I'm not asking for anecdotes; I'm asking for data. That's what this report....

I too know business owners who are women, but what I'm talking about here is that it says the vast majority of income sprinklings are headed by male income earners. I appreciate the fact that you know women business owners, but we're talking about the data, and the overwhelming data is this.

I just need to move on. If you can provide that, I'm happy to read it, just as I've read this.

● (1730)

Mr. Greg Pollock: Yes, we will. Thank you.

Ms. Jennifer O'Connell: Mr. Ball, you talked about the stagnation of the economy. In this same report I'm referring to, it says that, basically, 0.3% of all Canadian families are likely to see more than $1,000 in tax savings from income sprinkling, but that this one loophole costs the federal government approximately $280 million and the provinces $110 million.

What do you say, sitting on the same panel, where there's a request for $100 million for a five-year innovation fund for mental illness and mental health, when you see that this one loophole, affecting 0.3% of all Canadians, could more than pay for the type of innovation in mental health and mental resources?

The drain on the economy, I think, was said to be $51 billion, the cost to the economy for mental health and mental illness. Do you not think adding tax fairness and redistributing this type of money back into the federal coffers could pay for things that save $51 billion to our economy?

Mr. Bruce Ball: Well, there were a number of things there. The one thing I do want to highlight, though, is to make it clear that we're not talking about just the wealthy, I guess, when we're concerned about the proposed changes. I'd have to agree that we believe it applies across the income spectrum. I think higher-net-worth families are benefiting from it, for sure, but there are also families that aren't and have been using income sprinkling as well.

Taking a step back from that, I think—

The Chair: Ms. O'Connell.

Ms. Jennifer O'Connell: I'm sorry. My question was, is it worth the cost when you aren't able to pay for that when it affects so few people?

Mr. Bruce Ball: That's—

The Chair: That's where your question will end.

Mr. Bruce Ball: Yes, and I'll sum up really quickly.

What we're calling for is a comprehensive review of the tax system. Part of that would be looking at the fairness in terms of taxpayers and also trying to make sure that the tax system is as simple as possible. That would be our answer: we believe that it's to take a look at the tax system overall and make sure it is producing fairness.

The Chair: That ends that question.

The bells are ringing. Because we're close to the chamber, we usually agree to continue. Is there unanimous consent to continue until about 10 minutes to six?

Some hon. members: Agreed.

The Chair: Okay.

Mr. Kmiec, you have five minutes.

Mr. Tom Kmiec: Thanks to all of you for coming in.

I'm going to start with Mr. Ball and continue with Mr. Pollock.

We're talking about data, so I'm going to continue on that point. I have the letter of the Coalition for Small Business Tax Fairness, which now includes more than 70 national organizations, both business and professional associations. In their letter, they say the minister is suggesting that his proposal would not affect small business owners "with incomes under $150,000". Now, I have power point presentations from Moodys Gartner and other tax law consultancies, people who care about tax administration, not tax policy—they say they make a difference between the two.

Can either of you gentlemen tell me that you have any data that shows the minister is correct and that none of these tax changes will affect persons who earn $150,000 or less?

Mr. Bruce Ball: The question is, do we have any data that shows that it does not? No, we don't have any data that would say it does not. Also, anecdotally, we've heard that it will in some situations.

Mr. Tom Kmiec: One of the other claims that the minister has made repeatedly on these proposed tax changes is that they're not retroactive.

In fact, I have an example, including proposed section 246.1, of where capital dividend accounts would actually be affected. We had Mr. Lanthier before the committee. He is the former chair of the Canadian Tax Foundation. He said that in fact it will affect anybody beforehand.... It will affect estates and it will affect anybody. Death is not a loophole, as far as I know; it just happens.

Therefore, do you agree with the minister's statement that none of these changes are retroactive?

Mr. Bruce Ball: No, we believe there is retroactivity. One of the changes is the change that you mentioned. There are people who have engaged in planning to make sure they're not taxed twice upon death, and they're in a kind of limbo, because the provisions do have retroactivity in that respect.

● (1735)

Mr. Greg Pollock: I'll add a point to that as well.

Yes, there are the accountants who have been looking at these issues as well, but there are also lawyers who have been looking at it. They're examining the proposed legislation and then the potential legislation, because there are two parts to this. In a presentation I was at in Charlottetown back in the summer, clearly the lawyers were saying that there is retroactivity in some of these proposals. Certainly, there is not retroactivity in other parts of the proposals.

Again, this is the point that we find troubling. There's a lack of clarity. From our point of view, that's problematic.

Mr. Tom Kmiec: Mr. Ball, I'm guessing that the CPAs, before the different associations merged into one organization—now your association—have been part of a lot of public consultations on tax changes and financial changes, and in CRA consultations.

There are 75 days to consult on this. I've heard it said repeatedly that this is the shortest consultation ever on a tax change. Is that true in your experience? Have you ever seen anything like this proposed by a public regulator?

Mr. Bruce Ball: I agree that it's a short consultation when you compare the amount of change that's been proposed as part of it. Some consultations are shorter, but they're mostly related to simpler issues, frankly. There has been a lot to deal with in 75 days. Our message is that there's just not enough time.

Mr. Tom Kmiec: Mr. Ball, you said there was a growing disconnect between what the government is saying and what it is actually proposing, the meat and potatoes of the proposal, like section 246.1, which deals with CDAs, capital dividend accounts. There are other sections that others have mentioned, such as the section 88 and section 84 proposals.

Why do you think that rhetoric has diverged over time for the last few weeks? Also, what are you hearing from your members who are tasked with providing advice to their clients in this interim period? Obviously, people have to start planning right now for what may happen in the future. What are your members hearing, and what are they saying to you?

Mr. Bruce Ball: With regard to the disconnect part, the issue is that these are major changes in tax policy, so our position is that they really need to be treated that way. Again, that goes back to the 75 days.

Our members are having trouble because the provisions are so complicated, and some of them will be effective three months from now, such as the income sprinkling. The provisions you talked about before are already effective, and they are trying to figure out how to deal with situations there.

I think that, in addition to making sure things are grandfathered, you also have to make sure people have enough time to adjust their legal arrangements to correspond to the new rules.

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

[*Translation*]

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

I would like to thank all the witnesses for being here today.

I will start with Mr. Ball.

The positive aspect emerging from all the discussion on business taxation is the semi-consensus on a complete overhaul of the Income Tax Act.

What form do you think this complete reworking of the tax system should take? Should we proceed with a royal commission of inquiry, like the one over 30 years ago, or should we take a different approach? Should we start from scratch or should we start from the current taxation system?

[*English*]

Mr. Bruce Ball: In my view, our primary interest is to just make sure there's a thoughtful process, whether it's a royal commission....

A number of years ago, there was an international tax panel that reviewed the international rules. I don't think we're as fussed about how it's done, as long as it's a thoughtful and comprehensive review. Going in, you can't say if it's going to be a tweak or a major overhaul because I think part of the exercise is to see what's working and what isn't and to determine how much work there is to do. That's the first step of a review. I think we need to go into it with an open mind and see what we need to do.

[*Translation*]

Mr. Pierre-Luc Dusseault: Thank you.

Dr. Votta-Bleeker, you spoke about the indirect costs of research. I remember learning about related, or indirect, costs that aren't necessarily covered or reimbursed. I know there is a major problem with that.

Has this situation been resolved? If not, what do you recommend in order to resolve the situation of the indirect research costs?

● (1740)

[*English*]

Dr. Lisa Votta-Bleeker: The indirect costs of research are something that we have been long advocating as needing some overhaul. One of the key players in that has been the Canada Foundation for Innovation, the CFI.

The report recommends more matching ratio funding and more reimbursements for universities that are based on smaller sizes to larger sizes so that they are able to maintain the investments the government has made in the past. Right now, what we're hearing from the universities is that these wonderful investments were made and that they don't have the funds, either as universities or from further funding, to maintain these facilities, so these facilities are going for naught. It's essentially becoming wasted money.

There are recommendations in the report that do recommend these. One, for example, was the $143 million, which would bring it to a certain percentage. There were also other cost estimates in the report. Our recommendation is to at least start with the lowest amount the report recommended, the $143 million, to start assisting with some of those indirect costs.

[*Translation*]

Mr. Pierre-Luc Dusseault: I have one last question, and it is for Dr. Kells.

It has to do with the health system performance data collected by province. I really wonder why data should be collected at the national level rather than at the provincial level. If each province collects its data and publishes it, then you ultimately have a national registry. Why do we have to have a national registry? I have a hard time understanding it.

[*English*]

Dr. Catherine Kells: The issue is that we have a complex health care system with provincial and federal partners in everything that we do. Historically, the provinces received health care dollars, most of which they use for providing health care. The information collection that is done is done very variably. Some institutions do it themselves. Some provinces have registries, and many don't. Smaller provinces don't have registries at all. Larger provinces, for instance Ontario, have core health, so they have a registry.

But what they're measuring in Ontario is not the same as what they're registering in British Columbia with Cardiac Services BC versus what they're measuring in Nova Scotia, which is only three different, small quality indicators. Many provinces don't have a registry. We have CIHI. They measure administrative data, but up until we started working with them with medical expert stakeholders, they were providing administrative data like number of bed days, which is meaningless to doctors.

What we want to know is our death rate, our complication rate. I need to be able to compare what I'm doing in Nova Scotia to what's happening in Saskatchewan or Ontario, because I may think I'm doing a fabulous job. Maybe my length of stay is four days for treating a heart attack patient. I think that's good, but I might find out that in Ontario they can have people home in two days, and when I see that, I wonder what Ontario is doing differently. Right now we don't have a pan-Canadian process.

We did it with our demonstration report in one small area on transcatheter aortic valve replacement, which is a very expensive new innovation. We had 100% participation from all institutions across the entire country, including Quebec. We did a demonstration report with that in 2016. Just getting the data back to the operators led to immediate changes in practice when they saw their own data compared to others, and it helped inform how they built their new programs in Saskatchewan and other places.

The difference is providing stakeholders, medical experts who are engaged into collecting what's really important to us, pulling together what's already been done, adding what's missing, and then giving the toolkits back to the operators—the doctors, the practitioners—not just publishing in some Excel spreadsheet someplace. We have our annual congress where all the cardiovascular specialists come together. We have workshops where we show the data for the whole country and show them how they're doing it differently. From that we can start to build best practices and share them.

● (1745)

The Chair: We'll have to end it there. We're substantially over on that one.

Mr. McLeod, you have a final question.

Mr. Michael McLeod: Thank you, Mr. Chair.

My comments are for the Canadian Alliance on Mental Illness and Mental Health.

Prior to sitting on this committee, I sat on the indigenous affairs committee and travelled around the country talking about the issue of indigenous youth suicide. Many issues contributed to the level of despair in our communities: poverty, sexual abuse, housing, addiction, isolation, and cultural disconnect. These are all issues that are out there.

I really want to say thank you to your organization for raising this issue. I know our government has invested quite a bit in mental health, so I applaud them also. There are also other populations in Canada, for example, middle-aged males, who are also experiencing high levels of suicide.

How do you see additional investments in providing mental health services addressing these issues specifically? Is this one of the gaps that you mentioned in your submission, trying to target the vulnerable groups in a certain way?

Dr. Karen R. Cohen: Thank you for that question.

One of the strong messages of CAMIMH is that we need more accessibility to mental health services and supports. We know that of people who take their lives, over 90% have mental health issues and disorders, so providing care is the first thing we need to do better so that when they reach out, they're actually getting the help they need.

Mr. Fred Phelps: If I may add, that's why the investment is in access. Mental health, 10 years ago, wasn't discussed as it is now. People are able to come out of the shadows because there is some government leadership. There is some leadership from national organizations such as our own, but Bell and others across the country have led the way to promote the destigmatization of mental illness. As you know, in your communities, when people come forward and they cannot access...that's when the suicide issues arise in greater numbers. That's why we're looking for the federal government to support the provinces and territories to move from 7% to 9% of overall funding for mental health.

Mr. Michael McLeod: We know in the north we probably have 10 times the rate of suicide as the rest of Canada.

Mr. Fred Phelps: Yes.

Mr. Michael McLeod: While we were doing the study, which took a little over a year, we estimate in the north we had over 100 youth commit suicide. It's a crisis situation and there is not one magic solution to dealing with it. It's going to take many levels of government. It's going to take a focus on healthy people and healthy communities, and responsibilities are intertwined and it's complicated.

I'm really curious. In your submission you talked about the United Kingdom and Australia taking a different approach. Can you talk a bit about that?

Dr. Karen R. Cohen: One of the main differences when it comes to the United Kingdom and Australia is that delivery care is under federal authority, so making change happen is a little more nimble than in Canada, where care is delivered by jurisdiction.

What the U.K. did was it developed programs to enhance access to psychological therapies. They trained many health care providers. The programs are static. They collect data on over 90% of every visit. The programs are evaluated. Often the psychologists take the role in terms of evaluation, but the delivery is by a range of health providers who work within these facilities, and they have been able to make a huge difference. Tens of thousands of people have gone off disability payments. Recovery rates are about 60% for those living without symptoms in recovery.

What Australia has done, conversely, is more of a fee-for-service model. They have a program called enhancing access to family doctors, psychiatrists, and psychologists, and some other specially trained providers as well. They will fund up to six sessions of services, renewable three times, of services on the referral of a family physician for mental health care, but that may have changed.

The Chair: Okay, with that we have to go to a vote.

Just to remind members, there are some changes in location. From 8:30 to 11:30 tomorrow morning, it will be at room 415, Wellington, on tax planning. It won't be in this room. The minister will be there from 11:30 to 12:30 on the same issue, and from 3:30 to 6:30, on pre-budget consultations, it will be here in this room.

With that, I want to thank each and every one of the witnesses for their presentations. I'm sorry we're a little short on time, but that is due to votes down the way.

Thank you to those who came to Ottawa. Thank you for your earlier submissions that came in prior to August, and thank you for your response today.

The meeting is adjourned.